



PA's and Practice Ownership

PA ownership of a medical practice is legal in most states, and quite a few PAs are sole owners or partners in medical practices across the country. However, medical practice ownership can present some challenges unique to PAs, given the often 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 can differ from state to state. PAs considering owning a medical practice should seek legal and financial advice from professionals. This brief is intended to help PAs think through the issues and consider the questions they should ask.

FORMING A CORPORATION

In order 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 a PA needs clarification on these issues from the state, the best place to start is the state PA chapter, which may have information, contacts and relationships that will make the process smoother.

PAYMENT ISSUES

Payer policies can also affect decisions about the corporate structure of the practice. Practices that plan to bill Medicare must structure the business accordingly. Medicare policy allows PAs to own up to 99 percent of a state-approved corporation that is authorized to bill the Medicare program, but 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 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. Increasingly, private payers are enrolling PAs and their corporate entities, but this is an issue that should be clarified prior to establishing the corporate structure.

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.

BUYING INTO A PRACTICE

It is not unusual for established practices to invite PA employees to become shareholders or owners. This is best done with careful study and the guidance of legal counsel, and all agreements should be in writing. A PA thinking of buying in to a practice should understand the owners' incentive, the buy-in cost, rights of controlling and noncontrolling owners, the practice's compensation structure, the 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 also 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, 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

The [AAPA 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 all state PA chapters can be found [here](#).

Read about a longtime PA practice owner in this [PA Professional story](#).

ABOUT AAPA

AAPA is the national organization that advocates for all PAs and provides tools to improve PA practice and patient care. Founded in 1968, AAPA represents a profession of more than 115,500 certified PAs across all medical and surgical specialties in all 50 states, the District of Columbia, the U.S. territories and the uniformed services.

For more information about ownership, employment, reimbursement, state laws and other PA practice issues, visit [AAPA.org](#).

REFERENCES

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- 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>

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