

SKINCARE DERMATOLOGY CLINIC

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Committee Members:

Grace Reynolds, PhD. (Chair)

Henry O'Lawrence, PhD.

Cindy Gotz, DHsc.

College Designee:

Grace Reynolds, PhD. .

By Nihal Kabre

M.B.B. S., 2012, M.G.M Medical College, Mumbai, India

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ABSTRACT

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By

Nihal Kabre

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Recent innovations in bio-medical technologies had made it possible to have a livelier and healthy skin. The field of dermatology has seen a tremendous development from the era of Botox to the current one of skin peeling. This business plan proposes the establishment of a Los Angeles area dermatology clinic that specializes in dermatology and provides cosmetic services under the hands of experienced providers. This clinic would provide the latest and most researched treatment options to the patients. The patients would be given the privilege to choose from a variety of treatment options. This plan recognizes the challenges in providing these specialized cosmetic services to the patient population of Los-Angeles and the neighboring Orange County.

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LIST OF ABBREVIATIONS

HIPAA	Health Insurance Portability and Accountability act
LLC	Limited Liability Corporation
M.B.A.	Master's in Business Administration
UV	Ultraviolet radiation

CHAPTER 1

MARKET ANALYSIS

Industry Description and Outlook

The ozone layer is a vital component of the atmosphere since it absorbs the harmful ultraviolet radiation (UV rays). Much has been said over the years about the depletion of ozone layer, and the deleterious effects this depletion would have on human physiology. Since the early 1980s depletion of ozone layer has been observed to a greater extent in the temperate regions compared to the others (Rowland, 2006). This business plan describes a start-up dermatology clinic, Skincare Clinic, in Southern California that caters to the increasing needs of skin health.

The entire state of California and majority of other states fall in this temperate zone. As a result, there has been an increase in the prevalence of skin conditions and cataracts over the years (Lucas et al., 2015). Out of all the possible harmful effects this ozone depletion can have on a human body, the one that is most evident is wrinkling and pigmentation of the facial skin (Fischer et al., 1997). Additionally, there is an increased exposure to the other types of sunrays; these are considered as the most vicious and aggressive external factors related to aging (Goldman & Wollino, 2010). Skincare Clinic would target such specific conditions with precision treatment options under the care of experienced providers.

In spite of sunscreen lotions and dietary anti-oxidants to counter the effects of UV rays, the incidence of skin conditions has not been curtailed to the desired extent. Also, there is no sufficient evidence that the use of dietary anti-oxidants, like beta-carotenes, is beneficial over sunscreen lotions (Hughes, Williams, Baker & Green, 2013). The most commonly used

treatment for patients concerned about facial skin wrinkling remains to be Botox injections and these have replaced the traditionally used invasive facelift surgeries.

Nowadays, there has been an increased demand for cosmetic procedures. In the year 2014, there were more than 13.9 million minimally invasive cosmetic procedures performed in the United States, which more than half were Botox procedures (American Society of Plastic Surgeons, 2015). Botox has been widely used to reduce facial wrinkling and frowning. Botox works by causing a spasm of the muscles. As a result, the muscles somewhat regain the laxity that is lost with age and exposure to UV rays (Fagien, 1999). There have been significant developments and research in the field of cosmetic surgeries because of the awareness and need of minimally invasive procedures. Lately, chemical skin peeling and dermal fillers have been some of the new techniques that have been researched and widely used. Researchers have even proposed that combining Botox and a chemical skin peel or dermal fillers can yield the best results (Goldman & Wollina, 2010).

Physicians who have specialized in dermatology or plastic surgery perform these procedures. In recent times, chemical skin peeling has been widely used, as it is a relatively inexpensive procedure. This procedure can be performed in an outpatient setting or a clinic and does not need extended stay in a hospital. However, there seems to be a nationwide shortage of physicians performing these cosmetic procedures. An Internet search was conducted to validate this claim. A survey on qualifications of physicians performing cosmetic procedures yielded some surprising results. Forty-eight point six percent of dermatologists practiced outside of their field of expertise (Barr et al, 2015). Chemical skin peeling is easy to perform and requires minimal training, but the procedure needs an experienced physician to counteract the side effects of this treatment. Since it involves topical application of acid on a face, it is reasonable to assume

that there can be some serious side effects and the patient would only want a physician who has the capability to handle such complications. In the meantime, the demand for cosmetic surgery has increased tremendously to such an extent that physicians are now working outside their fields of expertise (Barr, Sinno, Simino, & Saadeh, 2015). Such inexperienced clinicians can have very significant implications on patient safety.

