

OUR PRACTICE

Franchising – Health Care

In many respects health care franchising is not like any other type of franchising; it has similar business models and objectives, but critical structural variables. These differences are enormously important.

To serve our health care franchising clients, Baker Donelson combines the knowledge and experience of two robust practice areas – our Franchising and Distribution group and our Health Law Department. We advise clients at every stage of business development, including suppliers to health care franchise systems, from startups to large, established franchises.

Health care franchising itself is not new, but new concepts have expanded the breadth and number of health care franchises operating in the United States. These systems offer services ranging from eye exams, to travel vaccines and urgent care in clinics with play areas for children and movie theaters to occupy patients while they wait. There are more than 100 health care franchises in the U.S. and experts predict the industry will grow rapidly in the next decade.

Baker Donelson offers these clients outstanding service because we understand franchising as well as the health care industry and its accompanying regulation. We apply our extensive experience to help health care clients navigate anti-kickback rules, the Stark law restricting referrals and state laws governing the corporate practice of medicine. We also help clients comply with Federal Trade Commission and state franchise rules that limit financial disclosure to franchisees – and carry a steep penalty if violated.

Patients choose health care franchises for many of the same reasons they choose to stay in chain hotels or eat at branded restaurants. The brand represents consistent expectations of environment, quality and service. Locations are convenient, and they can expect a certain level of service quality.

From a business perspective, a health care franchise offers providers a number of advantages. Franchisors provide the administrative structure, including assistance with systems for recordkeeping, marketing, coding and billing, which allows the physician or other provider to focus on their practice or business. For new (and often debt-laden) doctors, franchises offer the appeal of practicing independently without the need for capital-intensive and lengthy efforts to develop a local practice.

Knowing they cannot intrude upon a central aspect of the business – the relationship between doctor and individual patient – franchisors have nevertheless developed ways to assure and even improve the quality of patient care. Some, for example, require specialty board certification, while others have developed intranets and other ways for physicians in different locations to share information and expertise.

How Americans obtain health care is evolving rapidly, even as pressure to control costs mounts steadily. Franchise systems will thrive if they can introduce the same efficiency to health care as they have in retail, home services and the hospitality industries. Once the Affordable Care Act is fully implemented, millions of new customers will have access to insurance – in effect, greater purchasing power – without established ties to a medical practice.

Health care franchises will thrive only if they launch and operate with the right legal structure and guidance. Baker Donelson's health care franchising team is ready to offer that guidance and help navigate in this ever-changing environment.