

# The Physician's Guide to Starting a Practice in Alberta



The guidebook was created by the:



ALBERTA  
MEDICAL  
ASSOCIATION

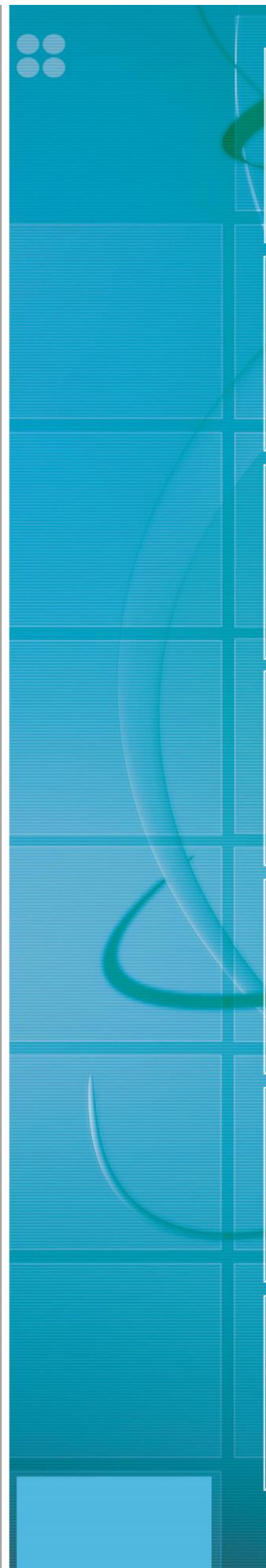
ACTT  
Accelerating Change  
Transformation Team



## INTRODUCTION

The goal of this guidebook is to assist physicians in Alberta in successfully setting up a practice. Topics that are discussed in the following pages range from examination room tips to practice incorporation considerations and more. This guide was created by the *Alberta Medical Association's Accelerating Change Transformation Team (ACTT)* and does not constitute legal, accounting, real-estate, financial, insurance, or banking advice, which may be relied upon in connection with any of the former dealings. Nor is it intended to replace the advice of professionals in those fields of work. This resource has been developed to support you in starting and managing your practice.

Last updated: June 2023



## Table of Contents

INTRODUCTION .....	1
Asking the Right Questions Beforehand .....	5
Livelihood Considerations.....	5
Professional Considerations.....	5
Office Considerations.....	5
Logistical Considerations.....	5
Types of Practice .....	5
Group Practice.....	6
Types of Group Practices .....	6
Association .....	6
Partnership.....	6
Solo Practice.....	6
Final Thoughts on Types of Practices .....	7
A Practice Agreement.....	7
Overview: Preliminary Steps for a Practice Agreement .....	7
Should I Lease or Buy a Property?.....	8
Buying or Leasing or Property .....	8
Pros and Cons to Buying and Leasing Commercial Properties .....	8
Choosing a Practice Facility.....	9
1. Develop a decision-making framework.....	9
2. Determine the qualities that matter the most .....	9
Patient demographics: .....	9
Proximity to competitors: .....	10
Type of facility: .....	10
Size of facility:.....	10
3. Picking potential locations .....	10
New Practitioner and Facility Registration .....	11
Applying for a Practice Permit .....	11
Your Office Environment .....	11

Public Areas.....	11
The Waiting Room .....	12
The Reception .....	12
Administrative and Clerical Areas .....	12
The Examination Room and Private Areas .....	13
Examination and Procedure Room .....	13
Private Areas .....	13
Office Equipment, Supplies and Providers .....	14
Furnishings .....	14
Medical Equipment .....	14
Infection Prevention and Control (IPAC) .....	15
Communication Technology in the Medical Office .....	15
Telephone Systems.....	15
Hands-free headsets:.....	15
Line groupings: .....	16
Speed-dial:.....	16
Call forwarding: .....	16
Computers in the Medical Office .....	16
Fax Machines, Photocopiers and Scanners.....	16
Electronic Health Records (EHR) .....	17
Alberta Netcare .....	17
Alberta Health Services.....	17
Alberta Medical Association (AMA).....	17
EMR Implementation .....	18
Incorporation .....	18
What is Incorporation? .....	18
Final Thoughts about Incorporating .....	19
How to Incorporate Your Medical Practice.....	20
Your Professional Advisory Team.....	20
Financial Advisor.....	20
Accountant.....	20
Insurance Advisor .....	21

Lawyer.....	21
Banking Partner.....	21
Real-Estate Advisor/Consultant/Broker.....	21
Closing Remarks.....	21
Appendix.....	22
Practice Agreement Tip Sheet.....	22
Works Cited.....	26

## Asking the Right Questions Beforehand

Many physicians do not realize that when they choose to start their own practice, they are essentially starting a business. Choosing where and how you want to start your own practice requires many questions to be answered, by yourself, your peers, your business partners, your family and your future co-workers. The later parts of this guide examine more specific areas of starting a practice, but to begin – here are a variety of questions to get you in the right mindset:

### Livelihood Considerations

- Is the community accommodating to your lifestyle; schools, shopping, religious facilities, etc.?
- How long will you and your family be living in the community?
- Are there employment opportunities for your significant other and family?

### Professional Considerations

- Do you want your own patient list or do you want to share patients with a clinical team?
- Do you plan to be a comprehensive family practitioner or will your practice have a specialty interest?
- To what degree do you want management responsibilities?
- What type of group arrangement would you like to work under?

### Office Considerations

- Do you have a specific requirement for the aesthetic of the practice location?
- Will you be leasing or buying a property?
- Do you want your clinic to be affiliated with/near to any other clinics?