Along with using a chemical peel for sun-damaged skin, this procedure can be used for acne scars, aging skin, sagging skin, and wrinkles. As a result, there is an improvement in the overall appearance of skin. This procedure involves application of a chemical agent that causes the skin to exfoliate and peel off in the following days. The only downside is that the patient should avoid sun exposure in the following days to prevent the newly formed skin from getting hyperpigmented. This causes the newly generated skin to be smoother and less wrinkled. Moreover, there could be a possibility of an additional market for such a procedure; patients who suffer from severe acne and consequently develop scars can also use it.

Taking into consideration the wide spectrum chemical peel benefits, this business plan proposes an establishment of a clinic called Skincare. Skincare would attend to all of the patient cosmetic needs, from skin rejuvenation for elderly individuals to scar therapy for patients with damaged skin. Since a majority of insurance plans does not cover cosmetic procedures, an effective pricing strategy can open up a huge spectrum of revenue for such a clinic, especially in a place like Southern California. This business plan will examine the prospect of such a clinic in terms of a market size and conduct a financial analysis for the sustainability of such a clinic.

Literature to quantify the industry size is limited since the technique of chemical peeling is relatively new and still being extensively researched, but the beneficial effects are certain.

There are very limited options available on treatment clinics or centers for such procedures. Most

of such treatment locations are operated as private clinics that are most commonly run by nurse practitioners and seldom by physicians. Procedures like Botox and spider vein therapy have been commonly used over the years. With the advent of new techniques like chemical peel, combining such procedures with Botox and dermal fillers would give patients wonderful results when used under supervision. A research states that these two agents can diminish facial scars and help in sculpting sharp facial contours and help patients get the most sought after younger skin (Bebos & Lipham, 2010).

Physicians and researchers have been studying the effects of using chemical agents on aging skin as early as 1960 (Ayres, 1960). The agent used in that study was phenol and was applied on the skin from the thigh region to study its effects. As observed with all the disciplines of clinical medicine, there is a constant change and improvement in the delivery of a treatment. The current treatment modality consists of using any one of the three chemical formulations: 40-60 % trichloroacetic acid, 50-100 % phenol, and 50-55 % phenol mixed with an epidermalytic agent such as croton oil, glycolic acid, salicylic acid, or lactic acid. This modality of treatment was first used in 1980s (Stegman, 1982). There is also a minimum requirement for anesthesia with superficial or medium depth peels. Mild tranquilizers or anxiolytic agents could be used if the patient desires them (Khunger, 2008). However, there are some cosmetic products that can be purchased without a physician's prescription. These products are available for purchase at local supermarkets, malls or through the Internet. Some of them are chemical formulations that can be applied without consulting a physician. The use of such products without supervision carries a significant risk. One would unlikely take the risk of using his or her own face to experiment with if the potential for permanent damage to the face exists with improper application of such web-based products.

The national market for cosmetic surgeries increased by 725 % between 1992 and 2005, with the total expenditure on cosmetic procedures totaling a staggering 10 billion dollars in 2005 itself (Liu & Miller, 2008). With the current awareness of sun exposure and the effects of UV rays on the skin, there is an upward trend in number of people opting for treatments to counter the effects. Researchers had approximated that about 55 million cosmetic procedures would be performed in this country in year 2015 (Liu & Miller, 2008). Moving forward, these figures can give an estimate of what the market size could be for minimally invasive procedures or procedures that do not require any hospitalization. Clinics like Skincare could form a vital part of such an industry that specializes in outpatient dermatological procedures.

California is the preferred location for physicians with advanced dermatology training due to the demand for such services. The location of Skincare would be in Los Angeles County but closer to the border with neighboring Orange County. Orange County is traditionally known to have high demand for cosmetic procedures. Locations like Lakewood, Long Beach and Cerritos have a lower density of such dermatology centers. One of these would be chosen as our location for the start-up. A broad search of similar practices yielded few results. There are many physicians having individual practices, but none provide collaborative treatment options. This would open a huge market for a well-planned multispecialty dermatology business. Skincare would use some commonly practiced marketing strategies. Social media would be the main platform.

Target Market

Chemical peeling is easy to perform and can be tailored to the individual needs of a patient. It is certainly an underutilized but powerful procedure to improve the surface, texture, and the appearance of aging skin (Kaufman, 2015). There are three different treatment options which patients could choose from: superficial, medium and deep peels. The younger patients with fine lines and minimal scarring can try a series of superficial peels. The youth would be attracted to try out this treatment, as it is an outpatient procedure. They would get the option of getting rid of dreaded acne scars with a series of chemical peel sessions. There are some limitations that would have a significant impact on the usage of such cosmetic services by younger age group individuals. For example, avoiding direct exposure to outdoor activities for a week following the procedure and refraining from peeling the skin as it exfoliates would be extremely crucial to get the desired results. Staying indoors for more than a week would require patience and perseverance that would be difficult to expect from teenagers or young adults.

