



Retiring, Buying, or Selling a Medical Practice

AAO

June 23, 2022

Presented By:

Debra Phairas

WWW.PRACTICECONSULTANTS.NET

© Copyrighted Practice & Liability Consultants, LLC 1992, updated yearly, 2022

Today's Webinar Presenter



Debra Phairas
President
Practice & Liability Consultants, LLC



Financial Disclosures

I have no disclosures to report



AMERICAN ACADEMY
OF OPHTHALMOLOGY*

Protecting Sight. Empowering Lives.*



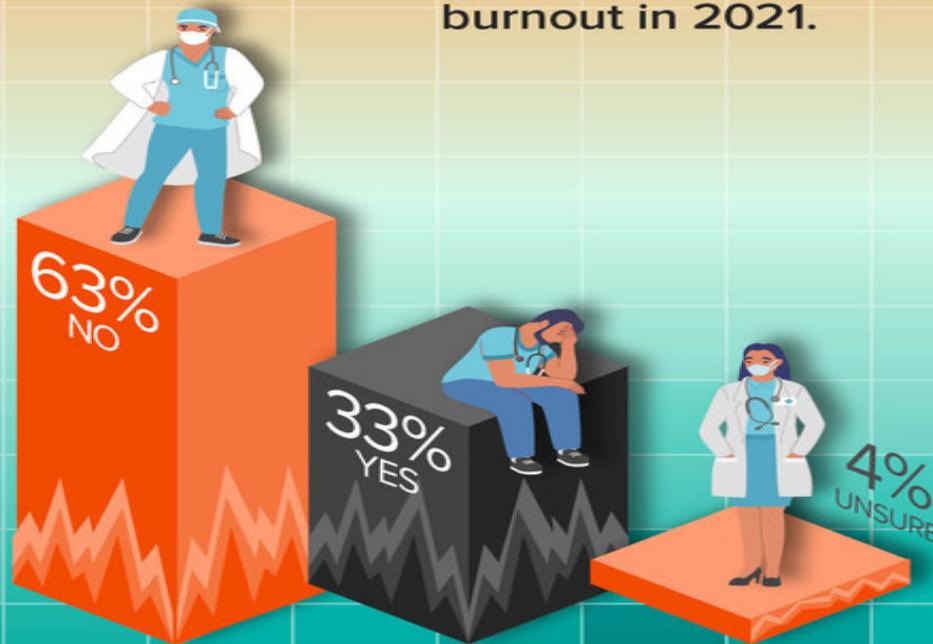
A Few Housekeeping Items...

- Questions will be answered after the presentation has concluded.
- Enter your questions into the Q&A feature and not the chat.
- Use the upvote feature in the Q&A if your question has already been asked.
- The webinar recording and slide deck will be available here within the next few days: <https://www.aao.org/practice-management/resources/videos>





33% of medical practices had physicians retire early or leave due to burnout in 2021.



MGMA Stat poll. October 26, 2021 | Have physicians retired early or left your practice in 2021 due to burnout?
930 responses. [MGMA.COM/STAT](https://www.mgma.com/stat), #MGMASTAT

29 physician specialties ranked by 2021 burnout rates - Medscape

1. Emergency medicine	60 percent of physicians reported burnout	13. Urology	48 percent
2. Critical care	56 percent	14. Anesthesiology	47 percent
3. Obstetrics and gynecology	44 percent	15. Rheumatology	46 percent
4. Infectious diseases	51 percent	16. Neurology	46 percent
5. Family medicine	51 percent	17. General surgery	44 percent
6. Physical medicine and Rehabilitation	50 percent	18. Cardiology	42 percent
7. Diabetes and endocrinology	50 percent	19. Allergy and immunology	42 percent
8. Radiology	49 percent	20. Nephrology	40 percent
9. Pediatrics	49 percent	21. Plastic Surgery	40 percent
10. Pulmonary medicine	48 percent	22. Ophthalmology	40 percent
11. Gastroenterology	48 percent	23. Psychiatry	38 percent
12. Internal medicine	48 percent	24. Otolaryngology	37 percent
		25. Orthopedics	37 percent
		26. Oncology	36 percent
		27. Pathology	35 percent
		28. Dermatology	33 percent
		29. Public health and preventive medicine	26 percent

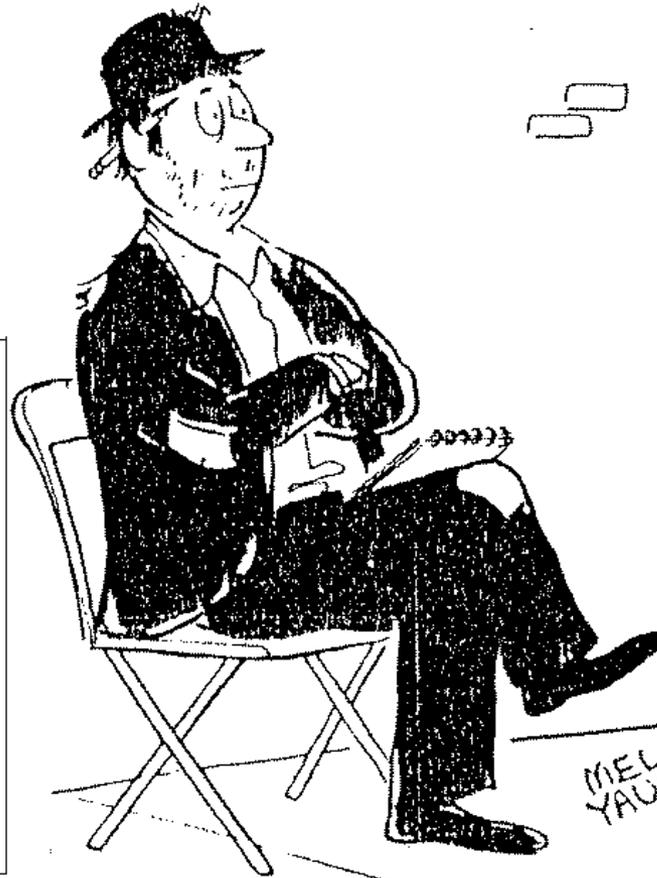
Feeling like this?



