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A place to call your own

Becoming an independent practice owner carries many risks, but the rewards can be hefty if you have a knack for business and are willing to sacrifice sizable paychecks for a while.

I have noticed a surge in the number of associate veterinarians interested in starting a practice. Whether this interest is the result of skyrocketing sales prices for existing practices, the desire to create something of one's own or other factors, I am seeing new privately owned startups, even in areas with many competitors.

Of the numerous benefits associated with being a practice owner, one of the biggest is control. You control your compensation, your work schedule, the practice's philosophy and style, the mission, and core values. Being an owner gives you the right to operate the practice as you see fit. You set the goals, hire based on criteria you set (assuming those meet legal requirements) and determine the standard of care. In addition, you have control over your job security.

Practice owners stand to benefit financially from operating high-quality, efficient practices. As an owner, you earn profit from not only your work but from the services your doctors and staff provide. To the extent you increase the revenue and control expenses, the difference falls to the bottom line.

One of the biggest rewards of ownership is the opportunity to build a legacy that is a reflection of your values. Most owners enjoy the process of mentoring new doctors and staff. Finding the best people, bringing them on board, and watching them grow both technically and in their interactions with your clients and community will give your practice the continuity you hope it would have.

Risks and Responsibilities

Business ownership isn't for the faint of heart. Practice owners have a significant amount of responsibility over and above those of an associate veterinarian. As a veterinarian, you learn about the body systems of a variety of species and you need to be competent in all of them. As a practice owner, you are asked to learn about a wide variety of business systems, including finance, marketing, human resources, customer service and so on. In order to be a successful business owner, you need to develop at least a baseline level of competency in each area.

Unless you are independently wealthy or a scrupulous saver, the money to start a practice comes from a third-party lender or an investor. Excellent veterinary-specific lenders, both conventional and those that specialize in Small Business Administration loans, work with startup practices. You also might find a local lender to work with you.

Veterinary lenders do not expect you to have paid off your student debt prior to starting a practice, so educational debt is not always a deterrent to loan approval. To repay the debt related to the startup, the practice needs to generate profits and be able to distribute those profits to you as the owner. Many lenders offer graduated loan payments, with lower payments due in the first few months or years and larger payments later. This structure is designed to ease the cash flow so you have time to build the business before full payments are due.

Paying Yourself

What you have read about hospital owners making more money than associate veterinarians is true. One of the best ways to pay off educational debt is to own a profitable veterinary practice. Startup practices typically are not profitable for at least six months, often much longer. Overhead expenses, such as the lease, utilities and office supplies, consume a large portion of total practice fees simply because those gross fees are at low levels. As the practice grows, more money will be available to take as owner salary or draw, but until that time, cash may be tight.

There is a big difference between buying an existing practice and starting one. When you buy a practice, you acquire a business that already has clients, patients and appointments. When you start a practice, you have none of these, and even if your clinic is in the best location and has the perfect marketing plan, the appointment schedule might not fill up for months. During this time, the money generated will go to your employee payroll, landlord and vendors. You should be able to pay yourself after six months but probably not at the level you are used to earning as an associate.

As the business owner, you are last to be paid. You might not be able to pay yourself the going rate for 18 months or longer. If you can't go without a regular paycheck, starting a practice might be too risky for you.

Have a Trusted Adviser

Opening a business of any kind is fraught with risk, yet they are launched every day. Unless you have experience opening other practices, make liberal use of business advisers. Attorneys, accountants, consultants, real estate agents and marketing professionals are some of the people you might need on your team. (To find experienced veterinary advisers, visit www.vetpartners.org.) You will save money by having your neighbor's nephew's roommate build your website, or by asking your sister, the estate attorney, to review your lease, but you need the industry-specific expertise that will help you avoid common and not so common pitfalls.

While you dream of building the perfect hospital, strongly consider opening your practice in leased space and postponing the ideal facility for a few years. Yes, your lease payments will line the landlord's pockets, but you will have significantly less risk. Opening in leasehold space might require loans of $400,000 or more. If you add real estate and a ground-up construction project, quadruple that cost and then some.

Building a clinic rather than remodeling existing space will take more time. If you are risk-averse, start small and plan to build five or 10 years later.

The value of planning a new practice can't be overstated, but should you have a formal business plan? While veterinary-specific lenders usually don't require one as part of the loan process, most outside lenders do. At a minimum, you will need to create financial projections for the first one to three years the business is open. These projections need to be reasonable, not optimistic. Think about the very first patient to come through the door. It's more likely to be for ear mites than a tibial-plateau-leveling osteotomy.

Even if you don't need a formal business plan, you will benefit from putting together an informal plan at a minimum. Think about how you will differentiate your practice from its existing competitors, and the community niche it will fill. Who, besides yourself, will be the practice's key leaders? Will your website have an internet pharmacy? What products will you stock? How do you want the business to grow, and what services, staff positions and employee benefits will you add, and when? And what will you do if disaster strikes?

Planning for success is more fun, but thinking through how to deal with adversity will help you identify resources to turn to if things go sideways.

Starting a veterinary practice represents a major investment that will reshape your entire professional career and your personal life. Greater risk might be followed by the potential for greater rewards, but nothing is guaranteed.

While you can control much of the risk related to the internal operations of the business, you can't control environmental risks like the economy or the emergence of competitors. The street in front of your practice could be closed for weeks due to planned or emergency road repair.

Success is never guaranteed, but the investigation and analysis you do before taking the plunge — along with a healthy dose of self-reflection — will make you aware of and better able to minimize the risks. ■

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