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Concepts in Health Care Entrepreneurship

Chapter 2: Territory Management

Territory Management

- ...It can take 1 to 3 years for marketing efforts to culminate in patient revenue → start early!
- ...People you meet may not have a current health care need, may not want to seek help *yet*, or may not be comfortable with the idea of using you *yet*
- ...You never know how marketing efforts will take shape; foster countless long-term relationships
- ...Go online to RemedyBooks.com and download a territory worksheet under the *Students* tab

Territory Management

- 2.1 Territory Mapping
- 2.2 Network Development
- 2.3 Referral System
- 2.4 Marketing Campaigns
- 2.5 Resource Allocation

Territory Mapping

- Territory Map
 - Define the area in which you want to market
 - Start by buying an actual map of the marketplace
 - Use pins and markers to keep track of important items
- Territory Worksheet
 - Travel around your marketplace, talk to everyone, and examine every detail therein; leave no stone unturned
 - Classify people, places, events, and objects
 - Brainstorm how each can serve a marketing purpose
 - Work in a group to gather as many ideas as possible

Territory Mapping

- People, Places, Events, and Objects
 - ✓ Individuals, groups, clubs, business owners, etc.
 - ✓ Businesses, organizations, parks, schools, etc.
 - ✓ Trade shows, conferences, community events, etc.
 - ✓ Sidewalks, roads, signs, buildings, structures, etc.
1. Categorize related items into a single classification
 2. List key characteristics (attributes) of each classification
 3. Note ideas on how to use a classification for marketing purposes and track marketing efforts

Network Development

- You can build a network from scratch
 - Or, you can connect with individuals who have already built large networks and tie into theirs
 - Attorneys, other health care providers, business owners
 - Set up meetings → use professional sales techniques
- *Network participant*: person who is familiar with you from word of mouth, advertising, or direct contact
- *Applied network*: provide network participants with instructions (applications) on how to market or communicate on your behalf



Concepts in Health Care Entrepreneurship

Chapter 9: Taxation

Taxation

- ...Focus on the tax benefits of an S corporation
- ...You must pay yourself a “reasonable” wage if operating as a corporation
- ...A single-member limited liability corporation (LLC) files as a sole proprietorship whereas a multimember LLC files as a partnership
- ...Know how the veil of legal liability protection can be “pierced”
- ...Make adequate estimated tax payments
- ...Use a payroll service to handle payroll matters

Taxation

9.1 Business Forms

- Corporate Form

9.2 Payroll Taxes

9.3 State and Local Taxes

9.4 Tax Planning

9.5 Record Keeping

Business Forms

- Legal authority to operate is granted by the state
- Depending on the business form . . .

- A business will pay tax and file tax forms at the entity level and again at the individual level (double taxation)
- A business will file an informational return at the entity level, and also pay taxes and file tax forms at the individual level
- The business entity will *not* file a tax return; the business files tax forms and pays taxes at the individual level only

Business Forms

- Sole Proprietorship
 - Business entity is ignored for tax filing; information is reported on Schedule C of individual Form 1040
 - No legal liability protection; business owner bears personal financial risk in case of bankruptcy
- General Partnership
 - Partnership files an informational return, Form 1065
 - Each partner then pays taxes at the individual level
 - None of the partners receives legal liability protection
 - Can be responsible for the obligations of other partners

Business Forms

- Limited Partnership
 - Same tax filing process as a general partnership
 - *General* partner receives no legal liability protection
 - *Limited* partner functions as a *passive* investor and bears no financial risk besides the amount invested
 - Status as a limited partner can be lost along with liability protection upon *actively* engaging in management

Note: no matter the partnership form, information is passed along to each partner by the percentage ownership or as set forth in a partnership agreement; taxes are then assessed at the individual level only



Concepts in Health Care Entrepreneurship

Chapter 14: Funding Sources

Funding Sources

- ...The best source of financing is patient revenue
- ...Consider ways to build a patient base as an associate and transition into a personal practice
- ...A seller-financed loan may provide the easiest access to large amounts of capital financing
- ...Learn about contract law in general and not just in relation to forging a loan agreement

Commercial Loan

- Work with the Small Business Administration (SBA)
- A commercial lender may review the following
 - Fair Isaac Corporation (FICO) score
 - Accepted as the key rating source of personal credit risk
 - Boost score by keeping a credit card active for a long time, but avoid late payments and high balances by rarely using it
 - Business Plan
 - Marketing, finance, and management sections
 - Personal Financial Statements
 - Personal assets, liabilities, and sources of income

Commercial Loans

- Cash Flow Loans
 - Type of loan obtained when buying a practice
 - Not secured by any underlying asset
 - Carries the same risks as a credit card
 - Federal assistance needed to keep interest rates down
 - SBA administers the 7a loan program
 - Program reduces risks to the lender, not the borrower
 - SBA can help borrowers secure better terms
 - Common terms are 3 to 10 year maturity, 28% down payment, and interest rate is Prime + a fixed percentage
- 7a loans require 2 years of work experience . . . how many patients can you recruit and retain in 2 years?

Commercial Loans

- Lenders that participate in the 7a loan program *and* lend to health care providers
 1. CIT Small Business Lending, www.smallbizlending.com
 2. GE Health Care Finance, www.gehealthcarefinance.com
 3. Matsco, www.matsco.com
 4. Professional Practice Capital, www.ppcloan.com
 5. Coffman Capital, www.coffmancapital.com
 6. Rx Financial Group, www.rxfinancialcorp.com

Commercial Loans

- Collateralized Loans
 - Secured by underlying assets (collateral) that lending institutions can sell in case a loan goes into default
 - SBA 504 loan program is available, but not generally needed since lending institutions don't bear as much risk as compared to cash flow loans
 - Small loans: bank branch office
 - Large loans: bank branch + commercial lending division
- Common terms are 10 to 25 year maturity, 25% down payment, and interest rate is LIBOR or Prime + a fixed percentage
- Corporate legal liability protections can be circumvented if the borrower is required to offer personal assets as collateral