EXPERT
FINANCIAL ADVICE

INVESTMENTS TO
AVOID

\$1.00





Planning now will avoid this scenario:

- You have devoted long years to a practice
- You are physically ready to retire
- You want to retire, but you cannot afford to.



The Senior Physician

Why slow down when you are having fun???????



"I'd like him checked for an earning disability."

DO YOU KNOW WHEN IT'S TIME TO GO?

Baby boomer business owners are now reaching retirement age. But will they go? Wealth management execs like Susan Dickson say for their clients, it's a decision that involves a lot more than money.

MARK CALVEY, PAGES 4-5



BAY AREA GRAY AREA:

When it's time to leave it all behind

Baby boomer founders and owners of professional firms are moving to — or beyond — retirement age. Some are not prepared to go quietly.

Susan Dickson, chief operating officer at Private Ocean: "The business is like their child."

San Francisco
Business Times
March 16, 2018

CLAIMS **RX**

CLINICAL & RISK MANAGEMENT PERSPECTIVES

APRIL 2018

INSIDE

LATE-CAREER PHYSICIANS: ETHICAL CONSIDERATIONS AND
PATIENT SAFETY STRATEGIES



James F. Sweeney Medical Economics

Feb 13, 2019 Why it is hard for physicians to retire

Physician retirement



©Photographee.eu/stock.adobe.com



Medical Economics Comp Health Study

Sept 2017

- “Physicians spend all day talking to patients,” Good says. “My friends who have retired do report loneliness and isolation and those considering [retirement] note it is a concern.”
- In the study, 51% of respondents said that still working occasionally or part-time is part of their ideal retirement plans.

The Maven Project

Laurie Green keeps retired doctors working with health clinics for needy
SF Chronicle By [Erin Allday](#) February 17, 2018 Updated: February 17, 2018 1:32pm

Connects volunteer physicians, most of them retired or nearly so, with health clinics that serve patients who may not have access to expert specialty care. Green describes it as "[Match.com meets the Peace Corps.](#)"



The best (and worst) places for doctors to retire



Top five retirement locations for affordability



- 5) Memphis, TN
- 4) Knoxville, TN
- 3) Mobile, AL
- 2) Montgomery, AL
- 1) Fort Smith, AR

Top five retirement locations for activities



- 5) Honolulu, HI
- 4) San Francisco, CA
- 3) Cincinnati, OH
- 2) Minneapolis, MN
- 1) Washington, DC



Top five retirement locations for quality of life

- 5) Glendale, CA
- 4) Madison, WI
- 3) Honolulu, HI
- 2) Scottsdale, AZ
- 1) Fremont, CA

Top five retirement locations for health care



- 5) Columbia, MD
- 4) Juneau, AK
- 3) Sioux Falls, SD
- 2) Burlington, VT
- 1) South Burlington, VT



Ten worst places to retire (ranked by overall score)

Rank	Score
173) Arlington, TX	41.84
174) Jersey City, NJ	41.78
175) Detroit, MI	41.48
176) Vancouver, WA	41.26
177) Wichita, KS	40.56



Ten worst places to retire, cont'd

Rank	Score
178) Rancho Cucamonga, CA	40.54
179) Spokane, WA	40.23
180) Bridgeport, CT	39.34
181) Newark, NJ	38.53
182) San Bernardino, CA	37.55



Ten best places to retire, ranked by overall score

Rank	Score
10) Atlanta, CA	58.04
9) Miami, FL	58.05
8) Fort Lauderdale, FL	58.37
7) Cincinnati, OH	58.37
6) Denver, CO	59.45



Ten best places to retire, cont'd

Rank	Score
5) Minneapolis, MN	59.98
4) Tampa, FL	60.38
3) Scottsdale, AZ	60.58
2) Charleston, SC	61.97
1) Orlando, FL	62.14

Semi Retirement

- Prepare Revenue/Expense Projections
- If solo, value of practice is tied to Revenue
- Overhead expense share – Minimum \$
- Income Share based on Productivity will adjust
- What is dropping call worth? Can estimate hourly wage and deduct from income or group pays doctors to take call

Why Choose Locum Tenens?

Making the choice of becoming a locum tenens provider can prove to be a rewarding career path. At HealthCare Partners, we want to partner with you while you are on this journey.

