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### Starting your own primary care NP practice—lessons learned

Laura Markwick

St. John Fisher University, lmarkwick@sjf.edu

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## Starting your own primary care NP practice--lessons learned

### Abstract

The recently passed Modernization Act in New York (NY) eliminates the mandatory collaborative physician requirement for nurse practitioners (NPs) with 3600 hours of experience. Although NPs must provide referral sources upon request, the new law eliminates the barrier of filing written signed agreements. These changes could facilitate the process for NPs to start their own practice. This article provides some insight into this process from the lens on one who started a primary care FNP practice in Western New York (WNY), including barriers encountered and lessons learned.

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Starting your own primary care NP practice—lessons learned

Laura Markwick, DNP, FNP-C

NP Family Care of Rochester, PLLC

[npfamilycare@gmail.com](mailto:npfamilycare@gmail.com)

Assistant Professor

St John Fisher College

Wegmans School of Nursing

[lmarkwick@sjfc.edu](mailto:lmarkwick@sjfc.edu)

## **Starting your own primary care NP practice—lessons learned**

### **Abstract**

The recently passed Modernization Act in New York (NY) eliminates the mandatory collaborative physician requirement for nurse practitioners (NPs) with 3600 hours of experience. Although NPs must provide referral sources upon request, the new law eliminates the barrier of filing written signed agreements. These changes could facilitate the process for NPs to start their own practice. This article provides some insight into this process from the lens of one who started a primary care FNP practice in Western New York (WNY), including barriers encountered and lessons learned.

**Keywords:** nurse practitioner, primary care, independent practice

There are many challenges and rewards that accompany owning your own practice. Most importantly, you are able to determine how you will care for your patients, run your business, and manage your time. New York State's Modernization Act now says that an experienced nurse practitioner (NP) is no longer required to have a signed collaborative practice agreement. This legislation removes a major barrier often encountered when trying to establish an independent practice as it can be difficult and costly to locate a physician willing to sign an agreement for an NP private practice. Although this situation can facilitate the process of entering private practice, there are still many things to consider before making this move. This article, which is based on personal experience and feedback from others who have started a practice, will help you to formulate and implement a business plan.

## **Business Plan**

The first step in setting up a practice is to create a comprehensive written business plan. This plan should describe your vision and goals for the practice. Consider contacting your local Small Business Administration to see if they can assist with this plan, which is often done pro bono. A good business plan will facilitate the acquisition of a bank loan by describing the feasibility of your business. Revisit the business plan periodically to remain on track, or adapt as needed. Included in the business plan are: (1) An Executive Summary highlighting the mission, vision, goals, and keys to success; (2) a description of the business, company structure, location, building interior, hours of operation, time allotted for each appointment, products and services, suppliers, management, and financial management; (3) marketing plan including pricing, advertising and promotion; and (4) finances with a list of start-up expenses and a break-even analysis. There are several free templates offered on the internet to provide guidance and a professional look to this document (<https://www.sba.gov/tools/business-plan/1>, <https://www.score.org/resources/business-planning-financial-statements-template-gallery>, <http://www.business.com/business-planning/7-best-free-business-plan-templates/>).

Once the business plan is established, finances need to be determined. Consider available assets, including money as well as in-kind donations that are available to help start the business. Once this has

been determined, a break-even analysis can be created, which is how many patients will need to be seen in a day or month in order to cover expenses. Decide if this venture is to be solo or with a partner. If choosing a partner, thoroughly discuss the plan, ensuring agreement with roles and responsibilities as well as payments and salaries. Work responsibilities and income should be proportional to each individual's effort.

## **Business Organization**

Consider whether or not to form a corporation, partnership, or a sole proprietorship. This decision should be made after careful discussion with an accountant as there are tax implications. A corporation does have some increased costs but it also provides some protection for personal assets should something happen to the business, such as a lawsuit. Some states will have requirements as to whether it should be a Limited Liability Corporation (LLC), or a Professional Limited Liability Corporation (PLLC). However, in NY, NPS are required to use the Professional Limited Liability Corporation model, which is an entity that is designed for licensed individuals. Securing the services of an attorney can be a worthwhile investment to ensure that the corporation will be set up correctly. The cost is nominal (perhaps around \$2000) and considered a business expense for tax purposes. When forming a corporation, it is required to publish this legal notice in two periodicals for six weeks (one a daily publication and one a weekly publication), so this needs to be taken into consideration in your timeline. The publications may be simultaneous.