### Logistical Considerations

- Consider what electronic medical record (EMR) you would use?
- Will each physician in your practice require their own phone number, or will you be sharing one incoming phone line?
- What is the ideal date for your practice to open?
- What is your budget for the property?

---

## Types of Practice

So, what do we mean by “types of practice”? Well, this is simply how you want to structure your business. The answer to this question is dependent upon many factors; whether you want to run your business by yourself, have a partner, or many partners. While some physicians are still choosing to run a sole practice, more and more are opting for a group practice setting because of their efficiency and cost-effectiveness. The goal of this section is to show the pros and cons of both types, as well as shed some light on different types of group practices.

## Group Practice

A group practice is defined as two or more professionals practicing within the same office. The main benefit of a group practice is that they yield economies of scale, which can help save money on overhead costs. However, there are also disadvantages when participating in a group practice. Here are some factors to consider before committing to a group practice:

Advantages	Disadvantages
Lower staff to physician ratio	A potential reduction of autonomy
Lower overhead costs per physician	Resources and staff must be shared
The ability to negotiate better prices for supplies	Personality conflicts with other physicians and staff
Sharing of fixed-costs resources, such as office automation technology, medical equipment and communication tools	Greater chance of disagreement over capital purchases
Potentially better equipment quality	

## Types of Group Practices

There are also a variety of group practice options to consider; associations, partnerships, joint ventures, corporations and professional corporations. However, we are going to focus on the two main ones: associations and partnerships<sup>1</sup>.

### Association

An association is an expense-sharing agreement that can range from just sharing rent and waiting room costs, to sharing all the costs associated with running a practice. Associates do not share income, nor do they bear any professional or legal responsibility for one another. The degree to which expenses are shared must be clearly specified in a legally binding association agreement. Associations can be quite popular because they give you the freedom of an individual practice but also allow you to benefit from economies of scale.

### Partnership

A partnership practice shares not only expenses but also the income, personal and medical liability. A legally binding partnership agreement must detail each partner's share of income and expenditures, which is usually much more complicated than an association's agreement. Until recent years, the majority of group practices were associations, but partnerships are becoming increasingly popular.

## Solo Practice

If you're considering a solo practice, take a look at the following pros and cons:

Advantages	Disadvantages
Complete autonomy	Minimal peer support on site
Dedicated staff and resources	Greater start-up costs and ongoing overhead
Possibly fewer distractions	Taking time off for a vacation can be more difficult
	You are responsible for the entire practice; overhead, staffing costs, etc.

### Final Thoughts on Types of Practices

In most cases the disadvantages of running a solo practice outweigh the benefits, primarily due to fewer economies of scale and increased operating costs. In addition, with your residency experience and familiarity with a team environment, you may feel more “at home” in a group practice, so to speak.

This is for information purposes only. It is not intended to be used as direct investment, legal, real-estate, or tax advice, nor is it intended to replace the advice of a professional.

### A Practice Agreement

You may have heard this term before, but what does it mean exactly? Well, a practice agreement essentially outlines the legal obligations that a group of physicians must adhere to when practicing in a group setting. This agreement ensures that all parties and their actions are consistent with the goals and objectives of the entire practice, ranging from how shared costs will be developed, to the proper protocol for when physicians enter and exit the practice. The Alberta Medical Association’s (AMA) ACTT Program recommends that all physicians who are practicing in a group environment have a practice agreement in place. You will need the assistance of a lawyer to set up this practice agreement.

### Overview: Preliminary Steps for a Practice Agreement

There are a series of decisions and instructions that you [the physician, or group of physicians] will provide to your legal counsel who will then draft the formal agreement. It is advisable that you decide on the specific issues which need to be addressed, prior to meeting your lawyer, in order to avoid excessive legal fees.

Now then, what needs to be in place before the development of a practice agreement and what are the objectives? Before you seek legal counsel to complete and execute a formal practice agreement, you and your colleagues need to have a set of drafting instructions in place to help guide your lawyer.

Please note that the following two criteria must be agreed upon by all participating physicians:

1. The management structure of the practice
2. The corporate structure of the business



Knowing these 2 criteria beforehand makes creating a set of drafting instructions easier and faster. And finally, once the drafting instructions are complete it should contain items such as:

- A mechanism whereby decisions will be made that affect the practice;
- A definition of shared costs;
- A formula of how costs will be shared;
- All physicians will understand obligations regarding entering and exiting the practice that physicians party to the agreement will share;
- A mechanism for review and ensuring the agreement is kept current.

Please refer to the Practice Agreement [Tip Sheet](#) in the appendix on page 23.

## Should I Lease or Buy a Property?

Strong negotiation skills are essential in today’s work environment, especially if you’re a physician. You’ve more than likely developed your negotiation skills over the years; through medical school, residency, and even in your personal life. Your previous skills coupled with professional advice should make for a positive outcome in negotiating.

### Buying or Leasing or Property

Now, the question is whether or not you should lease or buy your future practice space. While it may seem like a smart idea to buy a facility and take advantage of appreciating real-estate, the right decision is dependent upon many factors. Here are a few to consider:

#### Pros and Cons to Buying and Leasing Commercial Properties<sup>ii iii</sup>

Buy	Lease
<b>Pros</b>	<b>Pros</b>
Mortgage payments don’t last forever	You have the flexibility to relocate or re-negotiate when your lease agreement has ended
The equity in your property has the potential to increase	Lease payments can be used as business tax deductions, thereby reducing your taxable basis
You don’t have to deal with a landlord	May appeal to smaller practices that can’t project growth with much certainty
<b>Cons</b>	<b>Cons</b>
You may have to deal with property issues on your own	You must consult with the landlord prior to performing any renovations
You may have to sacrifice on location strength or	If you are leasing and you need more space, there

desirability to get the space you need

may not be any available

The down payment can take a huge investment

Ultimately, there is no one-size-fits-all answer, so it may be wise to consult with a commercial real-estate professional before making any final decisions. Like most recommendations in this guide, you will benefit tremendously in the long-run by taking a cautious and informed approach<sup>iv</sup>.