Reasons for Becoming a Locum Tenens Provider

- Just beginning your career and want to explore different settings
- Earn extra income
- Gain different clinical experiences
- Enjoy traveling and visiting different areas of the country
- Wanting to slow down before fully retiring
- Temporarily change locations while waiting for your non-compete clause to expire

Benefits of Locum Tenens

- Excellent compensation
- Free medical malpractice insurance
- In most cases travel and housing expenses are included
- Credentialing assistance
- You choose the length of your assignment. Whether you want a couple of shifts a month or a long-term contract

Contact Us:

1735 North Brown Road
Suite 100
Lawrenceville, GA 30043

Toll-free: 1-888-995-9206
Local: (678) 218-4040
Fax: (678) 218-4041
E-mail: contact@hcpmed.com



Find The Job that is
Right for You at
www.hcpstaffing.com

Locum Tenens
& Physician
Staffing

Partnership Elements

- Recommend 6-12 months notice of termination – Partners/Groups need this time to recruit/find another doctor
- Less notice, forfeit % of A/R, e.g.,
 - 1 month = 20% of A/R
 - 2 months = 40% etc.



Death & Disability

- Surviving spouse should call the local medical society for support
- Hire a locum tenens immediately if partners are unable to absorb practice load
- See Sources of Information for Surviving Spouses



Spouses and Offices Manager need to be able to locate:

- Bank accounts
- Safe Deposit Boxes
- Credit Cards
- Will



Spouses and Offices Manager need to be able to locate:

- Income tax records
- 3 Years of Profit/Loss and Balance Sheets
- Lease agreements for practice and equipment
- Life, disability and health insurance policies



Spouses and Offices Manager need to be able to locate:

- Malpractice, Key man and Overhead insurance policies
- Supply and equipment inventory
- Staff wages and positions



Who will be impacted by your retirement?

- You
- Your spouse / children
- Your staff
- Your patients



Closing Your Practice

- Professional liability coverage
- “Tail” coverage
- Retain policies

Avoid Abandonment Claims

- AMA ethics
- Notify patients via letter



Letter to Patients

- Date of Closing/transfer
- Opportunity to select new physicians and transfer records to him/her.
- Where records will be stored
- Note of thanks to your patients

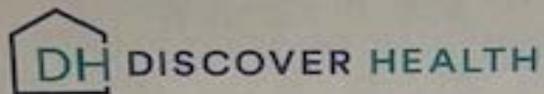
Letter to Patients

- Authorization to transfer records form which patients can sign and send in
- List of other physicians who are willing to accept your patients



Who Should Receive Letter:

- All “active” patients, seen within past 1-2 years
- Chronic illness patients who need follow-up
- No letter is needed for a patient who has been discharged from care with a “Withdrawal from Care” letter



October 20, 2021

Dear Patient,

After long and deliberate consideration, I have decided to retire from the practice of Internal Medicine in Napa. The reasons for this are many but the major factor in my decision is to be able to spend more time with family. My final day of practice will be December 31, 2021.

It has been a privilege to work alongside Jacque and Lesley in providing for your healthcare needs. And, for some of you, I was involved in the care of your parents as well. I am humbled by the blessing of practicing in such a wonderful community and by the trust that you have placed in me.

Many of you already know that Red Bike Medicine was sold over one year ago to Discover Health Medical Group. A priority of that transition was that a replacement physician would be identified to assume the care of my patients. As a professional and responsible health care organization with goals that align with mine, Discover Health is diligently interviewing physicians before selecting my replacement.

Know that we are not going away, the office will remain open with an emphasis on service in taking care of your healthcare needs. We will keep you abreast of new developments as the selection process for a new physician continues. Once a new doctor is chosen, arrangements will be made to allow you an opportunity to meet.

In Gratitude,

Paul Sweigert, MD FACP

MD Letterhead with name, Address, Telephone Number and Fax

Date

Dear Patients:

As of _____ (date) I have decided to retire. After forty years in _____, (specialty) my own health issues and the changes in the practice of medicine have helped me make this decision.

It is important that you continue with appropriate medical care; therefore I highly encourage you to contact your health insurance provider, local hospital or your local medical society as soon as possible to obtain the name of a physician for you to consider for your ongoing health needs.

Your medical records are confidential, and a copy can be transferred to another doctor or released to you or another person you designate only through your permission. Please complete and sign the enclosed authorization form and return it to my office as soon as possible. Upon receipt of the signed form, this office will forward a copy of your medical records to you or to the physician you designate.

I have greatly valued my years as a physician and I would like to sincerely thank all of you who have trusted me to deliver the highest quality medical care. I wish you good health and all the best in the coming years.

Sincerely,

MD Signature

Jerral S. Seibert, M. D.
Dermatology
12 Camino Encinas, Suite #8
Orinda, California 94563
Telephone: 925 254 1080

September 29, 2003

To my patients, colleagues, and friends:

"The time has come", the walrus said "to talk of many things: of shoes... of ships... and sealing wax... of cabbages...and kings, etc." and indeed this is appropriate for my situation here in Orinda, where I have been in practice since 1968. Life is change and change is inevitable even for me.

I have some exciting news in reference to my dermatology practice. I am very pleased to announce that Dr. Kristin K. Walker has assumed the ownership of my Orinda dermatology practice as of September 15, 2003. Dr. Walker is a young, vibrant dermatologist with ample experience. She was in private dermatology practice in Southern California for over five years, and most recently spent two years in private practice in Marin County. Dr. Walker is a California native, receiving her Bachelor of Science degree at Davis, California, and her M. D. degree from the University of Southern California, and had her dermatology residency at USC. Dr. Walker is a board certified dermatologist who specializes in adult and pediatric general dermatology as well as skin cancer and cosmetic surgery.

