



WHITE PAPER

Contemplating Succession Planning: The Solo Physician Dilemma

The decision to sell your practice is never one made lightly. It takes years of hard work and unwavering dedication to build a successful physician practice. No matter how rewarding the practice is though, no one wants to work forever and eventually physicians will want to retire. As you move closer to your ideal retirement date, you begin to wonder what will happen to the practice; how you will handle the transfer of ownership, and will you make enough from the sale. There are multiple options when it comes to selling your practice, but the best decision for you will depend on your unique circumstances and personal preferences; do not let any outside professional attempt to get you into a boilerplate succession planning model. Every physician will have different goals and visions for themselves and their practices, but having an idea of your options will help you prepare for a smooth and rewarding transition.

Selling to an outside party

Opting to sell your practice to an unrelated party carries its own sets of emotions and complications, but that is the course laid for solo physician practices. Outside of finding a buyer, you must decide on a value for your practice and also determine the exit plan. As I have detailed in previous articles on the valuation process, the value of a physician practice is typically based on the previous three years of data. During that time, you may have been increasing patient volume, revenue, and profitability. You have undoubtedly added new patients and may have updated technology in the practice including making major equipment purchases. All of these items can help to maximize the value of your practice before a sale. When you are ready for the final push to entertain a buyer, what can be done to improve the value of the practice, especially the curb appeal? You need to look at your practice through the critical eyes of a potential buyer. Here are a few items to consider.

New patients

It is imperative to keep new patient numbers up as this is a key metric that purchasers review and consider an indication of practice vitality. If the rate of new patients is falling off, it sends off warning signs to a potential buyer. If needed, engage an experienced marketing firm that has success in attracting new patients. They might suggest items such as launching a new website, running social media campaigns, and asking for online reviews from patients.

Website

Speaking of websites, when was the last time your website was updated? The website introduces and describes your practice to the community. Reviewing your website is one of the very first (if not THE first) tasks a potential buyer undertakes. Is the site up to date, inviting, informative, and user friendly? Are there recent professional photos of the facility, the physicians, and of all staff members?

Cosmetic

Ensure that you tune up equipment and declutter the facility. Have maintenance and repairs performed on all equipment as needed, although you want to avoid making any last-minute big equipment purchases unless absolutely necessary. Replace damaged fixtures and dispose of old plants. Consider installing new carpet, replacing worn furniture, and refreshing the paint. Fresh paint and some new décor can help freshen the look without breaking the bank. Ask a friend or hire a consultant to walk through your office and provide candid feedback on the aesthetics.

Revenue and Procedural Volume

Sometimes practice owners start to slow down before retirement. This results in an exponential decline in profit and practice value. It is important to maintain the historic growth rate of the practice until the sale closes. The year before you sell your practice is not the time to cut back your schedule or take an extended vacation.

Accounts Receivable

A practice sale requires a lot of information be provided to the prospective buyer. Most likely you will hire a transactional consultant (different from a practice management consultant) to facilitate the entire process. That consultancy can discuss with you a checklist of due diligence items that will be needed for prospective buyers to review. Additionally, you should be proactively reviewing accounts receivable and cleaning up accounts outstanding over 90 days if A/R is going to be addressed in the valuation and/or purchase agreement.

Staff

Nothing good comes out of trying to hide a practice sale from your staff. Set the tone with the team that the transition will be welcomed and embraced as a positive step forward. If your spouse works at the practice, then they will obviously need to step aside with the transaction. If there is a position in the office that needs to be filled, consider hiring and training someone before the sale because you need to continue operations as normal and not attempt to hand off a practice that is lacking staff at the last hour.

Planning your exit strategy

Remember too, that transparency is crucial both internally and externally. Proactive communication about leadership changes alleviates the normal fears associated with change and uncertainty. Plan for this. Poor management of this process shakes organizational credibility and effectiveness. The bottom line is that transitioning from a practice takes time and preparation. There are a variety of issues that must be considered, which is why it requires education and adequate planning to ensure the handing over of your practice is seamlessly executed. Someday the time will be right for you to sell your practice. The best exit strategy is the one that best fits your practice and your personal goals. Decide what you want to walk away with and a

transactional consultant can help you decide how you will accomplish that. Once you have made a decision to exit your practice, you can never start too early to prepare for a future practice transition. Starting early can ensure a smooth and successful practice sale, but you must have a carefully thought-out roadmap with timelines. And don't be afraid to ask for help; it's not every day that you sell your practice, but there are experienced professionals out there who can advise you. Don't seek the advice you want to hear, but rather the advice you need to hear.

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