This is for information purposes only. It is not intended to be used as direct investment, legal, real-estate, or tax advice, nor is it intended to replace the advice of a professional.

---

## Choosing a Practice Facility<sup>v</sup>

The easiest way to go about this process is to break it down into three distinct steps: developing a decision-making framework (1), determine the qualities that matter the most (2), and lastly picking potential locations (3).

### 1. Develop a decision-making framework

For some physicians, choosing a practice facility can be one of the more time-consuming parts of setting up a practice, so before you even begin looking at potential practice facilities, it is helpful to develop a clear plan for how decisions will be made. This will ensure things move along more quickly and are headed in the right direction. A good option is to assign the decision making to a small group of physicians or outside physician who has been through a facility search before. Another option is to create a building committee to handle the decision-making process, consisting of representatives from each specialty. The larger the practice, the more representation is needed.

### 2. Determine the qualities that matter the most

Once you've established a decision-making framework, you can work on creating the search criteria. A good idea is to bring all the physicians together to discuss the practice's needs and wants. By including all stakeholders in the decision-making process, it shows an appreciation for everyone's ideas, feelings, and opinions. Here are the main issues you'll want to consider:

**Patient demographics:** One of the most important factors for determining a new location is demographics. Ideally, you want to locate your practice in an area with a high concentration of the type of patients that you want to reach; therefore, you may need to do some data collection. There are a number of ways to find demographic information, such as talking to existing physicians, checking with nearby hospitals, the Canadian census website, or the service Alberta website.

**Proximity to competitors:** It's a good idea to study your potential local competitors and what kinds of services they offer. This will give you a better understanding of whether this region is suitable to enter.

**Type of facility:** You have a number of options with regards to types of facilities, such as professional medical buildings, strip malls, and city-center offices. All options have their pros and cons. For example, strip malls usually offer more convenience, practice visibility, and free parking. However, there may be less of an aesthetic appeal compared to professional medical buildings. Another option to consider is renovating a house into an office space, which could create more of a warm and friendly environment. Regardless of your final decision, some key issues to keep in mind are accessibility and parking.

**Size of facility:** Although it varies by physician and specialty, a general rule of thumb for 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 a total of about 4 or 5 physicians; additional physicians beyond that will not require as much square footage per physician. It is important to plan ahead in order to avoid costly inefficiencies.

### 3. Picking potential locations

Once you've determined the attributes that matter most to you and your team, you should be well equipped to start choosing facilities to visit. An efficient way to begin would be to narrow your search down to a specific geographical area and find a realtor to do the property searching. Just as you would use an investment advisor for your investment needs; take advantage of a knowledgeable realtor for your property search. Consider talking to building managers, physicians, colleagues and friends who have used a realtor in the past.

Another way to increase efficiency is to limit your search to the three facilities with the most desirable qualities. Don't be discouraged if you don't find the ideal property right away; this process could take up to six months. Remember, when you're visiting potential facilities, it is important to consider the amount of renovation you'd need to do. Ask yourself questions along these lines: can I work in this space in its current condition? Does it need major or minor changes? If it needs major changes, would I be better off looking at other places?

Although renovations can be a lot of work, some physicians prefer investing the time and money because it gives them the flexibility to make desired changes. If renovations are also an interest to you, consider hiring an architect.

To conclude, choosing the right facility is all about preparation. Know your needs and the needs of your business and community. This also goes without saying: make sure that the people responsible for helping you are reliable and have the required expertise.

## New Practitioner and Facility Registration

A resource for the new practitioner is CPSA's Standards of Practice Guide (November 2022): <https://cpsa.ca/physicians/standards-of-practice/>. This guide has useful information about your new career, but is also helpful with legal, financial and administrative matters.

All new physicians must register themselves and their facility with Alberta Health. For more information about their registration process, please refer to the Alberta Health: Physician's Resource Guide here: <https://open.alberta.ca/publications/physician-s-resource-guide>. You can access the practitioner request and facility registration forms at <https://www.alberta.ca/health-professional-business-forms.aspx>

*Note: If any of these links have expired or you're reading this in hard-copy form, simply plug the former key words into any search engine to get the most up-to-date link.*

---

## Applying for a Practice Permit

The College of Physicians and Surgeons of Alberta (CPSA) registers and issues medical practice permits (licenses) to qualified physicians who want to practice in Alberta. To learn about their registration process and eligibility requirements, please refer to this link: <http://www.cpsa.ca/registration/>. You can also access additional forms for physicians through this link, including consent for certificate of professional conduct.

*Note: If any of these links have expired or you're reading this in hard-copy form, simply plug the former key words into any search engine to get the most up-to-date link.*

## Your Office Environment

When you are physically setting up your practice, you need to have a good idea of what makes an "ideal practice" for you and your staff. The concept is that you will probably spend more time in your office than in your home, therefore your working environment must be personally and professionally comfortable. The following questions should serve as a helpful tool so you can create points for consideration:

### Public Areas

- Is your office building easily accessible by car and public transit?
- Is there adequate parking nearby, for physicians, staff, and patients?
- Are the building elevators, public halls, washrooms, and offices wheelchair accessible?
- Can these areas accommodate a stretcher in the event of an emergency?
- Does the building have any other allied health services (e.g. lab, x-ray, physiotherapy, etc.) on-site?
- Is there a coffee shop nearby for you and your staff to take a break at?