I personally endorse Dr. Walker as a highly trained, capable dermatologist, yet a person who is affable and caring in her role as a physician. Already she has endeared herself to my entire office staff who will continue working for her. Dr. Walker brings with her the latest techniques of diagnosis and treatment of dermatological problems, and she also offers a variety of newer cosmetic services, such as laser, chemical peels, collagen, spider vein treatments and Botox injections.

I am truly thrilled that I can pass the baton to such a person as Dr. Walker, who I have all the confidence in her serving your dermatology needs. I feel gratified that she will continue the overriding principle of my office - treating patients with what is best for them.

Words cannot adequately express my deep heartfelt thanks to all my loyal patients, some of which have been with me since the onset of my practice in 1968. Most of you that know me well can appreciate that I have enjoyed my work with you and with my excellent staff here in Orinda.

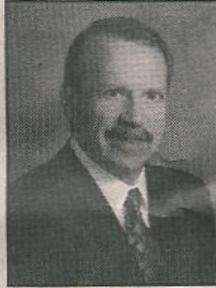
I will pursue other ventures in life, including fishing, hunting, tennis, reading, writing and traveling. Getting to spend time with my two little grandchildren is another activity eagerly anticipated. Again, I say thank you for your loyalty and patronage to my practice. In the future I will continue working for Dr. Walker in the office on a limited schedule.

Sincerely,


Jerral S. Seibert, M. D.

EYE CARE CENTER

OF NAPA VALLEY



Dear Friends:

I have been privileged to care for four generations of Napans since I began my medical practice thirty-six years ago. It is now time for me to consider retirement.

Beginning May 1, 2007, I plan on teaching at UC Davis, and I will no longer work at the Eye Care Center.

The practice will remain in the hands of Richard Beller, M.D., who trained at Stanford and my alma Mater UC San Francisco, and Erin Jacobson, M.D., who joined our group a year and a half ago after completing his ophthalmology training at Loma Linda University. Our staff includes Patrick Casey, O.D., graduate of UC Berkeley School of Optometry, whose optometric care has added additional breadth to the services available in the practice, and newly hired Joelle Zarzana, O.D., also a graduate of UC Optometry.

The Eye Care Center of Napa Valley will continue to serve you at our main office in Napa, as well as the satellite offices in American Canyon and St. Helena.

Thank you for the opportunity to serve you. Your confidence in allowing me to care for your medical and surgical ophthalmic needs over these years has meant a great deal to me. I will always treasure the trust you placed in me.

Best wishes, and again, thank you.

Sincerely,

Robert E. Nasser, M.D.

A handwritten signature in black ink that reads "Robert E. Nasser MD". The signature is written in a cursive style and is positioned below the printed name.

895 Trancas Street
Napa, CA 94558
Tel. 707.252.2020
Fax. 707.252.0329

3417 Broadway, Ste. J3
American Canyon, CA 94503
Tel. 707.553.6020
Fax. 707.643.2024

#6 Woodland Rd., Ste. 101
St. Helena, CA 94574
Tel. 707.963.5236
Fax. 707.963.1492

Dear Patients and Friends:

I have been privileged to care for you for many years. It was time for me to retire and the office was closed on March 10, 2016.

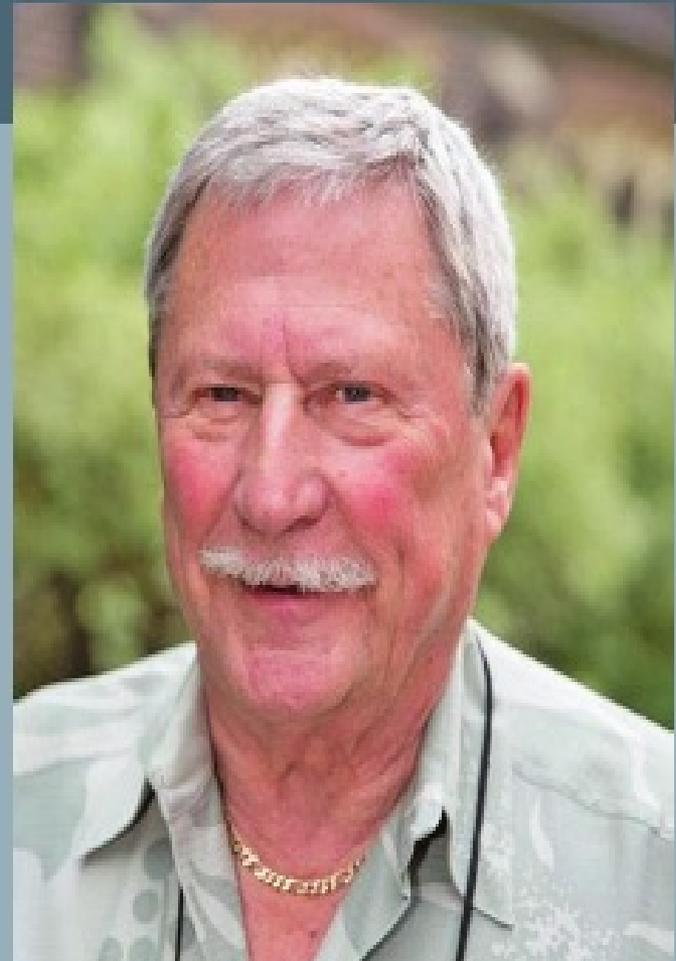
Your original medical records are at Springhill Medical Group under the care of Siamak Elyasi, MD who specializes in Family Practice/Primary Care. Their phone is (925) 432-3318. Please contact them regarding a copy of your records if you choose to establish care with another physician.

