PAs and Practice Ownership

PA ownership of a medical practice is legal in most states, and quite a few PAs are sole owners or partners. However, medical practice ownership can present challenges unique to PAs, given the complex intersection of PA licensing systems, medical practice regulations, and reimbursement policies. Decisions about how to structure the practice will have financial, legal and tax implications, which differ from state to state. PAs considering ownership should seek legal and financial advice from professionals. This brief is intended to help PAs think through relevant issues and consider the questions they should ask.

FORMING A CORPORATION

To protect personal assets from business debts, most practice owners incorporate their businesses. The parameters for legally structuring a practice are determined by the state in which the practice will operate. Information about incorporating is typically managed by the state's Office of the Secretary of State or the medical licensing board and can be found on their websites.

State regulations vary in their levels of clarity regarding PAs ownership of medical practices. For example, some states' regulations list the specific professions that may form a professional corporation (PC), a common corporate structure for medical practices; other states say something more general, such as that owners of a PC must provide the "same or similar" professional services. Some states are clear that one or more PAs can form a PC with only PAs; others require that a medical PC include at least one physician owner. And still other states allow PAs to form PCs, but limit the total share of a corporation that can be owned by PAs. There may also be other corporation structures available to choose from, depending on the state.

A critical factor for any PA practice owner concerns how they will structure their relationship with a collaborating physician—as a partner, co-owner, employee, or contractor. In some states, only corporations that have at least one physician owner can employ a physician. In other states, only corporations or partnerships that are 100 percent physician-owned can employ a physician, and in some, there are no requirements regarding physician ownership or employment.

When PAs need clarification on state issues, state PA chapters may be a good place to start. They may have information, contacts, and relationships that will help ease the process.

PAYMENT ISSUES

Payer policies also can affect decisions about corporate structure. For instance, Medicare policy allows PAs to own up to 99 percent of a state-approved corporation. A corporation owned entirely by PAs cannot bill Medicare. Someone who is not a PA (e.g., a friend, spouse, or physician) must own at least one percent of the practice, as allowed by state law.[1,2] PAs should also be aware of the reimbursement policies of private third-party payers and whether those payers will make payment to PA-owned corporate entities.

Medicare's PA ownership policy does not affect PAs who own certified Rural Health Clinics (cRHCs). Medicare regulations allow PAs to fully own cRHCs. Reimbursement is paid to the clinic.[3]

BUYING INTO A PRACTICE

Established practices sometimes invite PA employees to become shareholders or owners. This is best done with careful study and legal counsel, and all agreements should be in writing. A PA thinking of buying into a practice should understand the owners' incentive, the buy-in cost, rights of controlling and noncontrolling owners, compensation structure, difference between income and disbursements, the PA's level of involvement in day-to-day management decisions, access to financial statements, and the dissolution process. It is essential to determine whether the structure of the practice allows PAs to be owners under the state's business regulations.

OTHER ISSUES FOR PAs AS OWNERS OR SHAREHOLDERS

This brief is not meant to provide legal advice, but to help PAs identify the issues to consider when contemplating owning a practice. It covers only basic incorporation issues that are unique to PAs interested in practice ownership, but there are many other issues prospective PA practice owners will encounter.

Success in a medical practice requires developing a business plan, choosing the practice location, understanding cash flow, accessing capital, obtaining credit, choosing an electronic health record system, considering cyber-liability insurance, obtaining medical equipment and supplies, hiring staff, and more. PAs owners must understand how to bill for medical and surgical services that they (and others) provide. Payers other than Medicare (mentioned above), including private insurers and Medicaid, may have differing rules on whether payment to a PA-owned practice is allowed.

PAs own medical practices for many reasons—they want to practice in the way they feel is best for patients, they want to stay small when an employer gets too large, they grow into partnership or ownership over time, they want to be in charge of their own business decisions, or their community will have no healthcare provider if they don't buy the practice from a retiring owner. Full or partial ownership of a medical practice often enables PAs to meet patient and community needs while also finding professional fulfillment.

Despite the significant financial, legal, and regulatory effort involved, PAs have owned medical practices for decades and more continue to step up to the challenge. Owning a practice is not for everyone, but for some, it is exactly right.

FOR MORE INFORMATION

AAPA's website contains a wealth of additional information about the business of medicine and supports a members-only online community of PA practice owners. Contact information for state PA chapters can be found here.

Read about longtime PA practice owner Edwin Weih, and check out You've Been Hacked! Lessons Learned from a Cyber Breach to learn more about cyber-security issues for medical practices.

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REFERENCES

[1] U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services. Medicare Carriers Manual Part 3 - Claims Process. Transmittal 1744, Section 2156.D. March 12, 2002. https://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/downloads/R1744B3.pdf

[2] American Academy of PAs. *The essential guide to PA reimbursement*. AAPA, 2020, pages 41-2. Alexandria, VA.

[3] AAPA. *The essential guide to PA reimbursement*, pages 75-6.