

# The Road to Practice Acquisition Starts Here

The road to practice acquisition can be long and windy and full of potholes. Just because you start the journey doesn't mean you'll end up where you thought you would. There are several phases of the acquisition process, and how you address each phase can have a major impact on whether the transaction is completed or not.

**Assemble Your Team.** This is a great place to start. Like any major undertaking, having the right people on your side is critical to maximize the potential for success. So, who do you need by your side? Start by speaking to a broker. Practice brokers can be a great place to start because of their ability to connect you with potential sellers and practices to purchase, as well as other advisors you may need. Additionally, having an experienced attorney and CPA is vital.

**Financing.** The sooner you begin the financing process the better: it can be a lengthy process and banks will not disburse the financing proceeds until their requirements are met. Ask your broker or attorney to connect you with competitive banking options focusing in the medical or dental fields.

**Letter of Intent.** This phase will be spearheaded by your broker and/or attorney. It is an important part of the process as it details the basis of the bargain between the buyer and the seller. So don't rush this step; do it properly.

**Contract Preparation and Negotiation.** There are three main types of transactions: stock or ownership interest purchase, asset purchase, and merger. For most small practice sales, the asset purchase will be the right form. It allows the seller to recapture some tax depreciation on assets and reduces the potential liability of the buyer as the assets will likely be required to be transferred free and clear of liens. Thus, the primary agreement will be the asset purchase agreement. Depending on the complexity of the deal, any number of other ancillary documents will also be needed to complete the asset purchase. Additionally, this phase may also include the practice entity set up and preparing and negotiating real estate lease/purchase agreements and key employment or independent contractor agreements.

**Due Diligence.** This phase will be going on simultaneously with the others and will include the following: financial review of the seller; reviewing the public record for liens, judgments, and other instruments of note; assigning contracts and acquiring third party consents and approvals; dealing with licensure requirements; insurance acquisition; equipment review; name and patient transition; employee transition and hiring; and other important steps. This is another time consuming process that should be done properly to ensure your practice gets off to the right start.

**Closing.** This is the actual completion of the deal, the major components being: signing all documents; disbursing financing; paying the purchase price (or that portion of it due at closing); paying off liens, encumbrances and bills; and other steps necessary to transfer ownership of the assets and ownership/possession of the practice premises. It is also important to note that a patient letter should be prepared and sent out to the patients of the selling practice/doctor in accordance with the rules or recommendations of the pertinent licensing board.

**Post-Closing Transition.** Once the practice acquisition is complete, you may be ready to get rolling with business as usual. But there are any number of additional considerations to be made during and after closing: employee transition and training; promulgating a comprehensive employee handbook and policy; OSHA and HIPAA compliance procedures and training; coding and billing requirements and training; ongoing transition assistance from the selling doctors; addressing practice management allocation with the owners/doctors; preparing and signing an owner buy-sell agreement with provisions dealing with deadlock, restrictions on transfer, and other key items; addressing personal estate planning to ensure that your personal assets and protected, as well as your business; and other ongoing legal compliance. Some of these items are more pressing than others, but all should be considered in the months following closing.

The acquisition of a practice can take upwards of several months. It is a complex process with implications that can last for years after you start doing business. Take time to do it properly. Surround yourself with the right team. You will be better for it in the long run

*DISCLAIMER: The information contained herein is for personal informational purposes only and should not be relied upon for any other purposes. © 2014 NC Planning, a service of Adams Howell Sizemore & Lenfestey, PA. Reproduction in whole or in part is strictly prohibited.*