## The Waiting Room

- How many people does your waiting room need to accommodate?
- Are there adequate and accessible racks for coats and shoes?
- Are there hand sanitizers and masks (when appropriate) provided for everyone upon arrival?
- Does the room have comfortable chairs that are reasonably spaced so that your patients' personal space is not compromised?
- Is there dedicated space for people with wheelchairs?
- Is the room painted and decorated with calming colours?
- Is there a sound system for music or white noise to ensure that private patient conversations aren't overheard?
- Would you like there to be a television in the waiting room?
- Is the reception window far enough away from the waiting area so that privacy is maintained when new patients are registering?
- Does the reception window close to maintain privacy for conversations and phone calls?
- Will you supply magazines?
- Is there need for a dedicated children's play area?
- Are there washrooms available for all patients?

## The Reception

- Is the reception area "inviting"?
- Is there adequate room for staff members to move around without disturbing each other?
- Can privacy be respected when patients register?
- Are the desks, chairs, and working areas ergonomically designed to maximize functions and minimize repetitive strain injury (RSI)?
- Are the fax machines and photocopiers located for timely, efficient and effective use?
- Does the area have adequate lighting?

## Administrative and Clerical Areas

- Are there specific areas, other than the reception area, where staff can do administrative work?
  - If the office is too open concept, will the privacy of patients, staff, and physicians be maintained?
  - Do the file storage set-up and retrieval protocols meet the privacy standards?
  - Will the reception, administrative and clerical areas accommodate an electronic medical health (EHR) without major renovations?
  - Is there enough storage available for office supplies, to avoid clutter?
-

## The Examination Room and Private Areas

At one point or another you've probably had a poor experience with an examination room, whether it was too small, the lighting was bad, or the equipment was outdated. These types of scenarios create an uncomfortable environment for patients and physicians alike. Don't let this be the case with your practice.

As you know, your examination room will act as an interview, examination, and procedure room. Therefore, make space to accommodate chairs, examination tables, and workstations for chart completion, computers, sinks, equipment, supplies, and people. For family physicians, pediatricians, and internists, an examination room that is 8 feet wide by 11 feet long can accommodate most requirements without being too big. For more information on setting up an examination room in accordance with the Infection Prevention and Control (IPAC) guidelines, please refer to the CPSA's list of additional resources, here: <http://www.cpsa.ca/ipac/>.

*Note: If this link has expired or you're reading this in hard-copy form, simply plug the former key words into any search engine to get the most up-to-date link.*

### Examination and Procedure Room

- Are the dimensions comfortable enough to accommodate a patient, a friend, as well as any staff, or technicians who would likely accompany you?
- Ensure that window coverings guarantee privacy. Reflective film on windows prevents outside viewing on sunny days, and blinds or curtains prevent outside viewing during darker hours.
- Ensure that the room is well ventilated, with climate control.
- The exam room must be soundproof. Walls are easy to insulate, but ceilings are often forgotten.
- If possible, make use of any natural light. This recommendation isn't just for the patient but also for the physician; it provides a healthy distraction.
- Ensure that power and service supplies meet your technical requirements, present and future.
- All equipment should be within easy reaching distance of the physician and staff, without having to reach around the patient or disrespect their personal space.
- The sink should be conveniently positioned for ready access by the physician.
- The physician's chair should be positioned so that he/she can easily pivot between the examination area to the sink, medical waste disposal, phone, computer screen, etc.
- By minimizing the number of steps and movement to complete all of your tasks, you will save time and reduce the risk of repetitive strain injury.

### Private Areas

- Is there a dedicated staff lounge or kitchen area, away from patient contact areas, so that all staff members can take lunch and breaks there?
- Are there separate counter spaces for food preparation and sterilization?
- Is there a private washroom for staff?
- Are there secure coat and storage areas for all staff members?

- Does each physician require a personal office, or are the physicians collectively willing to share one office?
- 

## Office Equipment, Supplies and Providers

All medical offices require furnishing, procedural equipment and supplies to operate. The following is a brief overview of the general requirements related to setting up an office.

### Furnishings

Make sure that the furniture is good quality, so that it is able to withstand constant use. In addition, ensure that the furniture is comfortable and exceeds the ergonomic requirements of all users. Remember that the best chairs and workstations should not be reserved just for the physicians; your staff will most likely spend more time at their workstation than you will. A good thing to note is that office supply companies usually offer corporate rates when offices are being furnished. If you require custom cabinetry and workstations, make sure you also get input from the staff members who will be using those work areas.

### Medical Equipment

You must buy your medical equipment and supplies from an approved Alberta Aids to Daily Living (AADL) vendor. Approved vendors include some health care stores, pharmacies, home oxygen supplies and hearing aid vendors<sup>vi</sup>. See the list of vendors here: <https://www.alberta.ca/aadl-approved-vendors-list.aspx>

It is also recommended that you adhere to best practice recommendations for cleaning and maintenance of medical equipment. If not done properly and consistently, health-care practices and the equipment used by health-care providers may spread infection. Refer to the next section of this guide for more information on Infection Prevention & Control (IPAC)<sup>vii</sup>. In addition, Alberta Health Services has additional resources to help you adhere to best practice recommendations, which can be found here: <http://www.albertahealthservices.ca/info/Page6411.aspx>

Unfortunately, it is beyond the scope of this guide to offer a detailed inventory of specialty or specific medical equipment and office medical supplies. To get started, you could always ask the managers of clinics you are familiar with, so that they may share their list of equipment and ongoing supplies, as well as suppliers.