Also, the American population consists of a significant amount of baby boomers and elderly individuals. In the census report from 2010, the percentage of individuals aged 65 years and above increased by 15 % as compared to the figure recorded in the previous census in 2000 (Werner, 2011). This would let us assume the fact that there would be a significant source of aged population who could potentially desire such treatment options for aged skin.

Target Market Size

Having a look at the age demographics of the American population can help us approximate the market size. Patients for this treatment can potentially be from a wide section of age groups. Excluding the first two decades of life, individuals worry about skin wrinkling or scarring in the later years of their lives. Middle-aged individuals in 40 to 50 year age group would be the main target market. But this would not limit adults from 18 and above to use our

services. According to the previous census projections of the U.S Census Bureau, this total adult population in Los Angeles and Orange County was projected to be around 11.5 million. These two counties are also one of the most populated counties of this country. Since we would be based off the border between Orange and Los Angeles County, we can assume to target a significant proportion of this population with specific focus on their cosmetic needs.

Some of the insurance providers cover the costs for treatment for acne, but the target of this treatment would be to attend to the scars after the acne. To add on to that, by the year of 2050, the United States is projected to have 88.5 million Americans who would be 65 years of age and above. This would be more than double the number which was recorded in 2010 (Vincent & Velkoff, 2010). The costs of the procedure would depend on the internal factors involved in the operations of the clinic. With a clinic operating as a private entity, a competitive pricing strategy would make the crucial difference between a clinic being a very successful business or an average one.

Competition and Strategy

The clinic would be set up as a Limited Liability Corporation (LLC) under the California Corporation Code, Section 17701 (n.d). The Business and Medical Corporation would form the two main corporations in this model. This business model will be discussed in detail in the following chapters. The physician operating the medical corporation would need to be licensed with the dermatology national board and should be authorized to prescribe medication if needed. The mission of this clinic would be to impart invaluable skin care to patients. As a private entity with professionals being a part of the team, Skincare would provide accountability to patients and empower them to take treatment decisions catered to their needs. After a thorough assessment of a patient's skin contour and texture, our team of dermatology experts would

provide the patients with treatment options along with the pricing for each of those procedures for the patients to choose from. Since cosmetic care differs significantly from an emergency care clinic, patients can take time in choosing the treatment they desire to undertake.

Values

Applicable to every level of staff, the clinic will emphasize accountability and responsibility when delivering patient care and at the same time be cognizant of the mission of the clinic.

Staffing

Since this would be solely used for chemical skin peeling, the staffing would vary depending on the inflow of patients. For the first few months of the clinic, the staff would be comprised of an executive director, a dermatologist, two nurse practitioners and a receptionist/administrative assistant.

The executive director would primarily be responsible for the administrative duties and for scheduling patient appointments with the physician. If required, the director would be assisted by the receptionist for the scheduling responsibilities. The dermatologist and the nurse practitioners would be responsible for the delivery of care.

The clinic would be needed to be on a contract with a pathology lab and a janitorial services provider. The lab would be vital in the functioning of the clinic as the treatment options would vary according to the pathology reports.

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CHAPTER 2

FEASIBILITY ANALYSIS

Operational Feasibility

Skincare would be providing cosmetic therapies to patients only on an appointment basis. For majority of the offered procedures, a preliminary test on the skin would be recommended before proposing treatment options. The steps involved in recommending a chemical agent to a patient would need multiple layers of scrutiny and therefore, walk-in treatments would not be offered. If a patient chooses to undergo this treatment in our clinic, we would ask him or her to fill out our questionnaire form. This would give us a background on the patient's medical history, which would be a key factor in deciding the agents for the treatment. Information on previous allergies and the goals for this treatment would give us a good understanding about the expectations for that patient. These sets of requirements would be followed by a consultation with the dermatologist.

The dermatologist would conduct a thorough evaluation of the skin and inquire about other medical conditions pertaining to the skin. This step would be the most crucial one that would help Skincare set itself apart from the competition. Since not many competitors include a consultation with a dermatologist, this patient would get all the queries answered by the physician. At the end of the consultation, the patient would be offered a variety of treatment options depending on the patient's skin type. The patient would be given the options on the different types of skin peel agents along with the pricing that would be valid for only for that particular patient. The importance of this recommendation of patient specific treatment options would be stressed to the patient. Precautions and possible complications of the procedure would also be discussed with the patient.

