



Choosing a Practice Facility

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Taking the time to plan ahead will improve your chances of selecting a facility that meets your needs and those of your patients.



If you're opening a new practice or have decided to move your practice, you may be anticipating a long, frustrating process. That's what the family physicians interviewed for this article expected when they first started looking for new practice facilities. But they each found ways to make the job more manageable – and ultimately determined that the results more than made up for the hassles they experienced.

Thinking of the process as three distinct steps may help: creating a decision-making infrastructure, determining what you want in a new facility and locating and considering potential facilities. Here's some advice about what's involved in each of the three steps.

1. Create a decision-making infrastructure.

Before you start looking at practice facilities, it is helpful to develop a clear-cut plan for how decisions will be made. The plan should indicate who will make decisions and what level of input others will have in the process. Bill Soper, MD, MBA, a member of the *FPM* Board of Editors who built his sixth practice facility in Kansas City, Mo., in

September 2000, says it's best to assign the decision making to a small group made up of one to three physicians and perhaps an administrator or outside physician who's been through a facility search before. Even if you don't involve the administrator or an outside physician in the entire search process, consulting with him or her early on can be useful, he says.

Judy Capko, a senior consultant with The Sage Group Inc., a national health care consulting firm based in Newbury Park, Calif., agrees it's best to keep the decision-making group small but suggests a different approach: creating a building committee to handle the decision making. For most practices, she recommends that the committee consist of representatives from the three main areas of the practice – one each from the management and clinical teams and one or two from the business office. While the clinical representative could be a physician, Capko says that doesn't necessarily have to be the case. "Having a physician on the committee is helpful if he or she is committed to the project and willing to devote the time. Otherwise, nurses usually know the physician's

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Choosing a new practice facility can be a frustrating process, but breaking the process down into three distinct steps may help.

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Begin by developing a clear-cut plan for who will make decisions and how they will be made.

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Often, it's best to assign the decision making to a small group within the practice.

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Next, create your search criteria by prioritizing your needs in each of these areas: patient base, proximity to a hospital and other services, and type and size of facility.

facility-planning needs well enough to fill the role," says Capko. If the committee does not include a physician, Capko suggests having one review the committee's work before it goes to the entire group as a recommendation. The building committee's size and make-up will vary by practice, but there should still be some limits, says Capko: "The larger the practice, the more departmentalized it is and the more representation is needed. But having more than five staff members on a committee becomes cumbersome, making it difficult to manage and reach decisions."

2. Determine what you want in a new facility.

Once you've established a decision-making process, you can work on creating the search criteria. To do this, Carole Ann Guillaume, MD, who runs her new Leawood, Kan., solo practice in a facility she shares with another physician, suggests bringing all the physicians in the practice together to discuss the practice's needs and wants. One of the main reasons for this is to get buy-in and keep morale up, she says. "More and more physicians are realizing the feelings of powerlessness that occur when an unattached managing body makes decisions that directly impact their everyday work environment. [Sharing ideas] demonstrates that we value and appreciate each other's decisions and actions and respect each other's feelings and opinions," says Guillaume. Another reason she says this is important is to ensure that the process stays on track. "Each time a decision is made, it narrows the choices for subsequent decisions. This is why prioritizing your needs and your 'wish list' is helpful at the onset," says Guillaume.

Whether you choose to bring your entire practice together to determine your search criteria or whether you'd prefer to limit the number of people involved to a select few, here are some of the main issues you'll want to consider:

Patient base. Capko says the most important factor in determining a location for a new facility is demographics. It is almost axiomatic that you want to locate in an area with a high concentration of the type of patients you most want to reach – the elderly, young families, etc.

KEY POINTS

- Choosing a practice facility involves creating a decision-making infrastructure, determining what you're looking for and finding potential facilities.
- A rule of thumb for the size of a practice facility is 1,200 to 1,500 square feet for the first physician and 1,000 to 1,200 square feet for each additional physician up to 4 or 5.
- Allow six months to select a facility site and, in some cases, six to nine additional months for renovations.

