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Master keys to buying a winning practice

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Buying a winning practice is not just about numbers. Knowing the numbers is certainly an important first step in coming to an agreement on purchase price, yet strong practice financials and statistics do not guarantee the buyer's success.

After 28 years of assisting chiropractors in the buy/sell process we have identified the master keys to buying a winning practice:

*** **Low overhead.** As a percentage of gross monthly collections the rule is, the lower the better. Ideally, practice overhead should be 45-55%. While there are rare successful practices that have lower or higher numbers most are in this range. The buyer should be cognizant of the fact that debt service on a practice loan will increase the basic monthly expenses. The bottom line is that even after debt service and all other practice overhead is paid, the buyer should take home at a minimum 80- 100% of the seller's income for the previous six months.

*** **Steady or increasing income.** Again, the previous six months are most important, but the astute buyer should analyze the finances of the previous six years to determine a trend in gross and net income.

*** **Stable or increasing practice statistics.** The buyer needs to pay close attention to these. Many practices for sale have declining statistics and thus the reason for sale. On a monthly basis, the number of new patients should stay within the same range over a three year period. The same should hold true for office visits, patient visit average and fee per visit average (allowing for inflationary increases in fees.) Lastly, the collection ratio for services rendered should be in the 90% range with very little variability.

*** **Goodwill transfer.** Perhaps this is the most important master key to buying a winning practice. As part of the purchase agreement the seller should be willing to offer transitional assistance. This means that he or she would stay with the buyer for a four-to-six week period after closing.

During that period the seller should write a letter of introduction to every active and inactive patient. It goes without saying that the letter should contain high praise for the buyer, a glowing review of his or her credentials and reflect the absolute confidence the seller has in the buyer's skills, background and experience.

During the transition period, the seller must begin having the buyer care for patients. Valuable feedback will be received as to the buyer's technique, bedside manner etc. The seller should openly share this information with the buyer and any deficiencies should be addressed.

After several weeks of transitioning, the buyer should send out his or her own letter of

introduction and follow with a phone call to all active patients. This time can also be used for some marketing to the inactive patient. Perhaps a "meet the new doctor" announcement offering a complimentary visit for former patients and their families would be prudent and effective.

(Dr. Greg Kingsbury founded ChiroEquity, a nationwide chiropractic practice brokerage and appraisal company. He has assisted hundreds of chiropractors in the practice acquisition and sales process. He can be reached at 908-419-7510 or at greg@chiroequity.com)