Once the physician updates the clinical information on the electronic medical record system, the administrative assistant would assist the patient in scheduling an appointment with the pathology clinic or the dermatologist depending on the orders given by the physician. As mentioned earlier, the dermatologist may recommend some tests to the patient before the procedure depending on the skin type and the patient's previous medical history. Along with the patient scheduling, the administrative assistant would be responsible for keeping a record of the clinic's stock of chemical agents and other inventory. Because a variety of agents could be recommended for the chemical skin peel, maintaining a registry of the stock could prove to be very useful in the long run. At the same time, the assistant would be responsible for the communication with the suppliers of chemical agents used in the peeling therapy. Dermal fillers and vials for Botox can be ordered overnight, so maintaining detailed records in the registry would be necessary to ensure timely access to such agents for the providers. Assigning this task to one individual in the clinic would prevent communication errors with the suppliers of the resources.

Since there would be a total of six employees in the first year, each staff member would play an important role in the functioning of the clinic. The directors of the medical and business corporations of our LLC would hire two employees each. All of these staff members would have a defined role with a detailed job description that would be discussed with them at the time of their employment interviews. This would prevent any overlap of responsibilities and wastage of resources. The physician and the other staff members would need training to operate the electronic medical record system. Being within a medical clinic, this record system would provide an efficient platform for all the staff members to track the progress and enter chronological notes for individual patients. Patient education about their roles in the process will

also be vital. Signing of the consent forms along with reporting of complications at their earliest can be some of the examples of a patient's role. The administrative assistant would also hand over the balance-billing amount that can be collected from the patient on the day of the follow-up with the registered nurse.

Technical feasibility

After making the decision on the type of therapy the patient would choose to undertake, the administrative assistant would look into the inventory for the availability of the agent. The dermatologist would be providing potential customers with multiple treatment options. Prescribing the different chemical agents that would be offered can lead to some inventory management issues. There can be instances where the agents that are in-stock would not be used that often. At the same time, some agents would be used so frequently that a shortage of the inventory of that particular agent would be quite common. The electronic medical record system should be designed to have provisions to include data on supply and the demand for it. The administrative assistant, who will have inventory management as a part of the job description, can use this data and extrapolate the requirement for the agents over a period of 2 months and adjust the inventory accordingly.

The therapy chosen by the patient would then be reflected in the electronic medical record system that will have a specific billing code. This will automatically lead to the patient being billed for the treatment services being sought. Since procedures under the field of elective cosmetic surgery would not be covered under insurance (Rosensweig, 2007), the patient would be liable for the complete payment for the treatment costs. If an instance arises which leads to balance payments, the administrative assistant can collect that amount on days scheduled for follow-up visits with the registered nurse (RN). The invoice for the therapies would provide all

the necessary information to the patients on the costs of the treatment along with the physicians' and administrative costs.

Economic Feasibility

An important strategy to maximize the profits for the clinic would be an efficient inventory management method. The administrative assistant would have the convenience of using a designated space in the clinic for inventory management. This would save money on leasing a different storage unit. The chemical agents usually come with a shelf life of 1 year, so the inventory management would include provisions that maintain an efficient balance between supply, demand, and expiration date. The brushes that are used as a delivery agent for the therapy and the other complementary equipment would include cotton gauges and the toiletries. These components of the treatment delivery do not have a fixed shelf life. So managing the other components would be less of a burden as compared to the chemical agents. The dermal fillers and Botox solutions have quick restocking options and a longer shelf life. These advantages make it easier for the staff in inventory management. The laser hair removal and the spider vein therapy use a portable machine for treatment. This would give a lesser challenge to the administrative staff for pricing and inventory strategies.

The office space for the clinic would be leased for a year. The location for this clinic would be in Orange County, preferably closer to its border with Los Angeles County. The reasons to choose this location would be to attract clientele from both the counties and to obtain a lower leasing price for the office space.

