Healthcare Business Today
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Medical Practice Buyout Offers: To Sell or Not To Sell?

By **Seth Faler** - June 20, 2017

A recent Physician's Foundation Survey of 17,000 doctors found that healthcare providers "struggle to maintain morale levels, adapt to changing delivery and payment models, and provide patients with reasonable access to care." These findings, along with the current uncertainty of U.S. healthcare legislation, indicate that it may be a good time for independent medical office owners to consider an acquisition by a "roll-up" practice or entertain hospital acquisition offers.

However enticing a quick windfall or business management relief may be, it's wise to take a step back and thoroughly evaluate if selling your practice is, in fact, the right decision right now.

To start, get in the right mindset and look at your practice as a business, as an investor would see it. Here are three steps when you are approached with an offer to buy your practice:

Get your lawyer involved early

So, you're being courted by a respected name in healthcare. Maybe a private equity firm has recently acquired several other offices nearby in a roll-up and you are next

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on their list. Typically the first request from a prospective buyer is for information about your practice, which may be the basis for a written offer.

Call your lawyer or other trusted advisor, and ask for a referral to an experienced mergers and acquisitions consultant. After an initial meeting, the consultant should make it easy to organize a response to the suitor's information request.

This means: Thoroughly analyze all medical practice financial and operational information in light of what it may communicate to a potential acquirer. Highlight data that might create headlines — including trends, risks, and opportunities. Also, be sure to clearly distinguish income provided to "professionals" and "owners" of the practice.

Quantify the possibilities

Dream big and outline the differences — good and bad — among each of the future business scenarios practically available. For example, options could be:

- Sell to a roll-up practice that is actively buying multiple businesses at once
- Sell to a local hospital
- Stay independent

After thoroughly analyzing the data and discussing personal preferences, you can tell a fair practice offer from an unfair one.

This also puts all parties on the same page and sets realistic expectations, which in turn increases your team's comfort level. Additionally, access to all requested data and information levels the playing field between your practice and the suitor.

You have an offer — now what?

To quantify the value of an offer, establish and prioritize the criteria by which you judge the value of your practice. This includes but is not limited to: the benefits to you, your family and your partners; mission; taxes (with help from the practice accountant and lawyer); work environment; and patient and employee considerations.

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It's also very tempting to hand over the administrative work associated with regulatory requirements, reimbursement, IT and human resources. But potential drawbacks of selling could include loss of decision-making independence and nimbleness, depending on the new organization or corporate management structure.

As one doctor anonymously commented in the 2016 Physician Foundation's Survey: "Medicine is not a commodity like soybeans or widgets. Administration needs to be in the business of making it easier, not harder, for clinicians to treat patients."

And if that isn't a top priority for the potential buyer, owners should decide whether working independently is in itself more valuable than a lucrative buyout offer.

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