Thank you for the opportunity to serve you these many years. Your confidence in allowing me to care for you was so important to me. I will always treasure the trust that you placed in me.

Best Wishes!

Sincerely,

John W. Copeland, MD 1111 "A" St., Antioch, CA 94509





Disposition of Medical Records

- Check laws regarding record retention
- Transfer of Medical Records
- You can send a photocopy to a new physician and keep original



If you release the Original Records to a New Physician:

- They must assure you that they will retain the original record
- They will make it available to you if you are involved in a lawsuit
- If they dispose of the record, they should notify you
- You should keep copies



Medical Records

- Records retention
- Assure availability
- Sale of records – Custodian of Records charts only
- Records belonging to the estate- Estate has same responsibility

Disposal of Drugs

- Restocking with fee from Medical Supplier
- Hazardous Waste Disposal Carrier
- Controlled Drugs – 3 CA resources
 - EXP Pharmaceutical Services
 - Far West Returns
 - Outdate Rx, LLC

Disposal of Drugs

- National Drug Take Back Day
- April and October each year – Free Disposal at local participating police departments
- http://www.deadiversion.usdoj.gov/drug_disposal/takeback/
- Walgreens rolls out drug disposal kiosks at 500 stores



U.S. DEPARTMENT OF JUSTICE ★ DRUG ENFORCEMENT ADMINISTRATION

DIVERSION CONTROL DIVISION

 Search

[HOME](#)

[REGISTRATION](#)

[REPORTING](#)

[RESOURCES](#)

[ABOUT US](#)



[RESOURCES](#) > [Drug Disposal Information](#) > [National Prescription Drug Take Back Day](#)

National Prescription Drug Take Back Day

Get Email Updates:

DEA will hold our National Prescription Drug Take Back (NTBI 21) on Saturday, October 23, 2021 – 10AM to 2PM

The National Prescription Drug Take Back Day aims to provide a safe, convenient, and responsible means of disposing of prescription drugs, while also educating the general public about the potential for abuse of medications.

Please check back after October 1, 2021 to locate collection sites near you.

Law Enforcement Agencies Only:

For law enforcement agencies that wish to host a collection site, please call the POC in your area.

Search for Year Round Pharmaceutical Disposal Locations

DEA Authorized Collectors provide year round drop off locations to the public to dispose of unwanted pharmaceuticals.

Home Disposal Methods

E-Cigarette & Vaping Devices Disposal Information

DEA Registrant Drug Disposal & Drug Disposal Rulemaking

- [Cases Against Doctors](#)
- [Chemical Control Program](#)
- [CMEA \(Combat Meth Epidemic Act\)](#)
- [Controlled Substance Schedules](#)
- [COVID-19 Information](#)
- [DATA Waived Physicians](#)
- [DEA TOX Toxicology Testing Program](#)
- [Drug Disposal Information](#)
- [Drug and Chemical Information](#)
- [E-commerce Initiatives](#)
- [Federal Agencies & Related Links](#)
- [Federal Register Notices](#)
- [National Prescription Drug Take Back Day](#)
- [NFLIS](#)
- [Publications & Manuals](#)
- [Questions & Answers](#)

Controlled Drug Return



Far West Returns ^{INC.}

[Home](#)

[Pricing & Procedure](#)

[Create & Manage Orders](#)

farwestreturns.com

[916-524-6465](tel:916-524-6465)

Scheduled Drug and Pharmaceutical Waste Destruction

Far West Returns is your trusted and reliable provider of pharmaceutical waste and scheduled drug destruction. We are a family business, committed to quality and integrity.

[How The Process Works](#) ▶



NEW DEA GUIDELINES REGARDING CONTROLLED DRUG DESTRUCTION (21 CFR 1317)

ANY DEA REGISTERED PRACTITIONER IN LAWFUL POSSESSION OF A CONTROLLED SUBSTANCE IN ITS INVENTORY THAT DESIRES TO DISPOSE OF THAT SUBSTANCE CAN DO SO BY SENDING TO A REVERSE DISTRIBUTOR. (21 CFR 1317.05)

“

A word from one of our customers.

I like to use Far West Returns because they come to your pharmacy site and package up all your expired drugs and drugs for destruction on site all for a competitive fee.

- RX Dave at Humboldt General Hospital

Need to deactivate your DEA

- You must send letter to DEA
- AFTER you have safely disposed of drugs
- Contact DEA office in your state

Notification of IPAs/Payors

- Check contracts may need to give 3 months for retirement
- Medicare/Medi-Cal - Deactivate NPI

Notify State Medical Board

- If death, permanent disability or retirement
- If you intend to practice at all, don't deactivate

Accounts Receivable

- Clean up accounts
- Hire collection agencies
- Selling accounts receivable



Providing for Staff

- Pension plans engender loyalty
- Inform staff of plans
- Offer references
- Staff as negotiation tool



Who can Represent You in a Practice Sale?