Deciding what to name the business is another challenge. Some states have regulations regarding a professional practice name. In New York, the State Board of Nursing oversees NPs and thus must verify that your company name is appropriate. They require that it have "Nurse Practitioner" or "NP" in it to notify the public that it is a nurse practitioner run business. It also must state what the specialty is, such as "family" or "adult". The business name will have to be approved by the State Board prior to being approved by the Office of the Secretary of State. Once approved, application for a tax ID number from the IRS can be filed. This is necessary in order to obtain a bank account. Please note, the process of getting

the name approved can take as long as six weeks, which is in addition to the six weeks mentioned above. A Drug Enforcement Agency (DEA) license with the business address is required in order to prescribe controlled substances as well as National Provider Identifier (NPI) numbers for both the provider and the business.

## **Banking**

A business checking account will need to be established. Local banks often will cater to small businesses and can be a great resource. Consider applying for a business credit card account to be able to order supplies and eliminate the hassle of submitting personal credit card receipts to the business for reimbursement. Determine how payment for services will be accepted. If credit cards are accepted for payment, inquire if the bank provides this service or contracts it out. Often times the smaller banks will contract out to a payment processing service. When looking into credit card services, inquire about equipment fees for card swipers, as well as monthly fees and per transaction fees. Often these companies will have a yearly equipment fee, a monthly service fee, and a per transaction fee, which can vary depending upon what type of card it is (VISA, MC, Discover, AMEX) as well as if it is a rewards card, which can have a higher fee. The fee is often a percentage of the transaction. Other options include PayPal or AMEX Merchant Services, where you put a swiping device onto your cell phone and connect to your account. These services also have various fees. One of the benefits of using the bank sponsored service is that typically the funds are automatically transferred to the checking account, and the fees automatically deducted, resulting in one less responsibility for the busy practitioner.

Consider applying for a small business loan. This will help cover the costs of the initial start-up equipment. It will also depend upon how much initial funds are available to invest in the business, as identified in the business plan. Do not borrow more than needed and ensure that you fully understand the terms. The bank can help with deciding between a loan or line of credit. Setting up automatic payment for fees and loans is very helpful. Just ensure that enough money is available in the account to cover the payment each month.

## **Location**

There are many things to consider when determining where the business should be located. If working out of the home is the preferred choice, check with the local zoning board to determine if this is feasible. Some neighborhoods are not zoned for commercial use and thus not an option. Also consider that if it is desirable for a patient to know where the provider lives, as they may show up unexpectedly when family is home.

To rent or not to rent, is an important question. This decision will depend upon the amount of investment money available and the amount of responsibility desired regarding property maintenance. If renting, choose an office suite size that meets the business's needs. For example, when first starting the practice, an office suite with five exams rooms might not be practical as there will be increased cost for space that won't be utilized for a period of time. For a start-up practice, consider renting office space from another healthcare provider. This situation helps in a few ways. It keeps the cost of rent down by the ability to rent one or two exam rooms and then share the common space (storage area, reception area, waiting room, and bathrooms), and if renting from another provider that is in a complementary specialty, it might generate referrals. However, be careful not to refer in lieu of rent as this practice is illegal! An important consideration is growth in the practice. If renting an exam room and the practice grows, the business will be required to move. While this is doable, it can be a hassle with paperwork and moving costs. Make sure an agreement is reached with regards to the property maintenance aspect of the contract, such as plowing or shoveling responsibilities, and repairs. Ensure that there is sufficient parking as well.

Know the cost of office rental space in the desired area. It can be quoted as cost per square foot per year or per month so it is important to be aware of which you are being quoted. To figure out a reasonable rent for subletting, know the square footage of the exam room and then do the math to figure out what the monthly rent would be for that space. Add in extra for the common area as well as money for shared support staff such as receptionist or medical assistant. The dollar figure could be determined by



figuring out an anticipated percentage of time that the staff would be working on behalf of the business and paying for that part of their salary and benefits.

## **Insurance**

Property insurance is advisable to cover for theft or fire. This is particularly important if taking out a business loan as most banks will require it. Do not over insure but make sure to take out coverage for the value of the equipment as well as the space. Malpractice insurance is required for the business. If the organizational structure is one of a solo practitioner, then just changing the personal policy to the business policy might suffice. If there are multiple providers in the business, then there should be a separate policy just for the business and then decide if providing employees or partners with malpractice coverage will be an employee benefit.

