

## *Chiropractic Economics*

### Success or Failure When Buying a Practice Eight Critical Things to Consider

Buying an established practice can be a short cut and most efficient way to achieve career fulfillment and economic success. It can also hazard great emotional and financial loss if the buyer does not carefully consider these eight critical factors.

1. **KNOW THE CATCHMENT AREA:** By this we mean the geographical area that surrounds the practice location within a two to five mile radius. A thorough analysis by the buyer should include a population breakdown according to age, occupations, median income and education. Learning about the regional economy including major employers and stability of the job market is also essential as is knowing if the local population is growing, holding steady or shrinking.
2. **BE A HUNTER GATHERER:** The savvy buyer will look closely and do a thorough analysis of the sellers appointment book, day sheets, travel cards, practice financial records, patient charts, accounts receivable ledgers, tax forms, profit and loss statements with special emphasis on the previous six months.
3. **ALWAYS SEEK PROFESSIONAL HELP:** This recommendation is essential and is well worth any costs incurred. This includes an accountant, attorney, and knowledgeable chiropractic practice broker/appraiser.
4. **KNOW THE PRACTICE STAFF:** A competent staff that will stay with the practice after the new owner takes over can be an invaluable asset. Learn their names, length of employment, hours, and seller's opinion of them. Also get to know each of them on a one to one basis. They can be a great resource for inside information that can be critical to the buyer's success.
5. **RATE THE OFFICE:** What is the appearance and condition of the space and the equipment? Is the layout efficient and will it accommodate growth? Is the location good and easily accessible? How is the parking and sign visibility?
6. **IDENTIFY REFERRAL SOURCES:** Who are the sources of new patient referrals? This can include attorneys, HMO'S/PPO'S, advertising, local business owners, and of course, patients.
7. **PERFORM A STATISTICAL ANALYSIS:** Get familiar with all the vital practice statistics over the last three years, paying particular attention to the previous six months. This includes monthly gross and net income, patient visits, new patients, patient visit average, office visit average and collection ratio.

8. **TRANSITION FOR SUCCESS:** An absolute necessity for the buyer is a minimum transition period of four to six weeks. During this time the seller should be willing to introduce the buyer face to face to all of his or her patients or at a minimum via letter of introduction. The buyer should also be introduced to any attorneys or business owners to whom the seller has established a referral relationship. The sophisticated buyer should also insist upon a two week “test run” period whereby they care for all active patients while the seller takes a vacation. This practice takeover trial can give the buyer some time to establish a bond with existing patients and provide insightful feedback. Patients will inform the seller and his staff about how they feel about the new doctor in terms of their personality, technique and “bedside manner.” If the feedback is positive, then chances are excellent that purchasing the practice is the right move and success will be assured.

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