

Preparing for the Unexpected Sale of Practice

Here's what happens when disability, death, or incapacitation happen.



BY MIKE CROSBY

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The need for planning has never been more acute than regarding the unplanned sale of a practice. This often occurs due to disability, death, or incapacitation of a doctor. Here are some key considerations when you are forced to sell your practice.

1. Hire and train an associate. The general plan is for an associate to join the practice, work with the owner, and become the owner over time. Whether or not the associate has been fully trained or has become a partner, the ability to have another provider in the practice to assume the patient flow and continue the practice operation is critical. In many cases, the associate becomes the leading contributor to the overall revenue stream of the practice and, therefore, has the ability to assume the practice.

2. Implement clinical protocols. The implementation of practice protocols will allow another doctor to replicate the clinical practices of the office. This serves as guidelines for the staff and sets the expectation for the patients. In addition, this is an

important fact in the retention of patients, which leads to greater value.

3. Implement job descriptions and sound employment practices. The development of clear and concise job descriptions allows the staff to have an understanding of expectations and measurements for job performance. In the sale of a distressed asset, this can serve as a very useful tool in maintaining focus by the employees, who are trying to make sense of the situation.

4. Have an asset protection plan. The development of an asset pro-

tection plan will allow the surviving members of the family to continue their lives in a manner similar to the pre-event time. This is critical. A strategy for life insurance, disability insurance (personal and practice) as well as documents will allow for the conveyance of the interest of the practice.

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6. Develop expectations for the transfer of the goodwill of a practice, which will include numerous factors. These factors (below) should be discussed with/

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5. Document inventory. You need a central location for all key contacts and documents. These documents include loan documents, lease documents, asset purchase records, tax returns, and corporate organi-

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among your advisors and members of your family.

- **Earning levels that can be expected in the future.** Due to the debilitating event, the practice will experience a reduction in the patient flow. The doctor has been the “face” of the practice, and website and other marketing materials have featured him as the practice. Before the debilitating event, the practice saw between 40 and 45 patients on a full day in the office. After the event, the practice may only see half the normal

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volume or 25% (depending on coverage).

- **Existing referral base.** The referral base has been built on the doctor's ability to forge strong relationships with providers, payors, and patients.
- **Location of the practice.** The main office of the practice is critical to maintain. The practice enjoys a strong base of referrals generated by satisfied patients. The location allows patients working in the area to schedule appointments during the day and not take a significant amount of time away from work. An important factor affecting this retention involves the provisions in the lease agreement that impact transfer, liability, and/or sub-letting the space.
- **Level of competition.** The level of competition within the market will impact the ability of the estate to transfer ownership within a reasonable amount of time.
- **Nature of the relationship between physician and patient.** The doctor has developed and maintained strong relationships with the patients. With this event, many of the patients may seek another provider for their foot care needs.
- **The in-place operating systems and staff of the practice.** The practice's ability to retain the staff is an important aspect as the employees are, in most cases, the

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first contact a patient has with the practice. An experienced staff which is well-trained regarding processes with well-developed and implemented job descriptions and practice protocols is fundamental to a successful transfer. Additionally, a monthly reporting program to monitor activity, billing, and coding and office efficiency will provide guidance regarding expectations in the future.

- **The general marketability of the practice being**

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sold. The practice is marketable since it and the doctor(s) have name recognition in the market. While an associate may have been introduced to most of the patient base, the patients recognized the owner as the senior doctor. Key issue: The website should feature the founder speaking about the practice and key clinical conditions treated.

- **The development of a coverage contingency plan.** Who, how much, and how often will another doctor cover your office until the practice can be sold. In today's market, a solution would be for the members of a supergroup to develop a coverage plan for each of its members that provides for the practice to continue its existence and to provide time for the practice/asset to transfer. This may be one of the greatest benefits to being affiliated with a multi-doctor practice. In any case, whether the arrangement with other doctors is via a shareholders/unitholders agreement or "friendly" arrangement, the plan should be documented and outlined to ensure that the practice has coverage.

- **Annual planning meeting and update.** Each practice should, on an annual basis, update its planning documents and note

..... the key areas to address to reduce the stress in the event a "Distressed Sale" becomes a reality in your world. Documentation and structure are keys to reducing the uncertainty that can surround this type of event. **PM**



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