*Note: If any of these links have expired or you're reading this in hard-copy form, simply plug the former key words into any search engine to get the most up-to-date link.*

---

## Infection Prevention and Control (IPAC)

So what is the IPAC program? IPAC staff work closely with physicians who reprocess reusable medical devices in their offices to ensure they meet reprocessing standards. All physicians who reprocess equipment must participate in office inspections. But on the bright side, there are no direct costs to you [the physician] at this time<sup>viii</sup>.

Once it's determined that you must participate in the IPAC program, your practice will undergo an inspection. The inspection involves a review of your office reprocessing practices, policies and procedures, fixtures and equipment for compliance to standards. Inspections generally take 1.5 to 2 hours on-site. If deficiencies are found, the inspectors will provide on-site education and counseling where appropriate. All office/clinic reports will be reviewed by IPAC staff, and further follow-up and direction will occur if needed. Physicians who refuse to comply with direction from IPAC staff will be referred to the College's Deputy Registrar.

If you would like to educate yourself on IPAC standards, proper Personal Protective Equipment (PPE) usage, and the CPSA's assessment tools, please refer to <http://www.cpsa.ca/ipac/> and/or <https://www.albertahealthservices.ca/info/page6853.aspx>, for access to a variety of educational resources.

*Note: If any of these links have expired or you're reading this in hard-copy form, simply plug the former key words into any search engine to get the most up-to-date link.*

---

## Communication Technology in the Medical Office

Technology and medicine are becoming more and more integrated, so it's important that you understand the different resources at your disposal in order to deliver the best possible care for your patients.

### Telephone Systems

In a sense, the telephones are the lifeline of your practice and should be used to give the best possible service to your patients. Therefore, you should develop a list of telephone needs and wants before calling any suppliers. Begin by planning your system architecture: the number of phone lines, and the extension locations. Estimate the number of lines that your office will need to handle all incoming calls from patients, outgoing calls, and private calls.

Keep in mind that you may require special phone features to help deliver quality service to your patients. Here are a few examples:

**Hands-free headsets:** they generally increase efficiency for staff who must multi-task in offices, where the person answering phones also needs two hands to operate a computer station and assist patients.



**Line groupings:** this enables multiple phone lines to be served by a single phone number – so five family doctors, for example, can have five incoming lines that use the same common clinic number. This added option is extremely convenient for patients and other callers, which is well worth the small monthly charge.

**Speed-dial:** this option can be a significant time saver, especially when you are calling colleagues, hospitals, labs and pharmacies on a regular basis.

**Call forwarding:** can also be very useful for after-hours service and times when physicians are on call.

### Computers in the Medical Office

Computers play a large role in all medical practices today. Like most businesses, any medical practice would benefit from accounting, various other office software. In addition, more and more offices are using scheduling software, which offer several advantages. One is that future appointments can easily be searched to verify whether and when the next visit is scheduled. The following table shows ways that computers are being used in the medical office:

Uses for Computers in the Medical Office
Billing
Appointment scheduling
Electronic Health Records (EHRs)
Word processing (word, excel, power point and other)
Inter-office communication
Encounter notes
Research

Caution is still recommended when considering direct communication by email, unless you have secure messaging system with patients. Please refer to the College of Physicians and Surgeons of Alberta Standards of Practice document for further expansion on the minimum standards of professional behavior and good practice

### Faxing, Photocopiers and Scanners

These machines are routinely used for common tasks such as transmitting and receiving test results, communicating with pharmacies, requesting consultations, and have become more cost-effective and time-efficient over the years. Faxing is still commonly used to ensure that there is a written record of

communication and allows the recipient to deal with the fax at his or her own convenience. Good quality printers can reduce the cost of external printing; however, commercial printing is typically cheaper for forms, pamphlets, etc., of mass quantities. With advancements in technology, it is extremely common to find good quality, cheap machines that combine fax, photocopying, and printing, however most medical offices create too much volume for a multifunction machine to be practical.

Scanners are also essential for offices that utilize electronic medical records (EMR). Many hospitals, pharmacies, laboratory centers, and physicians' offices do not have the capability to send their records electronically. A scanner is needed to convert them into electronic form for an EMR system.

### Electronic Health Records (EHR)

Electronic health records (EHR) or electronic medical records (EMR) are two terms that are often used interchangeably, but there is a distinction to be made. For the purposes of this guide, we will be using the term 'electronic health records' because the word 'health' covers a lot more territory than the word 'medical'<sup>ix</sup>. However, keep in mind that although we are making this distinction, others may not.

As time goes on, electronic health records are becoming the way of the future for medical offices. The willingness of new-entrant physicians to adopt EHR technology is driving change, because unfortunately physicians who are already in practice are hesitant to make the switch from paper records. EHRs make entering, storing and retrieving patient information faster and more secure. EHRs also help physicians in practice environments provide better, safe care because each physician can access each patient's vital health information quickly and efficiently. As you prepare to create your own practice, you and your team should consider implementing EHR technology.

### Alberta Netcare

Alberta Netcare is the name for all the projects related to the provincial Electronic Health Record<sup>x</sup>. Their website, <http://www.albertanetcare.ca/>, has resources for physicians who are interested in learning more about this innovative initiative. So how does the EHR work? Well, the EHR is a province-wide network of data repositories information systems. Clinical data is collected through hospitals, laboratories, testing facilities, pharmacies, etc., and is sent through secure messaging to the provincial repositories and information systems. When a health professional logs on to the EHR through the Alberta Netcare portal, and searches for a patient record, the portal retrieves all available information from the provincial systems and presents it as a unified patient record<sup>xi</sup>.