In some cases (e.g., if you're looking to move to a larger facility that's still close to your current patients), you may already know the area well enough that you won't need to do additional research. In other cases, some type of data collection may be necessary, particularly if you're looking at an area that's new to you. "You need to find out what your population and growth potential would be," says Maggie Blackburn, MD, who moved her Stamford, N.Y., solo practice to a facility nearby that allowed her to maintain her patient base.

You can find demographic information by talking to other physicians and by checking with nearby hospitals, the local Chamber of Commerce and the U.S. Census Bureau (www.census.gov). Census Bureau information is available about the age, gender, ethnicity, income, source of employment and level of education of your potential patient base. At tiger.census.gov, you can create a customized map of a potential neighborhood based on different demographic factors. Also, detailed population and demographic projection reports are often

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available from market research companies, such as ESRI Business Information Solutions (www.esribis.com).

Proximity to hospital, other services and competitors. Depending on how often you visit the local hospital and how many off-site services you use, the distance between these and the practice facility can have a significant impact on you and your patients. Soper's new facility is on a hospital campus and will eventually be connected to the hospital once hospital expansion plans are completed. The location makes it easy for patients to use all the hospital facilities and for him to make rounds, Soper says.

But he also sees some negatives. “If you’re on a hospital campus, the hospital’s support facilities are the easiest to use, but you may find yourself in a political battle if you try to send your patients elsewhere.”

Since Guillaume’s practice emphasis is on outpatient care, being close to a hospital wasn’t as important to her as proximity to other services. “I wanted there to be a pharmacy, X-ray and lab services and other physicians nearby,” says Guillaume, “I wanted to be in a community of doctors where patients could just walk to another floor to get lab tests, X-rays, etc.”

Capko recommends studying your potential local competition to determine whether there are things you can offer that they don’t. Once you’ve determined what area(s) you’d like to look at, you can find out who the local competition might be by checking with the local medical society or simply flipping through the phone book. The AAFP manual, *On Your Own: Starting a Medical Practice From the Ground Up* (www.aafp.org/newpractice), which provides information

on such things as privileging issues, supplies and office design, suggests placing colored pushpins that represent local physicians on a bulletin-board map so that you can easily visualize your potential competition.

Soper says you should also plan on finding out whether your potential physician neighbors are respected in the community. “You tend to be judged by your company,” he says.

Type of facility. Think about whether you want to focus only on professional medical buildings or whether you would also consider an alternative practice site, such as a city-center area or a strip mall in a neighborhood center. “These types of alternative settings are becoming more popular and acceptable both to the consumer and to the medical community,” says Capko, adding that strip malls often offer more patient convenience, practice visibility and, usually, free parking. “It used to be that only new docs were acquiring this type of space, but now other physicians are becoming more open-minded and are seeing the advantages of alternative practice sites in meeting consumer

BUY OR LEASE?

While many physicians in private practice want to buy their facilities, it is not always the best financial option. Small, commercial office buildings can be difficult to rent or sell, they lock the physician into an existing facility, and the necessary property management involved is costly and requires extra time the physician owner likely has little of.¹

For similar reasons, Bill Soper, MD, MBA, who has owned and leased in the past, finds that it is easier to lease: “As a group grows, new physicians tend to feel that the owners of the practice are getting an unfair advantage.” For example, Soper says, one of the new physicians might want to replace the wallpaper, but the owners might not want to spend the money for it.

Carole Ann Guillaume, MD, who subleases her space from the physician she shares the facility with, also sees benefits to leasing. “The nice thing about a sublease is that you can sign a lease for just one or two years. You can try it, see how it fits and keep negotiating,” she says.

Although Maggie Blackburn, MD, might have considered

leasing if she’d seen any leased properties in her area, she’s happy with the decision she made to buy her new practice facility – a renovated house. “One of the benefits of buying over leasing is that you have some equity in the building itself,” says Blackburn. “I was also free to make the space the way I wanted it. I did not have to clear renovation ideas with a landlord.” Blackburn says she has also been able to get some tax write-offs with interest and property taxes and use a home-equity line of credit to finance some equipment purchases.