## **Equipment**

### *Medical Equipment*

Acquiring the necessary medical equipment can be challenging. For most practices including primary care, an examination table is required. This can be one of the most costly items if purchasing new (\$3000-5000). Consider contacting a local medical society to see if there are any practices closing, which would facilitate purchasing some used equipment at a lower cost. The disadvantage to this is the equipment is older and must be moved by the individual. The tables are very heavy, making this option potentially difficult and expensive. Should the decision be made to purchase new, establish a relationship with a local medical supply dealer. They will deliver and set up the items, as well as provide a warranty for any defects. In order to determine what is initially required, determine what other services will be provided, such as EKG, injections, suturing, spirometry, nebulizer treatment, and the like.

Medical supply company representatives can provide guidance on things to order for a new business and training on the new equipment. Create a “must have” list and a “wish list”, defining what is absolutely necessary in order to start the business (a blood pressure cuff in various sizes is a great start!

and what can be put on the wish list until the practice and financial base is more established (a spirometer or cryotherapy unit might be something good for the future). Table 1 has a list of some of the things to consider purchasing for an initial start. Remember that a dedicated refrigerator with a thermometer is required for any injectables or medications that require refrigeration. You will also need a locked cabinet to store syringes and needles.

[Insert Table 1 about here]

### *Office Equipment*

Chairs are needed for the patients and their family members to sit in while in the exam room and waiting area. These chairs should accommodate people of all sizes. Church pew chairs are nice because they are extra wide, comfortable, stackable, and can be ordered from local discount clubs at a reasonable price. A desk and chair for the provider will be needed as well as a filing cabinet to put patient education information, receipts, and various supplies. A printer/scanner/fax machine and a paper shredder are a must. Then there are the general office supplies such as paper, pens, folders, stapler, and clipboards. A local office supply store can be of assistance. The business needs a phone, which can be either a land line or a cell phone. Be sure to set up your voicemail and check it frequently! Internet service is a must. If accepting credit card payments, this should be a secure service as well. Most internet providers offer a business service.

### **Hiring support staff**

The decision to become a business owner should not be taken lightly. Much of this decision is based on finances and the ability to meet payroll obligations for support staff. If a solo practice, then delegation of duties is not an option and the provider must be prepared to complete all necessary tasks including scheduling, point of care testing, payment collections, and prior authorizations to name a few. Remember that if employing staff, there is the financial obligation of not just salary, but also benefits as well as payroll taxes and workmen's compensation taxes. Payment of workmen's compensation taxes is

not required for solo practices. If choosing to employ, then check with the local Chamber of Commerce to see if there is the ability to purchase benefits at a group rate. Negotiate hours and provide a job description with clear expectations.

## **Advertising**

Advertising in some form is essential for any company. Whether it is just word-of-mouth personal referrals or media advertising, this is what is going to increase business. No matter which format is chosen, it is important to attend as many networking events in the local area and always have business cards available to hand out. Introduce the business to colleagues and let them know that new patients or referrals are being accepted. Notify all personal contacts, as well, and provide them with business cards. These can be ordered along with door signs via online companies for a reasonable price. It is money well spent as people need to know how to find the practice. Notifying the post office responsible for mail delivery that a new business has been established will ensure delivery of mail in a timely manner. If someone is not going to be in the office daily, make sure alternate arrangements have been made for mail delivery and pickup. Setting up an account with UPS and/or FedEx is also wise as it will facilitate delivery of your supplies.

## **Electronic medical records (EMR)**

A computer will be required if using Electronic Medical Records (EMR). They are efficient and relatively easy to use, eliminating paper charts, which solves a large storage issue. A choice can be made between purchasing a software system (can cost in the thousands of dollars) and using one of the free web-based software programs that are available. The web based systems use a secure website and store the data on a secure server, which allows for access from any computer with an internet connection. They are Health Insurance Portability and Accountability Act (HIPAA) compliant and provide electronic prescribing. EMR allows for patient tracking and monitoring of outcomes. They have scheduling systems embedded within, so patient appointments can be linked to chart documents. They can occasionally be

linked with local labs or imaging centers where the results will be directly linked back into the patient record. Patients can have the option to schedule their own appointments on line or have access to a patient portal where they can view portions of their records. Some systems provide for electronic communication between the patient and provider using a secure messaging system. Studies have shown that this improves patient/provider communication, aids in patient empowerment, and improves the quality of care (HealthIT.gov, 2015), (Kruse, Bolton, & Freriks, 2015), (Wald & McCormack, 2011).

