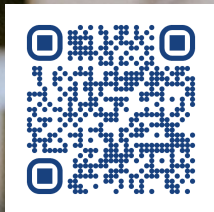


COSTS & ECONOMICS

How Much It Costs to Start a Private Medical Practice (Real Numbers)

Starting a private practice costs from five figures for a lean cash-pay launch to far more for an insurance build-out. Line-item budget ranges by model.



SCAN TO BOOK A CALL

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The cost of starting a private medical practice depends almost entirely on the model you choose. **A lean cash-pay practice — telehealth or hybrid, no build-out, no billing staff — can start for a low five-figure amount, while an insurance-based practice with leased space and staff costs several times that before it can bill its first commercial claim.** The budget has six categories: legal/formation, licensing and registrations, malpractice insurance, software/systems, brand and website, and — the most underestimated line — working capital to live on while the panel fills.

An honest note before the numbers: published "average startup cost" figures for medical practices vary wildly and are rarely sourced. The ranges below are line-item planning ranges; each one marked should be verified against current quotes for your state and specialty before you treat it as a budget. The structure, and the verified facts (like the 90–150-day credentialing wait), are solid.

BY THE NUMBERS

low 5-figs

lean cash-pay launch (before working capital)

\$0

EIN and NPIs — federal filings are free

90–150 days

credentialing carry cost (insurance)

What are the line items, and what do they cost?

For a solo physician, cash-pay model, in a mid-cost metro:

EXHIBIT

LINE ITEM	PLANNING RANGE	WHAT DRIVES IT
Entity formation (PC/ PLLC) + legal documents	\$500–\$5,000	DIY filing vs. healthcare attorney; CPOM complexity in your state How to Set Up the Legal Entity for Your Medical Practice (PC, PLLC, and the CPOM Problem)
EIN, NPIs	\$0	Federal filings are free; your time or a delegate's
State license (new state, if needed) + DEA registration	\$1,000–\$3,000	Per-state board fees; DEA registration fee if prescribing controlled substances
Business licenses/ permits	\$50–\$500	Locality
Malpractice insurance (first-year premium)	Highly variable by specialty and state	Specialty risk, state market, claims-made vs. occurrence; smaller cash-pay panels can affect the quote — ask your broker
Software: EHR, scheduling, intake, membership billing	\$200–\$800/month as separate subscriptions; an integrated platform consolidates this	Stack-of-tools vs. one system What Software You Need to Run an Independent Medical Practice
HIPAA setup (risk analysis, policies, BAAs)	\$0–\$3,000	Near-zero on an already-compliant platform; real money DIY
Brand, website with booking, Google profile	\$500–\$5,000	DIY template vs. hired build
Clinical supplies (telehealth-light scope)	\$500–\$2,000	Scope of in-person services
Subtotal, lean cash-pay launch	Low five figures before working capital	

What this lean version deliberately excludes: office lease and build-out, staff salaries, and insurance-billing infrastructure. Those three are where budgets multiply.

A worked example (hypothetical numbers — substitute your own).

FROM THE BRIEF

How does the budget change by practice model?

EXHIBIT	LEAN CASH-PAY (TELEHEALTH/HYBRID)	CASH-PAY WITH PHYSICAL OFFICE	INSURANCE-BASED WITH OFFICE AND STAFF
Space	None — add later when panel justifies it	Lease deposit + fit- out: tens of thousands	Same, plus more square footage for staff/volume
Staff at launch	Usually none — solo is viable	Optional MA/front desk	Billing/coding + front desk typically required
Billing infrastructure	Membership billing (software line above)	Same	RCM software + billing staff or service — an entire overhead category cash- pay avoids
Credentialing carry cost	\$0 — no payer enrollment	\$0	90–150 days of overhead while unable to bill commercial payers (credentialing range verified)
Order of magnitude	Low five figures	Mid five to low six figures	Six figures common

Two structural facts do the explaining. First, skipping insurance removes credentialing, billing staff, and RCM software — and removes the months of fully-loaded overhead you'd carry while waiting out the verified 90–150-day commercial credentialing window. Second, skipping the build-out removes the largest single capital item and the longest construction-dependent timeline. [How Long It Actually Takes to Open a Private Medical Practice](#)

How much working capital do you actually need?

More than the startup line items — this is the number that decides whether the practice survives its own ramp.

Plan for **6–12 months of personal living expenses** in reserve, because most physicians model a **6–18 month build to a sustaining panel**. Your clinic can be open in six weeks and still pay you very little in month three; that's not failure, it's the ramp. The practices that die young usually don't die of startup costs — they die because the physician needed a full income before the panel could provide one, then panicked or quit.