The revenue of the clinic would depend on the multiple factors. For the supply of the chemical agents, a manufacturer would be given an initial contract for a year. The supportive equipment of disposable brushes and clinic toiletries could be bought in bulk from their

manufacturers by projecting the clinic's needs over a year. The other important factor for the viability of this clinic would be making all the employees shareholders in the business. The clinic would have a staff of approximately five employees. The dermatologist and the employees would be given 20% share of the total profits from the business. The dermatologist would be responsible for the clinical side of the business. The initial few months would be a decisive period that might not yield profits. The physician should consider profit sharing with the staff. Although this might not prove to be economically beneficial for the physician, the incentive of profit sharing could prove to be a swaying factor in a potential staff member's decision to work for this clinic. However, until the breakeven point of the balance sheets for the clinic is unmet, the physician should not consider the provision of profit sharing. The dermatologists would be the other director in this business. He would be employing all the providers of care, namely two RNs. The RNs would also be employed in such a manner that the clinic would have a nurse on call for the evenings. The strategy of using on-call nurses would be mutually beneficial to the clinic and the nurse. The salary could be very minimal for such an on-call nurse, who could attend calls only on the days requiring his or her presence in the clinic. Since this is not an emergency procedure, the nurse could be called well in advance to the clinic depending on the day the patients plan to visit. This facility of on-call nurses would be a crucial advertising point in employing nurses as employees. The administrative employee would be trained for the various responsibilities in the clinic; therefore, hiring a recent graduate would prove economically beneficial to the clinic. These components in hiring the employees would make a difference in forming a profitable business model for a cosmetology clinic.

Strengths

The profitability of a business depends upon multiple factors. To begin with, the business would be at a location that would make it convenient for prospective patients to travel from a geographically large square mileage. People as far as the San Diego County can access the area surrounding Seal Beach or Long Beach. With the increasing need for cosmetic surgeries, this factor will be the crucial factor in determining the success of Skincare.

Having a professionally trained staff for assessing the patient would be another important strength of this clinic. The flexibility in scheduling appointments for the physicians and nurses would be necessary in recruiting the best possible staff. The same could be said about the patients who could select therapy dates according to their convenience. This staffing and scheduling pattern would give the clinic a greater flexibility in pricing the therapies.

Weaknesses

Physicians who practice dermatology and plastic surgery are one of the most highly compensated physicians in the field of medicine. The requirement of a physician to recommend a specialized treatment would cost the clinic a huge portion of the generated revenue. Also the employment of RNs can cause a significant dent in the clinic's cash flows. The nurses would be highly trained, which would also imply a robust salary. These would form the majority of the clinic's weaknesses.

Also, there are some over-the-counter alternatives which are easily available that can be applied by the patients without a prescription. If used improperly, these alternatives can cause some serious harm to the patient. However, a lack of patient education prevents individuals from abstaining from such alternatives. Significant effort would also be needed to train the staff in using the electronic record system and the training of the receptionist/administrative assistant.

Opportunities

In the future, the services could be expanded to provide Botox treatments and face-lift surgeries. There can be a separate focus on wrinkled skin which can be treated with surgery, but a competitive pricing would be required to influence the patients if there is a significant demand for such a service. The clinic can form partnerships with other physicians, particularly endocrinologists, in the surrounding areas who can recommend patients for this therapy after treating them for acne.

A future development in technology can be expected which will make the process of peeling more efficient. This can be included as a part of the equipment in the clinic and advertised so as to make the follow-up process more convenient. With experience, the administrative assistant would be able to make better judgments on the inventory that would be helpful in reducing the operational costs.

Threats

The major threat to this treatment is the availability of low cost over-the-counter alternatives. Some chemical agents can be bought over the Internet and self-administered. This availability could generate a serious doubt in the patient's mind that would potentially reduce the customer base even though this might be a harmful decision. Therefore, patient education will be explicitly mentioned in an advertising campaign and would be a crucial component of the marketing policy to access a wider pool of the patient population.

There could be a possibility of a better pricing strategy by the competitors in the surrounding areas that will affect the patient inflow. Attending medical seminars and conferences would keep the executive director acquainted with the latest developments and be a source of continuing medical education. This can help in gaining an advantage over the competitors. Also,

training the staff in new technologies would cost money to the clinic. This can lead to the reduction in the clinics profits.

TABLE 1. Summary of SWAT Analysis

<u>Strengths</u>	<u>Weaknesses</u>
<ul style="list-style-type: none"> • Strategically important location • Professionally recommended therapy • Highly skilled staff • Flexible shifts for nurses • Steady patient flow • Convenient for physicians to schedule appointments • Wide selection of treatment options • Flexible pricing of therapies 	<ul style="list-style-type: none"> • Physician salaries • Employing highly trained nurses • Self-administered alternatives • Lack of patient education • Training for using the electronic medical record system • Administrative assistant training
<u>Opportunities</u>	<u>Threats</u>
<ul style="list-style-type: none"> • Expansion of services • Diversifying the business • Strategic partnerships • Faster scheduling of appointments • Technology development • Reducing the costs 	<ul style="list-style-type: none"> • Over-the-counter alternatives • Treatment complications • Competitors • Change in technology • Loss of customers • Post-therapy requirements • Limited advancement in agents

CHAPTER 3

LEGAL AND REGULATORY ISSUES

Any entity that is a part of the healthcare system needs to comply with the complex network of laws and regulation. It would be vital to have a detailed understanding of the legal and ethical principles in delivering healthcare along with conducting business as an organization. For such reasons, it would be advisable to seek help from experienced individuals in setting up the business for the initial few months. This section will give a brief explanation of all the laws, codes and federal regulations applicable to Skincare clinic and its employees.