- Yourself
- A real estate broker / agent
- An attorney



Joint Venture Debra Phairas & Broker : David Greene and Norman Pearce

- <http://www.medicalpracticesusa.com>



Services

Practice Brokerage

Valuation of Practice for
Purchase / Sale / Buy-in

Negotiation of Terms

Expert Witness & Litigation Support

MedicalPracticesUSA.com provides practice brokerage services to the medical community throughout the United States. We assist sellers of practices and buyers seeking practices. In addition to practice brokerage, we provide a full range of appraisal and practice management consulting services. You may have a question about practice financial improvement, bringing in an associate or partner, developing an exit plan for yourself, determining the market value of the practice (including for divorce cases), or just some uncertainty about how your practice operates.

MedicalPracticesUSA.com is a joint venture between Medical Practice Brokers, LLC and Practice & Liability Consultants, LLC.

[Fill Out Our Confidentiality Agreement](#)

Contact Us

Norman Pearce

Bernstein Real Estate Advisors
576 14th Street
San Francisco, CA 94103
Ph. 415-516-9009

norman@MedicalPracticesUSA.com

David Greene

Medical Practice Brokers, LLC
15847 Woodmeadow Ct.
Colorado Springs, CO 80921
Ph. 719-487-9973
Fx. 888-791-5140

david@MedicalPracticesUSA.com

Debra Phairas

Practice & Liability Consultants, LLC
952 School Street, Suite 226
Napa, CA 94559
Ph. 415.764.4800
Fx. 415.764.4802

debra@MedicalPracticesUSA.com



Reasons to List Your Practice for Sale:

- Locate and screen potential buyers
- Avoid hassle of details of sale
- Avoid “giving away the shop”
- Buffer by having a third person negotiate on your behalf



Evaluate Agent / Broker / Consultant:

- Check credentials, interview previous clients
 - Where promises kept?
 - Was Service prompt and professional?
 - Did he/she negotiate effectively?
 - Would they use him/her again?



Selling to a Colleague or Associate:

- There is still a good reason to involve a third party

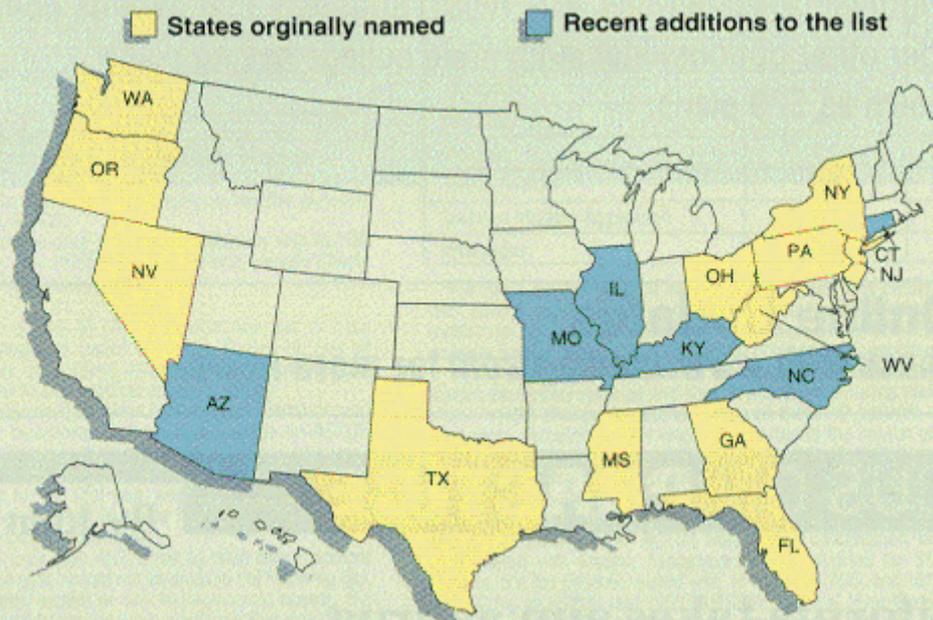
Why a Practice Has Value:

- Has a track record
- Is probably making some money
- No start-up costs
- The price is less than it would cost to duplicate assets

HHS: The liability crisis is hurting patients

Americans' access to high quality care is threatened by the excesses of the civil justice system, according to an HHS report. Faced with higher costs for defending claims, and bigger judgments and settlements, insurers are raising premiums—and patients are paying the price in reduced access to care, government researchers say.

The AMA has issued a similar warning. Last summer, the association identified 12 states as areas where the current liability climate is adversely affecting patient care. Its most recent analysis found six more US hotspots.