A reasonable way to size it: monthly personal burn × the number of months your modeled panel ramp takes to cover both overhead and your draw, plus a margin for the ramp being slower than modeled. If you're transitioning gradually — keeping employment income while a side panel grows where your contract permits — the working-capital requirement drops substantially, which is a major and underrated argument for the reversible path. [How to Test Your Own Practice Without Quitting Your Job](#)

A worked example (hypothetical numbers — substitute your own). Suppose a solo DPC launch with a \$75/month membership, a target panel of 500, monthly practice overhead of \$3,000, and personal burn of \$8,000/month. At full panel, revenue is \$37,500/month — comfortable. But if enrollment runs at 30–40 new members a month, the practice doesn't cover overhead plus your draw until somewhere around month 9–12. Cumulative shortfall to that point — the gap between what the practice pays and what you and it consume — is what your working capital must cover, and in this example it's several times the startup line items. Change any input — price, enrollment rate, overhead, your burn — and the required reserve moves a lot, which is exactly why you model your own inputs instead of borrowing someone else's average. The same arithmetic run as a side launch, with salary covering personal burn, needs a fraction of the reserve.

What does the recurring overhead look like after launch?

Startup cost gets the attention; monthly overhead determines take-home. The recurring lines: software/platform subscription, malpractice premium, payment-processing fees, any rent, any staff, supplies and labs, license renewals, and marketing. Cash-pay practices run structurally leaner — no billing or coding staff, no RCM tooling, smaller panels needing less space — which is why a well-run DPC practice delivers a large share of membership revenue to the physician. Take-home ≈ membership revenue – monthly overhead; both numbers are yours to design.

What do physicians get wrong about startup costs?

They optimize the wrong number. The instinct is to minimize startup cost. But low startup cost with no patients isn't success — the number that matters is the **payback point**: the month cumulative revenue passes cumulative cost. A few thousand dollars saved on a worse website or a clumsy software stack can cost months of slower enrollment and daily operational drag, pushing payback further out than the savings justified. Spend where it accelerates the panel; cut where it doesn't.

The related error is **underpricing** — setting membership fees low out of fear, which quietly converts a viable model into an unsustainable one regardless of how cheap the launch was. Price to your value and cost structure, not your anxiety. [The Biggest Mistakes Doctors Make When Starting a Practice](#)

Reality check

No one can give you one honest number. Any article quoting a single universal "cost to start a practice" is averaging a telehealth DPC launch with a six-figure multi-payer build-out. Use the line items, get real quotes for your state and specialty, and distrust precision that isn't yours.

The hidden costs are time-shaped. A DIY launch's biggest cost rarely appears on a budget: months of your evenings, and — if you're delaying a departure from employment to do it — the income and energy that delay consumes. Consultants charge for advice and leave you executing anyway; done-for-you services charge for execution. Price all three paths honestly, including your hours. [Do You Need a Consultant to Start Your Practice?](#)

Failure modes to budget against: underestimating runway, carrying credentialing-era overhead without a plan (insurance practices), signing a lease before demand is proven, and hiring staff before revenue supports them. Each is avoidable; all are common.

This is general information, not financial advice. Model your own numbers before committing.

Frequently asked

How much money do I need to open a private practice?

For a lean cash-pay launch: a low five-figure startup budget plus 6–12 months of personal living expenses as working capital. The working capital is usually the larger and more important number — it's what carries you through the 6–18 month panel ramp.

What's the cheapest way to start a medical practice?

A cash-pay (DPC or concierge) telehealth or hybrid practice in a state where you already hold a license: no build-out, no billing staff, no credentialing carry cost, software consolidated into one platform. You add space and staff later, when the panel pays for them.

Why does an insurance-based practice cost so much more to start?

Three reasons: billing infrastructure (RCM software plus billing/coding staff), the physical capacity higher patient volume demands, and the verified 90–150-day commercial credentialing window during which the practice carries full overhead while unable to bill commercial payers.

Is a startup loan necessary to open a practice?

Not for a lean cash-pay launch, which many physicians fund from savings — especially if launched on the side while employed, which keeps salary flowing through the ramp. Larger build-outs and insurance-model launches more commonly involve financing. Model payback before borrowing anything.

When does a new private practice become profitable?

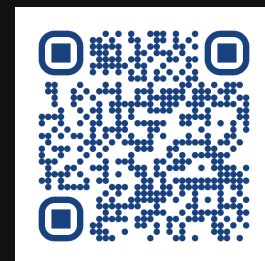
When cumulative revenue passes cumulative cost — driven by membership price, panel fill rate, and overhead discipline, typically somewhere inside the 6–18 month ramp for cash-pay models. Profitability isn't automatic: it requires real demand in your market and overhead kept lean.

HOW OPENWELL CAN HELP

Done-for-you, end to end.

If you'd rather see one bundled number than price eleven line items and a dozen vendors yourself, Openwell packages the entire cash-pay launch — and shows your startup cost, the DIY comparison, and your payback month before you commit to anything.

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SCAN TO BOOK

RELATED OPENWELL BRIEFS

- [How to Start Your Own Medical Practice From Scratch: The Complete Sequence](#)
- [The Complete Checklist for Opening a New Medical Practice](#)
- [How Long It Actually Takes to Open a Private Medical Practice](#)
- [Licenses and Credentialing You Need to Open a Clinic](#)