The basic structure of the clinic would be a partnership between two organizations that would be solely responsible for running the clinic as a LLC under the California Corporations Code, Section 17701 (n.d). There would be a business corporation and a medical corporation running the respective aspects for Skincare clinic. The director of the business corporation would be responsible for the legal and regulatory affairs in the clinic. For this reason, the director should have the minimum credentials of a Master's in Business Administration (M.B.A) or an equivalent business degree with some background in the law. As mentioned earlier, the clinic can contract someone experienced in the healthcare field for the first quarter of business to recommend and guide the staff members responsible for the legal and regulatory issues. This would be a consultant specialized in setting up similar corporations with a specialization in satellite clinics. The director of the business corporation would be conferred with responsibilities for being up to date and compliant with the new and existing laws and regulations, licensures requirements, property agreements, employee contracts and liability insurances which govern our clinic and its operations as an healthcare entity. Being a dermatology clinic that primarily deals with the aesthetic aspect of a patient's health and appearance, it would be extremely crucial to

abide by the laws that govern such practices. It is also important that the staff members on the team share the same principles and ensure that the patients are satisfied with the rendered services.

The patients would form the main focus group of Skincare Clinic. On their first day of the appointment with the physician, they would be provided with all the documents and forms explaining their rights as patients. Patient confidentiality should be guaranteed and forms for allowing the disclosure of information to the kin should be provided after explaining its significance.

Organizational Liability

Because this clinic would be involved with the business of delivering dermatological medical services, Skincare would need a structure that involves two different organizations working together in a partnership. The clinic would choose to operate as a Limited Liability Company (LLC) between two corporations namely a business corporation and a medical corporation. The law prohibits employment of physicians unless they are themselves physicians. Under the Business and Professions Code, Section 2052, practicing medicine with out a medical license is against the law (ca.gov). Only physicians have this medical license and these complex technical wordings prohibit corporations from employing doctors. Hence there would be medical corporation headed by the physician who would be the director and a business corporation headed by the business director. The business group director would be responsible for maintaining all the records from the non-medical aspect of the company, which would be the responsibility of a medical group director. The business group director would also be required to register the company as a LLC with the California Secretary of State's office.

Because this business would be operational in the Los Angeles county area, the business organizations director would be responsible to obtain the business license and business tax certificates from the City of Long Beach, Financial Management office. The director would also be responsible for maintaining all the documentation of the office space including the leasing agreements and the zonal approval for this business from the City of Long Beach planning department. Skincare should be registered with the Business Name Filing and Registration Department in the County of Los Angeles office. The director would also need to have the clinic inspected for fire prevention and register with the hazardous waste management program with the Los Angeles Fire Department.

As a LLC, Skincare would have greater flexibility in taxing and would benefit the staff members as the business profits could be shared with them. The LLC can also save the staff members from double taxation, as is the case in a corporation where the profit is taxed as corporate and as an individual tax. Also as a LLC, there would be significant restraints over personal liability being a co-owner, for the wrongdoings of other co-owners or employees of the business. However, the owners or the employees can be held personally liable for his or her actions. The other benefit of forming a LLC is less paperwork that is favored by any healthcare organization, and reduced start up costs. Directors of the business and medical corporations would be responsible for hiring the team members. They would also need to enforce California laws and regulations pertaining to workplace safety and health issues. Under the Occupational Safety and Health Act (OSHA), all business and employees must prepare an injury and illness prevention program. It would be imperative to have the Cal/OSHA consultation service, which provides free of cost consultation, to provide assistance and guide the employers and employees on workplace safety issues.

The medical corporation would be responsible for purchasing their own professional liability insurance that would cover its team members. According to the Business and Corporation Code, section 13401, the medical director would be validating the necessary licenses for rendering medical services (ca.gov). This would be possible by using a correct recruitment strategy of its staff members, with focus on appropriate state and federal licensures and registrations. Because the clinic would be prescribing drugs to patients under the direction of a physician, the medical group director would need to be licensed under the State Department of Health Services to obtain a permit with the Pharmacy Board. Also, the clinic would be required to obtain a valid certificate and license from the Department of Public Health as a healthcare facility and providers of healthcare. These two corporations would form the framework of our healthcare entity and their individual corporate laws would govern these corporations.