### Alberta Health Services

Alberta Health and Alberta Health Services are jointly responsible for many of the e-health systems that compose the Alberta EHR. To get an overview of Alberta's EHR, published by Alberta Health Services, please refer here: [http://www.albertanetcare.ca/documents/An\\_Overview\\_of\\_Albertas\\_ERHIS.pdf](http://www.albertanetcare.ca/documents/An_Overview_of_Albertas_ERHIS.pdf).

### Alberta Medical Association (AMA)

The AMA has a number of resources to assist physicians with regards to EHR support, issue resolution, privacy questions, etc. These resources can be found here: <https://www.albertadoctors.org/leaders-partners/emrs>. If you wish to setup an EHR or want further inquiry, please contact the Alberta Medical Association via the toll-free number 1.800.272.9680 or by email: [amamail@albertadoctors.org](mailto:amamail@albertadoctors.org)

*Note: If the link listed above has expired or you're reading this in hard-copy form, simply plug the former key words into any search engine to get the most up-to-date link.*

---

## EMR Implementation

Visit this site <https://www.albertadoctors.org/leaders-partners/ehealth/emrs> for a list of provincial certified EMR vendors for the software system that meets the needs of your practice; cost, functionality and level of vendor support. It is important to identify your clinic needs when selecting the EMR. Here are some of the basic functionality to look for when choosing the type of EMR system to purchase:

- Patient Charting
- Scheduling
- Labs/DI
- Prescriptions
- Reports
- Information Sharing
- Billing
- Letter/Form templates
- Privacy and Security
- Interoperability
- Information management
- Remote access

Visit this site to see the steps required to set up an EMR: <https://www.albertadoctors.org/leaders-partners/ehealth/emrs/implementing-an-emr-guide>

*Note: If any of the links listed above have expired or you're reading this in hard-copy form, simply plug the former key words into any search engine to get the most up-to-date link.*

---

## Incorporation

Are you thinking about incorporating your medical practice? Incorporating your medical practice can lead to big tax savings over time, but only if the incorporation is set up and used properly. There are both advantages and disadvantages to incorporating your medical practice. This section contains information that does not constitute legal or financial advice, and you should consult a financial expert and/or a legal expert before incorporating your practice.

### What is Incorporation?

Incorporation of your practice means that shareholders (you, perhaps your family members) own shares in your corporation. The corporation owns the medical practice, of which you would become an employee. *The Health Professions Act* allows for the practice of medicine by professional corporations under certain conditions, including:

- The professional corporation must be incorporated under the *Business Corporation Act*.
- The professional corporation must obtain a permit from the College of Physicians and Surgeons of Alberta (CPSA).

Potential advantages of incorporating	Potential disadvantages of incorporating
<p><b>Tax deferral*</b></p> <p>Perhaps the most significant potential benefit of incorporation is the ability to defer tax on income earned with the corporation. This allows you invest money that would otherwise be paid in taxes. Incorporation generally allows you to pay the lower small business corporate tax rate up to a certain amount. Then, once the medical practice has deducted all of its eligible expenses, any income remaining in the corporation is taxed at the lower rate than it would be if it were, instead, earned and taxed in the hands of an individual. Keep in mind that it is the corporation, and not the individual physician, that benefits from reduced rate.</p>	<p><b>Increased costs and complexities</b></p> <p>There are many complications that arise when setting up a corporation, these include set-up costs, ongoing legal fees, accounting fees, and may also include payroll taxes. You need to determine whether these potential costs are worth the advantages of incorporating. You may also incur additional planning costs and expenses associated with incorporation, such as setting up family trusts, drafting shareholder’s agreements or revising wills to reflect the new corporate structure. In addition, every corporation must ensure the records are kept up to date and that taxes are paid.</p>
<p><b>Income splitting*</b></p> <p>Income splitting is a tax policy of sharing taxable income between two taxpayers, so that a lower overall rate of tax is paid than would be the case if the income were not shared or split. In the case of an incorporated medical practice, income earned by the practice may be paid out in the form of dividends to the cooperation’s shareholders. If your family members are shareholders of your professional corporation, tax savings can be obtained when the income is split between you and your family members so that an overall lower tax rate is achieved.</p>	<p><b>Retirement income for incorporated physicians</b></p> <p>In some cases, retired physicians receive compensation in the form of dividends from their corporation. This income is not considered pensionable income for the purpose of making Canada Pension Plan (CPP) contributions; meaning no CPP contributions are payable on this income. While this situation could be viewed as advantageous during your working years, it also means that you are not eligible to receive CPP income in retirement. In addition, when you receive dividend income only, this income does not create registered retirement savings plan (RRSP) contribution room for you.</p>

\*Please note that recent changes to tax laws (Feb, 2018) for Private Corporations warrants advice from your financial advisor/tax accountant regarding the above two advantages<sup>xi</sup>. Visit this site for an overview of these changes: [https://invested.mdm.ca/md-articles/federal-budget-2022?\\_ga=2.113106756.1116541487.1677818322-833630302.1675813646](https://invested.mdm.ca/md-articles/federal-budget-2022?_ga=2.113106756.1116541487.1677818322-833630302.1675813646)

### Final Thoughts about Incorporating

It is important to understand that tax-deferral benefits of incorporation are only possible when earnings from the medical practice are retained within the corporation. Therefore, if all the funds simply flowed through the corporation and into your [the physician] pocket, the tax you pay will be comparable to

earning the income directly as a self-employed practitioner, but with the added costs and hassle of a corporation. It can be difficult to predict the value of the benefits associated with incorporating over the long-term because your circumstances can change, as can tax laws. This may increase or decrease the benefits of incorporating, so please assess multiple scenarios with the assistance of knowledgeable advisors.

