



BUSINESS FOR SALE

Foolproof Way to Sell or Buy a Chiropractic Practice in Today's Environment

By Gregory M. Kingsbury, DC

Selling or buying a chiropractic practice has gotten progressively more difficult over the past 30 to 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 perspectives of the seller and buyer:

Seller's 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/seller of a viable chiropractic practice wants to be able to sell at "fair market value," which should be a substantial return on his or her career investment and all that it represents.

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

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Before addressing that question, let's determine who probably will not be a candidate to buy a practice. The first unlikely candidate (although not 100% disqualified) is a recent graduate. Such doctors will more than likely not have their own financial resources or access to them. It's no secret that most newly minted chiropractors graduate with very high student debt levels, which automatically disqualifies them for practice acquisition financing either through traditional lend-

ing sources or even family members. Aside from the inability to secure financing, they will 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 with less than two years of experience as either an associate, partner, or sole proprietor.

The most likely buyers of a chiropractic practice are as follows:

1. A contractor or associate DC who is working at another clinic in your state and is desirous of having his or her own practice with a built-in base of patients, referral sources, and a guaranteed income from the get-go.
2. 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.
3. An associate doctor or independent contractor already working in the established office of the seller. It is likely he or she will know both the clinical and business sides 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.

More than 95% of practice sales will involve one of these

buyer categories, and it behooves any doctor wanting to sell his or her 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 termed 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% to 10%. There are several problems with this approach:

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 (please see previous articles from my website www.chiroequity.com on why this methodology is totally inaccurate). Poor pricing can be a great deterrent to finding a qualified buyer as lenders will not finance practices that are overpriced, as most self-appraised practices tend to be.
2. By being your own broker or salesperson, the doctor’s attention and energy are taken away from all of the various duties that keep the 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

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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. Established DCs rarely have the knowledge of the sequence of events necessary to consummate a sale, nor do they know the information required by the buyer, 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 of the information required is gathered in a timely and systematic way.
4. Of course, the primary need of a seller is to have a knowledgeable and savvy representative/broker to value,

market, and negotiate on his or her behalf and act as a liaison for all parties involved in the sale/purchase process.

Buyer's 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 associates already working for the established doctor contemplating selling, or associates/contractors working in another clinic and desirous of going out on their own, certain factors are needed for the buy/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 a way that they all have full faith, confidence, and belief in the new doctor.

As recommended for a seller, a serious buyer should also have a qualified representative or broker advise him or her to help pull the whole deal together. Everything from an objective valuation of the asking price, helping to secure financing, transition protocols, reviewing legal documents, such as 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.

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Dr. Greg Kingsbury 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.