Employment laws

Skincare would be employing a staff that would consist of a mix of professionals and some non-professionals. However, the entirety of the medical group would consist of professionals. According to the Business and Professions Code, section 306, the directors of these individual corporations that form our healthcare entity would be allotting appropriate compensation packages to its employees (ca.gov). The employees would know of their job description under the guidance of their directors. The directors would also be allotting appropriate responsibilities to the members of their groups to carry out the delivery of healthcare services. The medical group director would appoint two full time employees including the Aesthetician and a Nurse practitioner who would be paid a monthly salary. The business group would also have a similar structure with the director and two other full time employees, namely receptionist and a back office assistant who would be on a monthly salary.

The directors of both the corporations should make sure that all the healthcare providers and staff members who have access to medical records are properly trained to abide by the Health Insurance Portability and Accountability Act of 1996 (HIPAA). Also, under the Business and Professions Code, Section 680, all the healthcare professionals would be compelled to disclose their names and professional license status as granted by the state. This would allow the potential consumers to research the background of the providers and make careful decisions on their treatment options. The medical group director would be the person in charge to ensure regular update and recertification of the professional licenses. The healthcare information should contain the highest level of education and the board certification information along with the name and license of the healthcare provider. This clinic would also collect specimens for laboratory analysis. Under the Business and Professions Code, Section 681, the medical director would have to ensure that the employees label the specimens appropriately in compliance with the applicable laws and regulations. The director would also be responsible to report to the appropriate authorities in the unfortunate event of the professional licenses getting revoked for disciplinary measures. According to the Business and Professions Code, Section 801, the director would be responsible for assuring that healthcare provider is covered by an appropriate malpractice insurance coverage to cover for any potential malpractice lawsuits.

Skincare would practice fair employment practices and would refrain from discrimination or harassment based on a person's race, ancestry, national origin, color, sex, sexual orientation, religion, physical or mental disability and marital status. The clinic would also provide the employees with DFEH 185, which is an information sheet on workplace sexual harassment provided by the Department of Fair Employment and Housing. Employees would be provided

with the notices on their rights for family and medical care leaves (CFRA) and pregnancy disability leaves if applicable.

GAP Analysis

Because modern healthcare thrives on patient satisfaction and patient feedback, it would be crucial for the business to conduct analysis on regular basis in order to assess the progress and improvement over time. Under the Business and Professions Code, Section 325, the directors of the groups could receive complaints from consumers regarding the services rendered in the clinic, unfair methods of competition, and deceptive acts of practices undertaken by any person (ca.gov). This would help the business conduct its quarterly review and formulate strategies for the foreseeable future for better growth in the business. Also the director would be able to summon the staff members to discuss mistakes and suggest improvements to the team members. If the situation deems reporting the incident to the law enforcement agencies or the regulatory agencies, then under the Business and Professions Code, Section 326, the director would be assigned this task of notifying the authorities after careful review of the actions.

Patients would be required to fill a survey at the end of their experience with Skincare. The survey would address various aspects of the delivered care from reserving an appointment with the physician to the follow up with the physician. These steps would ensure safe practices in medicine that in turn lead to better customer satisfaction which inspires the ideology of this clinic.

CHAPTER 4

FINANCIAL STATEMENT AND ANALYSIS

This chapter presents the analysis and a brief overview of the financial statements of Skincare Clinic projected over a three-year period. The purpose of the analysis is to attract potential investors and provide them with a general idea on the economics of the Skincare Clinic to the shareholders. This entails startup costs, income statements, cash flow analysis and balance sheet analysis. Also included in the financial plan is break-even analysis and sensitivity analysis to get a better judgment of the business plan.

As mentioned later in the chapter, the clinic would need \$140,270 to start the business. The contributed capital would be of \$10,000 to begin with equal contributions from the directors of the two corporations. The rest amount of \$130,270 would be financed through a bank over a period of three years with an annual interest rate of 6.50% per year. Payments would be made on a monthly basis starting the first month of operation and according to the income projections; the debt should be paid off comfortably within the payment period.

The projected income through the services rendered through the clinic remains positive throughout, which should be visible by the end of the first year. This would allow the clinic to pay off debts and erase balance sheet deficits by the end of second year. If need arises, more employees can be hired by the physician for more efficiency and proper handling of time and resources in the clinic.

According to the assumptions, the break-even point for the clinic can be achieved in the first year of business with future projections of revenue increasing by at least 20% for the next two years. The projections also show that the company would be profiting by \$227,000 in the first year. The two directors of the clinic would share these profits.