If you decide to lease, make sure you’re ready to negotiate as you visit possible facilities. “Find out who the building manager is. This person will be your source for viewing and negotiating everything from price to move-in date to costs for leasehold improvements,” says Judy Capko, a senior consultant with The Sage Group Inc. Also, look at how many empty suites are in the building, she says, since this can give you more negotiating power. Soper suggests trying to get first right of refusal on leasing adjacent space when it becomes available and to get many renewal options. In the past, he’s been able to negotiate five-year leases with as many as seven five-year extensions.

1. Whiteman AS, Hermanson J, Palkon D. *Cutting Costs in the Physician Practice*. Chicago: American Medical Association; 2001.

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The most important factor in determining a location for a new facility is demographics.



You can gather demographic information from other physicians, hospitals, the local Chamber of Commerce and the U.S. Census Bureau.



Depending on how often you use the hospital and other services, the distance between them and your practice is also important.



Study your potential local competition to find out whether there are things you can offer that they don’t.



Think about what type of practice facility would be best suited to your practice – a professional medical building, a strip mall, a renovated house, etc.



For each type of facility, be sure to consider the access and parking issues, which are important to patients.



Generally, you'll need 1,200 to 1,500 square feet for the first physician and 1,000 to 1,200 square feet for each additional physician up to 4 or 5 physicians.



Once you've created your decision-making infrastructure and your search criteria, you can begin your search.

needs and becoming the 'neighborhood doc.'" Capko does point out some disadvantages of alternative sites: Physicians who practice in such sites might miss out on the camaraderie and networking that's common in professional medical buildings, they're less able to control the types of businesses that may move in around them, and they're sometimes less conveniently located for hospital rounding.

Another type of facility to consider is a house that you can renovate into an office space, as Blackburn did. "One of the pros of a renovated house is the ease of creating a warm, friendly, homey environment," says Blackburn. Her space, which began as a two-bedroom house and was renovated into three exam rooms and a waiting room, has a fireplace, a kitchen and a garage, which she plans to convert into additional office space in the future. Though it has worked for her, a renovated home may not be the best choice for everyone. "Some physicians and patients may prefer a more sterile environment, since others may perceive that as more professional," she says. Blackburn also points out that many houses are not on main roads with good visibility, as hers is.

Other issues to consider when choosing the type of facility you're interested in are access and parking, both of which Capko says are extremely important. "Patients get frustrated when they have to travel back roads and make a dozen turns off a main road to find your office," says Capko. Some of your parking and access needs may vary

depending on your patient base. "For example, in a poor community, having free parking would be important, but that would not necessarily be so in an upscale community," Capko says. "At the same time, a ground-

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floor, ADA-equipped practice with convenient public transportation may be the top priority in a practice that treats

many elderly but not in a practice that has a focus on younger patients," she says.

Size of facility. Although it varies by doctor and specialty, a general rule of thumb for a practice facility is 1,200 to 1,500 square feet for the first physician, Soper says, and 1,000 to 1,200 square feet for each additional physician up to a total of about 4 or 5 physicians; additional physicians beyond that point may increase the space requirement somewhat less. Capko says 1,400 square feet is adequate for the traditional office that has three exam rooms, a consultation room, a reception room and business office/storage space. And the latter shouldn't be short-changed, she says. "Too often physicians compromise on business office and storage space and end up with costly inefficiencies that could have been avoided with better planning and a few hundred more square feet," says Capko.

3. Start your search.

Once you've determined what you're looking for in a new facility and prepared yourself for the decisions you'll have to make, you should be well equipped to start choosing facilities to visit.