Why doctors leave for greener pastures

Nearly four out of five physicians responding to a poll said they were happy in their present jobs. Nevertheless, half the respondents indicated that they anticipated changing jobs within the next two years. Pinnacle Health Group, an Atlanta-based recruiting firm, asked 2,500 physicians in 10 specialties what influenced their decisions to seek other positions. Here are the reasons respondents cited most frequently:

- 1. Desire for higher salary**
- 2. High malpractice premiums**
- 3. Underutilized medical skills/desire for upward advancement/hours too long/high call schedule**
- 4. No autonomy (lack of control)/lack of appreciation**
- 5. Changes to practice structure**
- 6. To be closer to family**
- 7. Bad relations with hospital administration**
- 8. Desires another climate**
- 9. Family isn't comfortable in community**

Source: Pinnacle Health Group, "Why physicians change jobs," second annual survey

Resources Most Used by Medical Residents to find a Job

Merritt Hawkins, 2017 summary

3 Which of the following do you consider to be the most useful sources for learning about practice opportunities?

	VERY USEFUL		SOMEWHAT USEFUL		NOT USEFUL	
	2017	2014	2017	2014	2017	2014
Personal networking	66%	67%	30%	30%	4%	3%
Residency program	38%	34%	46%	47%	16%	19%
Online job boards	23%	25%	52%	56%	25%	19%
Physician recruiters	18%	17%	51%	58%	31%	25%
Specialty societies	25%	23%	54%	58%	21%	19%
Medical journals	8%	11%	44%	48%	48%	41%



<https://jacksoncoker.com/physicians/locum-tenens/your-complete-guide-to-interviewing-providers/>

What questions should you avoid when interviewing physicians?

- How much did you make at your last job? *Instead ask:* Does the rate/salary we're offering align with what you were hoping to make?
- Do you have any disabilities? *Instead ask:* Are you able to carry out the essential duties of this role?
- Have you ever been treated for a drug or alcohol addiction? *Instead ask:* Do you or have you ever used illegal drugs?
- How old are you? *Instead ask:* Are you able to use an EMR for record-keeping?
- Do you have kids? Who watches your kids during the day? *Instead ask:* Would you be able to work the hours of 9 a.m. to 5 pm and later if necessary.?

Avoid these entirely:

- Do you have [insert disease/condition here]?
- What would you do if you got pregnant?
- What is your heritage?
- What religious holidays do you observe?
- How much longer do you plan to work before retirement?
- What is your financial status? Are you in debt? Do you receive social security benefits?

Young doctors eager to own practice, join small groups a nonprofit independent physician advocacy group.

- If given the opportunity, 42% of young (40 years old or younger) PCPs said they would opt to be sole owners or partners in a group, whereas 35% said they would prefer employment in a group of 12 or fewer doctors.
- Only 12% of physicians who are currently employees of large hospital-owned groups said they would stay in their current position. In addition, the young hospital-based physicians represented in the survey anticipated staying in their current positions 2 years or less.
- A majority of the physicians surveyed, however, indicated that they expect to stay in their practices for 8 years or more, including PCPs and medical/surgical office-based doctors.



Quality of life more important to today's physicians

Medical Economics Publish date: Sep 26, 2012

By: [Rachael Zimlich](#) Jackson Coker

Females - They prefer suburban or urban locations in the Northeast and only relocated once or twice. This group most often specializes in dermatology, gynecology, infectious disease, or physical medicine and rehabilitation, according to the report.

Males - They either prefer rural locations or have no location preferences, according to the study. They had relocated three to six times over the course of their careers, which more often were specialized in neurology, psychiatry, or surgery.

Merritt Hawkins 2021

Medical residents are receiving fewer recruitment offers, most likely due to COVID-19.

Only **62%**  of final-year medical residents surveyed said they had received 26 or more job solicitations during their training, compared to 82% in 2019.

Only 30% of final-year medical residents said they received 100 or more job solicitations during their training, compared to 45% in 2019.

Nevertheless, **86% of final-year residents** received 11 or more recruitment offers during their training, suggesting job opportunities are still available for most medical residents.

Geographic location is the most important factor residents consider when examining a job opportunity, followed by adequate personal time and lifestyle considerations.

More medical residents (**45%**) would prefer hospital employment as their first practice setting than any other type of setting.

Relatively few medical residents are concerned about COVID-19 health risks as they enter their first practice.

45%  said COVID-19 health risks are very or somewhat concerning, compared to 93% who said the ability to earn a good income was very or somewhat concerning and 89% who said lack of free time was very or somewhat concerning.

None of the medical residents surveyed would prefer to live in a community of 10,000 people or less, a bad sign for rural communities.

Only **3%**  would prefer to live in a community of 25,000 people or fewer.

Only 1% of medical residents would prefer a solo setting in their first practice, signaling the further decline of traditional private practice.

About one-third of medical residents (32%) said they are very unprepared to deal with the business side of medicine. Only 10% said they are very prepared.

Merritt Hawkins 2021

Female residents receive more job solicitations than male residents. **70% of female residents** said they received 26 or more job solicitations during their training compared to only 54% of male residents.

Nevertheless, female medical residents expect to earn less than males in their first practice.



76%

of male medical residents expect to earn \$251,000 or more in their first practice, compared to only 38% of females.

COVID-19 has not caused most residents to rethink their choice of a career. Only 3% strongly agreed that COVID-19 had caused them to rethink their choice of a career,



while **49%** strongly disagreed

58% of medical residents said they sometimes, often or always experienced feelings of burnout during their training.

21% of medical residents said they would not choose medicine again if they had their education and training to do over.

Merritt Hawkins 2021

7.

Which of the following practice settings would you be most open to?