Startup Costs

The office space for the clinic would be leased for a period of 11 or 15 months depending on the property owner's leasing availability. The lease should be renewed on regular basis until there is enough capital to buy our own office space. Located on the outskirts of Los Angeles County, Skincare would be able to rent a large office space at \$3,000 per month. \$2,500 would be allocated for the improvement and renovation of the office space, primarily the paint and the furniture. These costs could be easily manipulated because the office equipment a dermatology clinic requires would be a bare minimum. The only investment in the category of office equipment would be a refurbished laser therapy machine. Some amount of capital would also be required to cover the legal expenses required to get proper licensures and certifications for the clinic. Inventory used for general purposes in the clinic would be purchased in advance to cover the first few months of business. The physician would be consulted for the medical inventory and an estimate of the number of units would be given to the back office assistant after the initial stock gets used up. The business group assistant would be responsible for stocking the inventory and its management. Since this clinic would outsource all its laboratory work to a different pathology lab, the physician would be saved from the additional responsibilities of a hazardous waste disposal programs. An electronic medical records system would be purchased from software developers who supply products to small businesses and clinics. Such a system could be purchased for an upfront cost of \$1,000 with a monthly maintenance fee of \$200.

Income Statements

The clinic would be providing a variety of services such as spider vein therapy, dermal fillers, Botox therapy, chemical skin peeling and laser hair removal therapy. As a start-up, the sales would gradually increase over a period of time. The sales would be approximately \$46,000

per month for the first couple of months with the figure expected to double in the latter half of the first year itself. Going with the sales of \$46,000, the yearly income through the sales would total \$552,000. This would be sufficient to cover the loans and get cleared of any debts.

Employee compensation amounting to \$235,000 would be a major expenditure. The estimate was calculated using the average pay for those positions in the state of California. The business and medical corporation would be hiring employees who would be assured a salaried structure and should be retained over the next three years.

A total profit of \$176,730 is approximated in the first year by subtracting the total payroll expenditures and the expenditures towards the loan debt from the total sales amount. These profits can be used for further improvements of the clinic. Hiring more employees and updating the office equipment would be on the priority list after the first year in business.

Cash flow analysis

The services offered at Skincare are offered at a wide scale of price ranges starting as low as \$265 and going up to \$1,500. Taking a modest sale of 12-15 units per day instead of the robust 25 unit sales, most of the owed debts can be repaid within the first 6 months. The cash from the services rendered could be used to pay off the debts in the initial few months of the business. After the repayment of the loans and office improvement expenditures, a percentage of the excess profit can be shared with the employees in the form of a bonus that can act as an incentive.

Balance Sheet Analysis

The office equipment and the laser removal machines can be the assets that can be mentioned in the balance sheet. Some of the profits can be further invested, or they can be used to buy back the investor's shares that were used to raise the initial capital. After three years, the

profits can be used to buy our own Skincare office space that can be a huge asset to the business owners. This would save \$36,000 annually in rent expenses.

Liabilities would be the financial loans, employee compensations and miscellaneous monthly expenditures related to the clinic. Hopefully, due to the nature of the business, the liabilities could be kept to the bare minimum with the proper functioning of the clinic and proper usage of resources. Since the members in the medical corporation would be the only employees requiring licensures, the medical group director would be practically responsible for the regular accreditation of their team members and therefore, the clinic.

APPENDIX

FINANCIAL DATA

Business Name	Skincare clinic
Current Fiscal Year	2015
Contributed Capital	\$10,000.00

Startup Costs

Tennant Improvements	\$3,000.00
Equipment	\$80,000.00
Furniture	\$2,500.00
Permits	\$2,000.00
Legal Expenses	\$2,500.00
Initial Stock	\$3,000.00
Grand Opening Promotion	\$0.00
Cash On Hand Contingency Funds	\$10,000.00
Electronic Health Records System	\$1,000.00

Yearly Expenses

	Year 1	Year 2	Year 3
Total Employee Compensation	\$235,000	\$250,000	\$300,000

Monthly Expenses

Rent	\$3,000
Utilities	\$1,300
Maintenance and Repairs	\$700
Insurance	\$275
Marketing Budget	\$2,500
Additional Monthly Expenses	\$2,000

Financing Needed

\$140,270.00

Capital to be raised	\$130,270
Term Loan Interest Rate	6.50% per year
Length of Term Loan	3 in years

Sales

Average COGS	0.00%
Initial Monthly Sales Estimate	\$46,000
Monthly Sales Growth	1.00%

Effective Annual Tax Rate

40%

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