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Newsletter, March 2013 Preparing to Sell a Solo Practice

In this article, I give some thoughts on preparing to sell a solo professional practice, be it a medical, dental, veterinarian, accounting or other practice.

Sell your practice, don't just walk away. It's better to sell your practice than to walk away. The benefits are: you cash out, and the buyer takes over your practice obligations, including for example, payment on real property and equipment leases, collection of accounts receivable, and the maintenance of patient or client records. In brief, by selling you get cash + a cleaner exit.

Optimize practice value. You should prepare your practice for sale. You want the financials to look good. Most buyers require 3 years of tax returns and financial statements for your practice. Here is a short checklist to increase practice value:

Get a good accountant. A good accountant can help you present a better picture in your tax returns and financial statements, for example, by pulling out personal expenses that you run through the practice (the car lease).

Reduce payroll. Cut out overtime – a policy of zero tolerance for OT can reduce payroll costs substantially. Reduce staffing levels by staggering schedules. Here you staff-up for peak times and staff-down for quiet times, and thereby reduce a couple positions from full-time to part-time. Last, use less expensive service providers where possible.

Code everything you do. If you run a health care practice, don't just code what you know you can collect. Code for everything you do because the payers frequently change their reimbursement rules and it's worth a try.

Collect every dollar. Be strict with your accounts receivable. In health care practices, do not waive co-pays and coinsurance: you rarely get full reimbursement for your services, so there is no reason to take a double discount from the insurance payer and from the patient. Waiving co-pays also might breach your payer contracts.

Patients should pay for non-covered services. For health care practices, most insurance payers allow you to collect payment on services that are not covered by benefits, provided that the patient has been fully informed and signed a waiver stating that they understand their liability for payment for those services. Collect for these services.

Lastly, clean up the physical appearance of your office. It makes a difference. Don't invest in new equipment, however, or spend too much on renovations.

Find a buyer. When you're ready, go find a buyer. Talk to people in your profession. Find out if there is a physician, dentist etc who wants to set up his own practice, especially an up-and-coming associate. If you have a longer timeline, consider hiring an associate and grooming her to take over. If that doesn't work, hire a broker who specializes in your industry, because they sometimes know of a relocating professional who wants to buy or a group that wants to expand. See my website for more on buying and selling a practice.

Word to the wise – start early. You should begin the retirement planning process a few years in advance. *First*, it takes a while to find a buyer, and longer to groom an associate. *Second*, it takes time to reduce your costs as described above. *Third*, assuming you're retiring and you want to scale back your hours in your last couple of years, you should sell your practice while still practicing at 100%. The value of your practice is at its highest then – when you scale back your hours you reduce the practice's income. *Fourth*, as you approach retirement, you lose leverage at the negotiating table because the buyer thinks you have no other options.

I hope this article helps you. Call me if you want to talk more.

Marcus Aurelius:

- You have power over your mind - not outside events. Realize this, and you will find strength. *Likewise* – Very little is needed to make a happy life; it is all within yourself in your way of thinking.
- Never let the future disturb you. You will meet it, if you have to, with the same weapons of reason which today arm you against the present.
- Here is a rule to remember in future, when anything tempts you to feel bitter: not “This is misfortune,” but “To bear this worthily is good fortune.”
- You always own the option of having no opinion. There is never any need to get worked up or to trouble your soul about things you can't control. These things are not asking to be judged by you. Leave them alone.



*“Mommy usually reads me a story,
then slips me a twenty.”*