## How to Incorporate Your Medical Practice

So how do you incorporate your medical practice? We recommend going to the College of Physicians & Surgeons of Alberta's website here: <https://cpsa.ca/physicians/registration/incorporate-your-medical-practice/> for a detailed chronological list of how to set up a professional corporation. At this domain, you can also find frequently asked questions, important guidelines, restrictions, bylaws, etc. We recommend that you consult with a lawyer and/or accountant with expertise in incorporation for the entirety of the incorporation process. The College of Physicians and Surgeons of Alberta and the Alberta Medical Association's ACTT cannot provide legal advice.

*Note: If the link listed above has expired or you're reading this in hard-copy form, simply plug the former key words into any search engine to get the most up-to-date link.*

---

## Your Professional Advisory Team

Throughout this guide you have been reminded of the importance of consulting an expert with regards to legal, financial, real-estate, and taxation advice. It is important that you build a team of knowledgeable and reliable professionals to help you build your practice successfully. Here is why:

### Financial Advisor

Your financial advisor plays a significant role on your advisory team, because they can be much more than your investment advisor when you have disposable income to invest. They can help with insurance planning by conducting an unbiased review of your current and future liabilities to help decide which insurance options are best for you. If you're interested in incorporating your practice, financial advisors can help you determine whether or not this is the right move. They can help explain the pros and cons, as well as refer you to legal and tax experts as needed. More notably, financial advisors can help create a wealth management strategy by analyzing your unique situation and taking into account your short, medium, and long-term financial goals. The wealth management experts at MD Management are well equipped to assist you with any of your financial goals, so please refer to their website at [www.mdm.ca](http://www.mdm.ca) for more information.

### Accountant

It is never too early to talk to an accountant. Accountants can provide advice on the tax deductions and credits, incorporation, setting up personal and professional financial books and bank accounts. A qualified accountant may not necessarily assist you in billing more, but will allow you to keep more income after income taxes and other expenses.

## Insurance Advisor

All physicians should have a detailed, objective review of their insurance needs to ensure that they've obtained the appropriate insurance packages, which may include disability insurance, life insurance, overhead insurance, critical illness insurance, etc. To find out more about insurance plans available for physicians, please refer to the Alberta Medical Association's website at <https://www.albertadoctors.org/services/physicians/insurance>.

## Lawyer

Legal issues touch every aspect of a physician's personal and professional life. It is very important to seek professional legal advice before signing any contract. Just keep in mind that it's much cheaper to consult a lawyer up front than it is to pay for a lawsuit later. Lawyers can also be of use when you are incorporating, seeking creditor protection, signing commercial lease agreements, creating wills, and powers of attorney.

## Banking Partner

Finding the right banking partner and package should be extremely important to all physicians. This is because costs can become quite significant in the long-term. Before approaching a banking partner for services, review the cost of banking fees and credit options with your financial advisors. It's a good idea to obtain competitive rates for both your personal and professional lines of credit.

## Real-Estate Advisor/Consultant/Broker

Real-estate professionals can be extremely useful in a number of ways; by providing better access to properties, handling the majority of negotiations, assisting you with contracts, etc.,

*Note: If any of these links have expired or you're reading this in hard-copy form, simply plug the former key words into any search engine to get the most up-to-date link.*

---

## Closing Remarks

While this guide does address a great deal of the activities you must complete as you work through starting a practice, there are many other things to consider for the overall management of the practice. As you continue to build your practice, remember to contact us if you have any questions, by calling 1.800.272.9680.

# Appendix

## Practice Agreement Tip Sheet

# Tip Sheet

## The Practice Agreement

---

*Looking to start your own practice? A practice agreement is crucial for handling issues that may arise in your practice.*

### The Practice Agreement

A practice agreement is a written document that outlines a number of key areas for physicians to focus on in formalizing the operations of their practice. The agreement includes the general points outlined below, followed by more specific details that comprise the practice agreement:

- How the physicians will work together
- What benefits and obligations you share
- How costs are shared and how finances are managed
- The protocols for entry and exit of physicians to the practice
- By whom, and how, decisions are made in the clinic

### Before Getting Started...

- Names of Physicians in the clinic who are owners and those who are Contractors. Generally, Contractors pay a fixed percentage rather than share the net costs.
- Do the physicians lease their clinic space?
- How are everyday decisions made? Clinic manager has limited authority, executive or management committee, one physician is appointed as the clinic director, by majority vote of all physician Owners, by majority vote of all physicians, or by consensus?
- What decisions require the agreement of all Owners/all physicians?
- How are new physicians admitted to the practice? Who needs to agree/approve them joining the practice?
- What if any notice is required for an Owner and/or Contractor to leave the practice?
- Is there a restriction on time away from the practice? Is notice of a leave required?
- Are locum replacements required for physicians away from the practice? If so, is there a time threshold associated with the requirement to secure locum coverage? (<1 month, <6 weeks etc.)



# Tip Sheet (Continued)

## The Practice Agreement

---

### **Costs, Billing and Reporting**

- What is the current corporate structure? Is there an incorporated company or simply a bank account that is used to pay the costs of the practice?
- Is there a buy-in cost to a new physician who joins the practice and, if so, how is this determined?
- Is there a buy-out cost to the remaining Owners and, if so how is it determined?
- How are FFS billings currently paid to physicians (to PC or to clinic account)?
- How are costs currently shared, and what is the “formula”? Are all physicians satisfied with this formula?
- What is the frequency and format of financial reporting currently provided to physicians?