According to Capko, one way to begin your search is to narrow it down to a specific area (e.g., a five-mile radius) and find a realtor to do the rest of the searching for you. "Use the expertise of these knowledgeable people so that you can continue to focus on patient care issues," she says. To find a realtor, Capko suggests talking to building managers of facilities similar to ones

TIPS FOR CHOOSING A NEW PRACTICE FACILITY

- Look at the demographics and potential patient base of a particular area.
- Find a facility with good parking and easy access.
- Choose a space that's close to services you and your patients will need most.
- Get to know your potential local competition.
- Consider hiring an architect to handle renovations.
- Weigh the pros and cons of buying or leasing your practice.
- Talk to building managers and other physicians to find a local realtor.
- Limit your search to three facilities at a time.
- Allow adequate time to find a facility (up to 6 months) and renovate it (6 to 9 additional months).

you're considering and physicians who may have used a local realtor in the past.

Another good way to find potential practice facilities is by talking to colleagues and friends. Soper found his new facility by talking to some of his colleagues at the nearby hospital, and Guillaume ran into an old friend whose husband was looking for someone to share some office space with.

Capko recommends limiting the search to the three facilities with the most desirable qualities. If none of them works out, she suggests going back to the drawing board and choosing three more facilities to consider. "More than three at a time adds confusion and indecision," she says.

Try not to get discouraged if you don't find your new facility right away. The time it takes to select a new facility varies, Capko says, but the more time you have, the more information you can collect to make a wise decision. She says that even for the most diligent searcher, it can take up to six months to select a site. For Blackburn, who wasn't able to begin her search fully until she'd left her previous position, the process was much quicker than that, taking only two months. But she would have preferred to have things move more slowly. "The timing wasn't really what I wanted. I felt this pressure to get something running quickly, and that was not optimal. I would recommend allowing more time just so there's not so much pressure," says Blackburn.

Even after you've selected a new facility, you may not be able to move in right away. If the building shell is intact but renovation is needed, it can take another six to nine months for completion, says Capko. When you're visiting potential facilities, it is important to consider the amount of renovation you'd need to do, says Guillaume. "When you're looking at a space, you have to look at the setup that's already there and ask yourself, 'Can I work in this space as it is? Does it need major or minor changes in renovation?' If it needs major changes, you may be better off just looking around at other spaces," says Guillaume, whose new facility needed only an additional storage room and a handicap-accessible bathroom.

Soper didn't mind having to make significant renovations: "I wanted a shell so that I

could build it the way I wanted it." He says hiring a good architect is very important. "If you try to do it yourself, you may have something that looks decent, but you'll miss some things an architect could think of," says Soper. For example, his architect recommended putting heating lamps in the exam rooms. "It was something I had never thought about, and she'd done it in another practice. Patients stay warm when they're undressing," says Soper. His architect also suggested a different pattern in the ceiling tile, "which doesn't make a bit of difference as far as costs are concerned but creates more interest," he says.

The cost of some renovations can add

up quickly. According to the AAFP practice start-up manual, limited improvements (e.g., paint and carpet) can cost several hundred to several thousand dollars, cost-conscious extensive improvements can cost \$35 to \$50 per square foot, and top-quality extensive improvements can cost \$75 or more per square foot.

Although Soper is happy with the renovations he made, he says the cost and time involved were greater than he'd expected. "Accept that it will cost more than you think it will. Accept that it will take longer than you think it will take," he says.

Planning ahead

Successfully choosing a new facility for your practice is all about being prepared. According to Capko, taking the time to plan ahead and research each part of the process is key. "Know yourself and your needs. Know your community. Know the nuances of designing or completing a build-out in the community. And make sure the people responsible for helping you have the expertise and reliability you need," she says.

Blackburn says the reward is worth the work: "There seems to be a real trend for people to do this. I think we should encourage people to give it a try, because you can practice the way you want to and things can be done the way they should be done."

Soper agrees: "You spend so much of your life in the office that it should be a pleasant place." **F M**

Send comments to fpm@aaafp.org.

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Talk to colleagues, friends and local realtors to find potential facilities, then limit your search to the three facilities with the most desirable qualities.



It can take up to six months to select a site, so if the first three facilities aren't what you're looking for, choose three more to visit and so on.



Keep in mind that if renovation is needed for the facility you choose, it can take another six to nine months for completion.



Successfully choosing a facility for your practice involves planning ahead and researching each part of the process.