

The Chiropractic Journal

Master keys to selling a practice

By Dr. Gregory Kingsbury

In our previous article we discussed the master keys to buying a winning practice. Let's now look at the master keys to selling a practice. While the reasons for selling can include retirement, health, career change, burn out or relocation to name just a few, in order to attract a worthy buyer and receive the true fair market value we must consider the following:

- ***Value of Goodwill*** Of all the saleable items none is more difficult to value than goodwill. Goodwill encompasses so many aspects that it is almost impossible to define let alone quantify and place a dollar value upon. Goodwill implies something abstract, an aura of energy which translates into reputation, competence, warmth, bedside manner, image, confidence and other intangible qualities that make the practitioner and practice successful. Goodwill is the doctor's community image based on current and past patient satisfaction. It also refers to the doctor's unique qualities which distinguish him or her from other practitioners. Goodwill is part of the reputation of the practice and its' association with high moral standards, honesty dependability and an "I care attitude." It also includes how the office is managed, fairness of fees, collection and billing procedures, patient and management techniques, competence and attitude of employees. For the purchaser this goodwill must be transferable and translate into predictability of future income. Obviously for the seller, valuing the good will portion of the practice is a major factor in determining fair market value.
- ***Practice Finances*** A compilation of the practice finances is required and should be presented to the potential buyer in a orderly and easily understandable format. This information should include yearly gross and net income figures for at least three years verified by tax forms and profit and loss statements. Any purchaser needs to know all legitimate practice income and overhead expenses. The fair market value and ultimate asking price for the practice has to be supported by these numbers.
- ***Practice Statistics*** A sophisticated buyer will want to do a thorough review and analysis of the seller's practice statistics. Those should be compiled and provided in monthly achievement logs showing the following categories:
 1. New Patients
 2. Office Visits

3. Patient Visit Average
4. Office Visit Average (Fee per visit)
5. Case Average
6. Collection Ratio

Strong practice statistics definitely indicate a higher practice value and make it more appealing to a buyer. The intelligent buyer knows that these numbers should translate into higher potential income.

- ***Practice Equipment*** This includes adjusting tables, therapy, diagnostic machines and instruments. They should all be in great operating condition and have a good appearance. Although these items won't make up a significant portion of the fair market value, they do make the practice more appealing and desirable to a serious buyer. If they are very old, poor quality and in bad condition, they can be a deal breaker.
- ***Location, Sign and Parking*** An easy to find and well trafficked location is a big plus as is plenty of accessible parking. A visible and professional sign is also very positive and adds to the overall "curb appeal" of the office. These items will help the buyer feel confident and can also help justify the asking price for the practice.
- ***Hire a Qualified Broker*** Someone who has experience both selling and buying chiropractic practices specifically, will give the best and most objective guidance and representation. It is my opinion that the broker should have intimate knowledge of chiropractic practices from a philosophical, clinical, operational and administrative standpoint. There truly is no substitute for working with someone who has personal direct experience in chiropractic.. Avoid Brokers who deal with medical and dental practices as they truly have very little in common with chiropractic practices.

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