### **Defining Common Costs**

- What are your lease obligations?
- What costs are considered common costs?
- What about costs not deemed to be “common”? What are they? E.g. transcriptionist used only by some physicians, requests for specific supplies/equipment?
- What costs need to be pre-approved by all physician members?
- How will extraordinary cash requirements be handled? Loans, lines of credit?
- How are staffing costs allocated? Pooled, based on individual staff members?

### **Defining Practice Revenues**

- What is included in the billing revenue calculation?
- Pure Fee-for-Service?
- Third-party billings? Uninsured service income?
- Non-clinic revenue (e.g. hospital, nursing home, specialized clinics)?
- On call payments?
- Other administrative honoraria and stipends (e.g. PCN, AHS)?
- How are external revenues from other sources handled (e.g. business costs, program funds, other)?
- How are funds received?
  - Directly to the physician (recommended)?
  - Pooled into a single bank account?
  - Paid as salary? Advance?

# Tip Sheet (continued)

## The Practice Agreement

---

### **Cost Sharing**

- Prorated based on billings? Volume? FTE equivalent?
- Split equally? What about part-time?
- Set percentage? Is there a minimum/maximum?
- What about large capital expenditures/loans?
- What happens if you are not full-time?
- What happens if you are not able to work due to illness/disability? Is there a defined grace period?

### **Disability Insurance**

- Is it a requirement of all members?
- In the event of disability, does the disabled member have to secure locum coverage?
- What are the trailing obligations if the member is not able to return to work?
- What is the time frame for which they will be held accountable?

### **Vacation and Leave**

- Are there maximum weeks allowed?
- Is there a maximum duration allowed?
- Is locum coverage required to take vacation leave?
- Do physicians cover each other during vacation/leave?

### **Entering the Practice**

- How will new members be approved?
- What are the criteria for new members?
- What is the cost? What is it based upon?
- How will it be paid? What are the terms?
- Provisions for building up a panel?

### **Exiting the Practice**

- What length of notice is required to leave the practice?
- What do you take with you upon leaving (e.g. equipment you personally purchased)?
- What payments, if any, are due to the departing physicians?
- What trailing obligations remain (e.g. payment of their portion of the lease, EMR, loans, maintaining electronic access to medical records)?
- What happens to patient records of a departing physician?

This document is intended for discussion purposes only, it is not intended as legal or other professional advice. Users are cautioned that this document may not suit their particular purposes and are advised to seek legal advice prior to utilizing this document or any part of it. Neither the Alberta Medical Association (C.M.A. Alberta Division) nor its employees or agents will be responsible for any use made of it.

# Works Cited

---

- <sup>i</sup> Alberta Medical Association. (n.d.). Retrieved July 27, 2015, from <https://www.albertadoctors.org/services/residents/transition/before-practice>
- <sup>ii</sup> Willerton, D. (n.d.). For Sale Or Lease?: Pros and Cons of Buying vs. Leasing Space for Franchise Tenants. Retrieved August 5, 2015, from [http://www.franchising.com/articles/for\\_sale\\_or\\_lease\\_pros\\_and\\_cons\\_of\\_buying\\_vs\\_leasing\\_space\\_for\\_franchise.html](http://www.franchising.com/articles/for_sale_or_lease_pros_and_cons_of_buying_vs_leasing_space_for_franchise.html)
- <sup>iii</sup> Struyk, T. (2012, May 25). Five Reasons Why You Still Need A Real Estate Agent. Retrieved August 6, 2015, from <http://www.forbes.com/2010/05/25/why-you-need-real-estate-agent-personal-finance-commission.html>
- <sup>iv</sup> Should I buy or lease my commercial space – Business Development Bank of Canada. Retrieved March 2, 2023, from <https://www.bdc.ca/en/articles-tools/money-finance/buy-lease-commercial-real-estate/buy-or-lease-my-commercial-space>
- <sup>v</sup> Maresh, O. (2002, September 9). Choosing a Practice Facility. Retrieved August 20, 2015, from <http://www.aafp.org/fpm/2002/0900/p37.html>
- <sup>vi</sup> Approved vendor list. (n.d.). Retrieved August 18, 2015, from <http://www.health.alberta.ca/services/AADL-approved-vendors.html>
- <sup>vii</sup> Best Practice Recommendations. (n.d.). Retrieved August 18, 2015, from <http://www.albertahealthservices.ca/info/Page6411.aspx>
- <sup>viii</sup> Infection Prevention and Control (IPAC). (n.d.). Retrieved July 5, 2015, from <http://www.cpsa.ca/ipac/>
- <sup>ix</sup> Garrett, P., & Seidman, J. (2011, January 4). EMR vs EHR – What is the Difference? - Health IT Buzz. Retrieved August 24, 2015, from <http://www.healthit.gov/buzz-blog/electronic-health-and-medical-records/emr-vs-ehr-difference/>
- <sup>x</sup> Alberta Netcare EHR. (n.d.). Retrieved August 18, 2015, from <http://www.albertanetcare.ca/>
- <sup>xi</sup> Alberta Netcare EHR. (n.d.). Retrieved August 18, 2015, from <http://www.albertanetcare.ca/ProviderInfo.htm>
- <sup>xii</sup> Invest MD. Retrieved March, 2023 Visit this site for an overview of these changes: [https://invested.mdm.ca/md-articles/federal-budget-2022?\\_ga=2.113106756.1116541487.1677818322-833630302.1675813646](https://invested.mdm.ca/md-articles/federal-budget-2022?_ga=2.113106756.1116541487.1677818322-833630302.1675813646)