

A FOOLPROOF WAY TO BUY OR SELL A PRACTICE

How to navigate a market that has become progressively challenging

BY GREGORY KINGSBURY, DC

TIME TO READ: 7-9 MIN.

THE TAKEAWAY

Whether you're contemplating buying your first practice or selling your career investment, be aware of the pitfalls and strategies to achieve fair market value and ensure a smooth transaction.

SELLING OR BUYING A CHIROPRACTIC PRACTICE HAS GOTTEN PROGRESSIVELY MORE DIFFICULT OVER THE LAST 30-40 YEARS. Having personally owned multiple offices from the late 1970s through the mid-1990s gives me a unique perspective on the current marketplace for selling and buying.

Let's address this issue from both the seller and buyer perspective:

Seller perspective

The most common reasons for selling can include retirement, failing health, burnout, career change, desire to move to a different location and marital dissolution. Regardless of the reason, the owner of a viable chiropractic practice wants to be able to sell at fair market value, which should be a substantial return on their career investment and all that represents.

Assuming the practice has been valued correctly by a knowledgeable and experienced practice broker, where will the most likely buyer come from?

Before addressing that question, let's determine who in all probability will not be a candidate to buy a practice. The first unlikely candidate (although not 100 percent disqualified) is a recent graduate. This doctor will more than likely not have their own financial resources or access to them. It's no secret that the majority of newly-minted chiropractors graduate with very high student debt levels, which automatically disqualifies them for practice acquisition financing either through traditional lending sources or even family members. Aside from the inability to secure financing, they will likely not have the necessary business, clinical or marketing skills to take over an established practice and be successful. Virtually all practice acquisition lenders will not even consider lending money to any chiropractor who has less than two years' experience as either an associate, partner or sole proprietor.

The most likely buyers of a chiropractic practice are:

1. An associate or partner who is already working in your practice.
2. A contractor or associate DC who is working at another clinic in your state and is desirous of having their own practice with a built-in base of patients, referral sources and a guaranteed income from the get-go.
3. An established practitioner in the same catchment area you serve who wants a satellite location. This DC most likely has an associate or partner who will take over your practice.
4. An associate doctor or independent contractor already working in the established office of the seller. It is likely they will know the clinical and business side of the practice, most of the patients and referral sources. For this buyer, securing financing and making the transition after the sale will be much easier and smoother.

Don't go it alone

More than 95 percent of practice sales will involve one of these buyer categories, and it behooves any doctor wanting to sell their practice to focus on this group and utilize the knowledge, skills and talents of an experienced sales agent or broker to help make this happen.

Although some practice owners will want to go the solo route and try to sell their practice without the assistance of an experienced broker, in most cases this can prove to be a daunting and problematic task. In real estate terms, this is called a FSBO (sounds like FISBO) and means "for sale by owner." Of course, the motivation is to eliminate the brokerage fee, which can typically range anywhere from 6-10 percent. There are several problems with this by-owner approach:

See how much money YOU CAN SAVE with CREDIT CARD PROCESSING through NCMIC



It's EASY... and there's nothing to lose.

At NCMIC, we're ready to compare your current credit card processing program with ours. You'll receive a side-by-side analysis.*

- ▶ If you can save money with NCMIC and you switch, **you'll get a \$150 sign-up bonus.****
- ▶ If we can't meet or beat your current program's pricing, **you'll get a \$150 gift card.**

For details:



Visit
www.ncmic.com/chiroeco



Call
1-800-396-7157, ext. 5215



*The \$150 comparison offer is for practices that process \$1,000 or more each month. **A two-year contract is required to receive the \$150 sign-up bonus. An early termination fee applies. Credit card processing is offered by NCMIC Finance Corporation. We Take Care of Our Own is a registered service mark of NCMIC Group, Inc., and NCMIC Risk Retention Group, Inc.
©2018 NCMIC NFL5215

Although some practice owners will want to go the solo route and try to sell their practice without the assistance of an experienced broker, in most cases this can prove to be a daunting and problematic task.

1. Very few DCs can accurately value their practice. Most will just pick a number based on what they have heard is fair, usually a percentage of their gross revenues. Poor pricing can be a great deterrent to finding a qualified buyer. Lenders will not finance practices that are overpriced, as most self-appraised practices tend to be.
2. By being your own broker or salesperson, your attention and energy is taken away from all the various duties that keep your practice operating smoothly and successfully. Handling inquiries, many of which will be from “tire kickers,” or “curiosity seekers,” takes time and energy, and is stressful and draining. One very detrimental effect is that the practice numbers inevitably start to decline. Collections, income, daily visits and new patient volume all start to move downward. If the potential buyer and/or lender sees declining statistics, a red flag is raised, and a successful sale will not occur.
3. Rarely does an established DC have the knowledge of the sequence of events necessary to consummate a sale, nor do they know the information required by the buyer’s banker, lawyer, accountant or financial advisor. Again, this is where a qualified broker can act as an advocate and agent, streamlining the whole process and making sure all the information required is gathered in a timely and systematic way.

4. The primary need of a seller is to have a knowledgeable and savvy representative or broker to value, market, negotiate on their behalf, and act as a liaison to all parties involved in the sale or purchase process.

Buyer perspective

The likely pool of qualified buyers was previously stated, but being in one of these categories does not necessarily make the purchase of a practice an easy or smooth venture without complications and pitfalls.

For the associate already working for the established doctor contemplating selling, or the associate or contractor working in another clinic and desirous of going out on their own, certain factors are needed in order for the buy or sell transaction to be forthcoming:

1. They must have at least two years of clinical experience before a practice acquisition lender will consider financing the purchase.
2. They must be familiar with all aspects of how their target practice operates, including the techniques and treatment protocols of the established doctor.
3. They must understand all aspects of how insurance reimbursement works for each of the providers that pay for the seller’s services. Ideally, the buyer should also be credentialed with all of the same insurance providers.
4. A smooth transition should be guaranteed by the seller so that

the existing patient base and all referral sources are transferred over in such a way that they all have full faith, confidence and belief in the new doctor.

Pulling it all together

As recommended for a seller, a serious buyer should also have a qualified representative or broker advise them and help pull the whole deal together. Everything from an objective valuation of the asking price, helping to secure financing, transition protocols, reviewing legal documents like the asset and purchase agreement and negotiating on the buyer’s behalf are all part of the needed services for any DC seeking to buy an established practice. **CE**

GREG KINGSBURY, DC, is the founder of ChiroEquity, a nationwide chiropractic practice brokerage and appraisal service company. With more than 30 years of experience, he has assisted hundreds of chiropractors in the sale and acquisition process. He can be reached at greg@chiroequity.com or 908-419-7510.