



## ***Preparing Your Medical Practice for Sale***

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Good morning!

And, thank you for joining us to learn more about Preparing Your Medical Practice for Sale.

I am Kathryn Christ with JMJ Brokers, based in Jacksonville, Florida. Our firm helps physicians get top dollar for their practices when they are ready to sell by providing advisors with industry-specific knowledge and experience.

Today, we will be discussing six key points to consider when preparing your practice for sale.

First, let's discuss timing. Your practice will be worth top dollar when your revenue is at its highest peak. Once the revenue begins to decline, so does the value of your practice.

Many times, a physician who loves practicing medicine will begin to cut back on hours or withdraw from hospital work as a form of semi-retirement. He may want to continue his relationship with his patients, but begins to turn away a certain class of patients, such as children, or refuse to see any new patients at all.

From a business stand-point, this is revenue that is being forced away from the practice. It will also have a significant impact on the goodwill of the practice as word gets out that new patients are not accepted.

Consider this situation from a buyer's standpoint. Most likely, the buyer of your practice has a certain expectation of personal income and a need to pay back student loans. In addition, the practice will also need to generate sufficient revenue to cover the debt service on the loan for the acquisition.

Declining sales trends do not build confidence in buyers. Physicians looking to purchase practices are seeking vibrant, active practices on a growth trend.

If you are looking for a semi-retirement situation, consider selling your practice while you are doing well and arrange to stay on for a defined period of time with the purchaser. This is a preferred scenario for many buyers for two reasons. First, it indicates to the buyer that the selling physician does have an interest in keeping the

patients within the practice. It also demonstrates a trust of the purchasing physician, which is a visible sign to the existing patients.

The second point to consider when preparing your practice for sale is the condition of the bank accounts associated with your practice. It is important that your financial accounts reflect only the expenses associated with your practice. When personal expenses are intermingled with practice expenses, the financial picture becomes muddled, and it is difficult for a buying physician to realize the true benefit of your practice.

Related to this issue are your practice tax returns. Unless you are willing to offer significant seller financing, a buyer will need to secure a loan from a bank. Any bank will place great weight on the practice tax returns. If your tax returns reflect little to no profit, it will be difficult for the buyer to secure financing. Remember, the earnings from the practice must cover the buyer's personal income needs, school loan payments and debt service for the practice.

The third key point is the organization of your records. This includes all accounts and records related to the practice. The lack of an electronic medical record system is not a deal-breaker, however buyers will take into account the additional expense they will incur in order to transfer records into an EMR system.

In addition, the use of a patient management system, which organizes appointment confirmations, call-backs and general communication is very helpful. It enables a physician to step into your practice and continue to run it smoothly.

Related to this is the use of an electronic billing system. Combined with an online accounting system, these two software solutions will provide for easy access to important records during the due diligence period and for a seamless transition.

The fourth point to consider is not making any major changes when your practice is on the market. Implement any new software solutions twelve months prior to a sale. This will provide a foundational database of information in the new system and allow you to work out any bugs before the transition.

Other major changes to avoid include joint ventures, selling equipment or taking on large amounts of debt. With respect to debt, carefully consider the impact any new pieces of equipment will have on the buyer from both a revenue-generating and debt burden standpoint.

Your outside relationships may play a part in the sale of your practice. If you consult at a nursing home or perform procedures at multiple centers, the buying physician will evaluate each of those situations against any risk of losing patients to you at other locations. If those outside relationships may be transferred to the new physician, they may enhance the value of your practice.

The fifth point is to conduct your own lien search. Over time, you most likely borrowed money to start-up your practice, purchase equipment or establish a line of credit. Any liens attached to your practice will need to be cleared before or at closing. The best way to avoid any surprises is to ask a business attorney to conduct a lien search for you or at a minimum, you can visit the website of the [Florida Secured Transaction Registry](#) and search on your name and the name of your practice. Just Google “Florida lien search.”

If a lien is shown, contact the lender to determine the amount owed and where to send the payment. An estoppel letter from each creditor will be needed for Closing.

Finally, when preparing your practice for sale, rely on the professionals you trust. Your attorney and accountant will play important roles in the transaction. In addition, choose your practice broker with care. Look for someone who has experience and knowledge, and with whom you are comfortable. A professional broker will impact the value you receive from your practice and will play a large part in keeping the transaction as smooth as possible.

You can control both the value of your practice and the effect a transition will have on your patients with forethought and careful planning. Let us help you with this next step. If you are beginning to think about retiring or selling your practice, contact JMJ Brokers at (904) 543-6060 or visit our website at [www.jmjbrokers.com](http://www.jmjbrokers.com) for more information.

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