Preparing To Sell Your Medical Practice

Whether you are just considering selling your practice and are curious about what you might need to do, or you are ready to go for it and need to know where to start, you’re in the right place.

There are several ways of looking at how to prepare your medical practice for sale. They can be divided into:

1. your internal review (how you feel and think about it);
2. factors that may make it difficult to sell; and
3. factors that may make your business attractive.

1. The Psychology of Selling Your Medical Practice

Before and during my time as a newly-minted practitioner, like most of us, I focused exclusively on how to build my practice. I’d think through all the ways I could improve it; all the ways I could build in efficiencies so I could do a better job and make more money while working less. I attended practice management and billing seminars. You know how it is.

But after ten years of a successful practice, I started to realize two things:

1. At a certain point, you may be successful enough that you no longer want to keep building your practice. You don’t want to keep growing in size and complexity. There also comes a point as a practitioner of diminishing returns: you only have so much time and energy as a practitioner, and as a manager. Along with this,

2. As much as I loved what I was doing, there would come a day in the not-too-distant future when I would want to do something else.

As that second thought gradually crept into my conscious mind, it scared me. I had no idea what I would do if I wasn’t practicing medicine. But I knew at some point I had to consider it.

As the founder of one of the first practice management software companies, I used to run around the country on weekends not only talking about medical practice software, but also teaching medical practice management to medical students and practitioners. In those classes, I started to ask my students, many of them just on the cusp of starting their own practices:

“What will you do after you have a successful practice? At what point will you be satisfied with your business? And after that, what is your exit strategy?”
I was asking as much for myself as I was for them. And I was somewhat surprised to find that 95% of my students had never considered the “after” part.

If you’re still reading this, you are likely smack in the middle of considering the “after,” and chances are that you haven’t thought too far down the line beyond the sale of your practice. Here are some questions you may wish to ask yourself:

• Why are you selling? Is it because you’re burned out? Having issues with a business partner? Something more simple, or more ethereal?

• Are you ready to be done with your practice, to let go of control completely to another person?

• Are you ready to retire? Or will you just be moving somewhere else and doing the same thing?

• How does your family feel about it? Have you discussed your hopes and an exit strategy with them?

• If you imagine for a moment that your practice has sold to the perfect buyer and you are no longer involved with it, how does that feel? What are you doing when you imagine that scenario? Where are you doing it?

Beyond the personal questions, there are the larger “what-ifs” to think through. Imagine some of these scenarios, how you might feel and what you might do, if:

• You can’t get as much money for the practice as you think it’s worth.

• You have installment payments going with a buyer and, some time in, they stop paying. Would you be willing to enforce your agreement by repossessing the practice? What else might you be willing to do?

• You have less money coming in after you sell your practice?

• You need to find another way to make a living after you sell your practice?

These questions should be thought through carefully and discussed with those closest to you. If you and/or your family are of two minds about the answer to any of these questions, we recommend you work though those issues before you endeavor to sell your practice.

Even when everything goes well, your practice sells for an amount you are happy with, and you can move on with your life, many of us have not fully thought out what
Preparing To Sell Your Medical Practice (Continued)

happens next. The time to start thinking about this is before you ever start down the road of selling. The time is now.

2. Factors that Make It Harder to Sell a Medical Practice

Before you go too far down the road to selling your practice, consider the following factors and how you may remedy or explain them to a potential buyer. Remember that a buyer will be scanning for any kind of danger to their investment in what would be their new investment, and the following are issues to review:

- Are there any kind of ongoing or recent legal issues related to the practice?
- Are you leasing or do you own the space you are in? If you are leasing, is it a long-term lease and is it transferable to a new owner? Are you sure?
- Is your place of business in a funky neighborhood, or is the office itself in disrepair?
- Could someone else put in the amount of money you are asking to sell your practice (or even less) and start up a successful new one, from scratch, just down the road?
- Have you been working at a loss, or do you have debts for equipment or other things that a buyer would have to take over?
- Has your bottom line been going down over the past year or more?

A buyer of any sophistication will be looking at all of these variables, both tangible and intangible, as they decide if your practice is worth pursuing. If any of these questions can be answered as “yes” or “maybe,” think of how you’d answer a potential buyer before you even start to search for one.

3. Factors that Make it Easier to Sell A Medical Practice

In our experience, the following are variables that make a practice more attractive and a relatively easy sell:

- A long history in one location. This goes to goodwill, often the highest valued part of a practice.
- Owning the building or having a long-term, transferable lease.
- Having very little or no history of legal disputes.
- A great online reputation on sites like Yelp and Google.
Employees who are long-term, happy, and well-trained.

A specialty that you are a known expert in, but one that someone else could learn from you or get or have had prior training doing.

Other modes of income outside of procedures. For instance, perhaps you sell supplements or medical equipment in addition to doing treatments.

Having a well-organized patient filing system

Having a large number of patients, current and past.

Having a large database of patient files online, including billing and chart notes.

Showing efficiencies over time, such as diminishing costs of doing business, and an expanding bottom line.

A practice that has a large population of cash-paying patients.

Insurance billing that would easily allow another practitioner to be empanelled or otherwise able to bill.

Years of excellent accounting records in a bookkeeping program like QuickBooks that can both easily produce Profit & Loss (P & L) statements and Balance Sheets. The data from these programs can also be easily transferred over to a new buyer.

At least 3 years (preferably 5) of P & Ls and tax returns that show consistent and hopefully increasing revenue, profits, and efficiencies over time.

Of course, this is not an exhaustive list, but these are some of the factors that buyers will find attractive and those which you will want to focus on in the process of finding a buyer for your medical practice.

If you find any of these factors missing or lacking, think about how you can remedy them in advance of even beginning the process of selling your practice. Remember the old adage that you never have a second chance to make a first impression. Having as much of these issues thought through and prepared before you get your first call from a prospective will go a long way to establishing early on that you are a savvy practitioner with a valuable practice—one that a well-qualified buyer will want to know a lot better.

While this post may give you a lot to think about, we've also created a free Presale To-Do List that you can download and go through in order to prepare for your sale.
Preparation To Sell Your Medical Practice (Continued)

It goes through very specific tasks that you should have completed before you even start looking for a buyer. If you’d like to get it, let us know.

If you’ve already got all your ducks in a row and are ready to look for a buyer, click here to learn how to do it.

If you have a potential buyer who would like to speak to you, be sure to read about the five important steps before talking to a potential buyer.