## **Reimbursement**

Whether insurance is accepted or not is another issue. Credentialing/empanelment can be a hassle and takes a great deal of time, in some cases three months or more. Even if the provider were credentialed with an insurer previously, they must be re-credentialed for the new business. Be prepared with copies of certification, license, degree(s), curriculum vitae or resume, and reference contact information. The benefit to being credentialed is that it expands the potential patient population and can increase income, depending upon what fees are charged. Insurers will list the new practice as accepting new patients and thus contribute to marketing efforts. It also facilitates care with patients as referrals cannot be requested for a patient who might need to see a specialist if they have insurance and the provider is not credentialed with that insurer.

Unfortunately, insurers in some geographic areas of New York continue to require written collaborative practice agreements despite the passage of the Modernization Act. Some (Excellus and MVP) require 10 years of experience as an NP before they will recognize NPs as independent providers and empanel them. Currently, the professional organization is working with the private practice NPs and insurance companies to eliminate these barriers. In Rochester, there is a group of NPs working with the regional chapter to discuss these barriers with the insurers, most notably Excellus and MVP.

Obviously, if you have a cash only business, the insurance hassles are avoided. However, this situation can impact the quality of the care you provide. If a cash only business is chosen, determine what

others are charging in the area and be comparable. Don't underprice the business, but don't price yourself out of business, either. Billing can either be done in house or can be outsourced to a billing company. While billing services have a fee attached (typically a small percentage of what is collected—on average 5%) it leaves the billing to the experts. If outsourcing, look for a company that is well established and that does not charge fees unless payment is received, which provides incentive for them to pursue negligent payments. Many billing companies will also help with the credentialing aspect free of charge. There is incentive for them to do this, as often the fee collected from the insurers is more than what is charged for a cash only business, increasing their income as well.

### **Service Contracts**

Contact the local laboratory and imaging centers used for patient testing. They will provide lab requisitions with the business account name on them and will facilitate reporting of results. Labs will often supply you with the necessary equipment such as specimen cups, culture media, and other items free of charge so there is no need to purchase these. Set up a system for delivery or pick up of specimens, such as a lock box outside the office. Become familiar with the delivery and pick up schedule. Try to choose organizations that are reputable and convenient for the patients. Discuss with each organization the method of delivery of results to ensure timely reporting.

### **Summary**

This is an exciting time for NPs in New York! Owning and operating a private practice can be empowering for both providers and patients. It is rewarding to be able to manage your own practice the way that you see fit, determining your own visit time allotment and productivity level. How wonderful to be able to take 30 to 60 minutes per patient if you choose, addressing all issues with a wholistic approach. You determine what services you will provide, supplies you will need, and when you will need them. You determine your working hours. My practice has the unique feature of providing primary care during evening and weekend hours, as well as some daytime hours as needed. This fills a great need with folks

that work during the day. Since opening five months ago, I have completed a total of 30 patient appointments. This may not seem like a lot, but it takes time to develop a patient base, especially considering the time taken to complete the credentialing and empanelment process.

One must go into this venture with an open mind and a great deal of patience. Do not expect to make a profit initially, as this can take several months to over a year, depending upon the amount of any acquired loans and debt and the terms of such. Advertising and marketing in some fashion is mandatory. Ask questions and take advantage of networking opportunities. Above all, be all that you can be, delivering quality, effective, efficient health care to your patients and see the wonderful outcomes. It will all be worth it in the end.

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Table 1: Initial Supply List Recommendations

Exam table paper rolls	Urinalysis test strips	Glucometer test strips
Gloves, nonsterile and sterile	Rapid Strep test kit	Lancets
Thermometer	Urine Pregnancy Test	Pulse Oximeter
Otoscope with tips	Syringes—3cc, 5cc, 10cc	EKG machine
Ophthalmoscope	Needles, various gauges	EKG paper and leads
Tissue	Sharps box	Speculum, various sizes
Gauze pads, 4X4 & 2X2	Saline	Light source for speculum
Hand sanitizer	Suture material	Prescription pads or printer paper—Controlled Substances only
Reflex hammer	Lidocaine	
Monofilament	Betadine	
Penlight	Sterile drapes	
Gowns, paper or cloth	Alcohol wipes	
Drapes	Glucometer	