

How To Sell a Medical Practice

by Keith Borglum

Think you can't sell a practice anymore? Don't believe everything you hear in the physicians' lounge at the hospital. Practices sell regularly, many for a good price, most with minimal fanfare. Not every practice sells, but not every practice is in a condition to be sold, nor does every physician properly try to sell his or her practice.

The truth is, the harder it is to start a practice from scratch in a particular location, the easier it usually is to sell an existing one and the more it is worth. If a physician new to an area wants to have a practice, often the easiest and least costly way to do it is to buy one. It may be the only way to enter the market. Buying a local competitor's practice at the right price is also often a cost effective way to grow your own practice. The more competition there is, usually the more an existing practice's transferable cash flow is worth. In underserved areas, where all practices in your specialty are swamped with patients, and appointment waiting times are measured in weeks, not days, your practice will have far less value.

If you want to sell your practice, here are a few keys:

Plan at least a year ahead. Three years ahead is not too far. A physician who doesn't have a plan for selling his or her practice risks being forced to sell it at "fire sale" prices, if it sells at all. Consider a "cross-purchase" agreement with colleagues, using life insurance as the source of funding, in case of death.

Don't slow-down in advance, and even increase productivity and profitability if possible the two years prior to sale.

Don't tell, or even insinuate, your plans to colleagues or staff until the right time.

Get a professional appraisal, both to price the practice right and to convince a buyer of its value. Use a medical practice expert that can demonstrate compliance with Uniform Standards of Professional Appraisal Practice (USPAP), or is a member of the Institute of Business Appraisers, American Society of Appraisers, or a member of your medical society's consultant panel (medical practice appraisal is an unlicensed profession in some states and there is much incompetence afield). The cheapest appraisal might be OK for the cheapest practices. Is that yours? I've seen an extra \$3000 worth of research result in an extra \$300,000 in value.

Prepare a proper professional promotional package, including a dedicated web page.



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Clean up the office and your desk, to make them appear more modern and attractive before any candidate ever visits. This can take a month or two. You'll need outside help because you can't "see" your own space after having lived there.

Consider using a confidential intermediary to protect the identity of the practice for sale. We offer this service.

Require a Non-Disclosure Non-Competition Agreement from any candidate prior to disclosure of your identity and data so that candidates can't use your information to open across the street and compete with you.

Be open as to accepting who the buyer is. It might be your biggest competitor, or they might not look like you or sound like you.

Make sure your last 3 years' (at least) accounting conforms to industry standards like NSCHBC or MGMA.

Make sure your last 3 years' accounting clearly segregates regular expenses from IRS Sec 179 capital assets, and clearly can identify tax-deductible personal benefits, like health insurance, automobiles, employed family, etc.

Don't "skim the till". Declare all your income. Undeclared income not only is a crime, but will turn away all but the most disreputable buyers, since it breaks trust right up front.

Consider offering the buyer a chance to work for 1-3 years at reduced income, then sell the practice for the value of the hard assets, "without goodwill". The reduced income will probably equal the goodwill you would have received, and the price will be more attractive, with less risk to both parties.

Consider merging your practice into a local group in lieu of sale to a stranger, with a premium of income for 1-3 years in lieu of a sales price. This will allow them the patient volume to more easily support recruitment of a new employed associate to take over your patients.

If possible, increase income by means other than your personal labor, like using midlevels or ancillary services.

The key to selling a home is "location, location, location".

The key to selling a practice is "planning, planning, planning".

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Publications related to this topic on website www.practicesupport.com include:

- [Medical Practice Valuation & Workbook Appraisal Guidelines](#)
- [Time to Sell? Guide to Selling a Physician Practice](#)
- [Preparing for a Practice Buy-in Arrangement](#)