	2021	2019	2017	2014	2011
Hospital Employee	45%	45%	41%	36%	32%
Partner With Another Physician	10%	7%	8%	20%	28%
Single Specialty Group Employee	18%	20%	18%	11%	10%
Multi-Specialty Group Employee	12%	16%	16%	14%	10%
Locum Tenens	1%	2%	2%	2%	1%
Solo	1%	2%	1%	2%	1%
Association	N/A	N/A%	N/A	2%	>1%
HMO	N/A	N/A%	2%	1%	>1%
Urgent Care Center	1%	1%	1%	N/A	N/A
Community Health Center (CHC)	2%	3%	5%	N/A	N/A
Unsure	10%	4%	5%	2%	9%
Other (Student Health, Corporate, etc.)	N/A	N/A	2%	10%	10%

Merritt Hawkins 2021

12.

What causes you the most concern as you enter your first professional practice?

	VERY CONCERNING		SOMEWHAT CONCERNING		NOT CONCERNING	
	2021	2019	2021	2019	2021	2019
Availability of free time	32%	33%	57%	55%	11%	12%
Dealing with payers (Medicare, etc.)	16%	20%	50%	52%	34%	28%
Earning a good income	49%	43%	44%	45%	7%	12%
Malpractice	23%	18%	56%	57%	21%	25%
COVID-19 related health risks	11%	N/A	34%	N/A	55%	N/A
Educational debt	34%	38%	39%	26%	27%	36%
Ability to find a practice	31%	16%	33%	38%	36%	46%
Insufficient practice management knowledge	20%	23%	51%	54%	29%	23%
Insufficient medical knowledge	5%	12%	40%	41%	55%	47%



Practice Appraisal

- An estimate of value as of a specific date.

Why are Valuations Needed?

- Selling practice assets to a hospital, or medical group
- Retirement
- Practice Merger
- Buy-out
- Buy-in
- Private Equity
- Divorce / Estate Planning

Items needed for an Appraisal

- Three years of income tax returns
- Three years of income and expense reports and balance sheets
- Actual charges and contractual adjustments total for previous year
- Aging spread and total accounts receivable



Items needed for an Appraisal

- Fee schedule
- List of assets purchased by date and cost at purchase, or depreciation schedule
- Lease terms of office space
- List of staff by position and hourly wage



Items needed for an Appraisal

- The practice payor mix
- Number of “active” charts or patients
- Referral patterns
- Unique services or aspects of the practice

Items needed for an Appraisal

- IPA memberships
- CV, practice brochure, mission statement, strategic plans



On-Site Appraisal

- Verification of assets and condition
- Location
- Staff



On-Site Appraisal

- Ambiance and patient relations
- Marketing and promotion efforts
- Practice systems and operations
- Referral patterns



On-Site Appraisal

- Medical Records/ EMR
- Unique characteristics of practice
- Competition
- Economic and demographic conditions



Quality of Appraisal

- Appraisal should assign a value to the assets to be included in the sale
- An appraisal is only as good as the skill of the appraiser, and the information upon which the appraisal is based.
- The sales price is determined by what a buyer is willing to pay, and what the seller will accept



Methods to Value a Practice

- Rule of Thumb
- Comparable Sales Method – Market Approach
- Income Method
- Discounted Cash flow or Excess Earnings



Dermatology Times

- **COLD IRON TRUTH**
- **Well, I figured it out ... I owe my soul to the company store**
- **Publish date: November 17, 2017**
- **By [Brett M. Coldiron, MD](#)**



Private Equity

- Excellent strategy – <3 years left in practice
- Medium strategy – 3-10 years left
- Think carefully > 10 years in practice

ANALYSIS OF PE DEAL VS. STAYING SOLO FOR 4 years and selling the practice

\$ 2,850,000	Price	\$ 1,710,000	cash up front to invest		1,280,000	Estimated Salary with PE 4 years
6	Their Multiple		741,000	Capital gains tax	<u>2,109,000</u>	Amount Sale after capital gains
475,000	Their EBITDA				3,389,000	
					3,300,000	Solo Practice income and sale
					89,000	Estimated increase with PE deal vs. staying solo if at 700K per year
650,000	Dr.estimated productivity				(311,000)	Estimate loss with PE deal vs staying solo if you take out 800K from the practice
260,000	40% will receive				PA productivity	
30,000	50% Product sales		3%		700,000	21,000
<u>30,000</u>	3% PA		3%		300,000	9,000
320,000	Estimate Salary	\$ 1,280,000				300,000
	Per year	4 years				

Serious Considerations

- Do you like to be in control?
 - If you answer yes, think very long and hard about how you will adjust to being an employee
 - Larger organizations take longer to make decisions with more layers of bureaucracy
 - You may still need to get involved with administration/personnel/etc, but may have no power to change anything

Serious Considerations

- Ask other physicians who are in the entity
 - What is the culture?
 - How happy are they?
 - Do you know your present office visit/hospital/surgery/procedure volume and how will this translate to WRVU compensation?
 - Will you be able to help choose/direct or fire staff that work with you? Will your office manager be eliminated?
 - What reporting of your productivity will you able to obtain and your rights to audit?
 - What if you were doing procedures now that add to your net income and these will be taken away to another specialty?

Serious Considerations

- Will you have to see Charity and Medi-Cal patients?
- Perform research?
- Is the compensation formula vague or very specific?
- Will you be forced to be in group with former competitors that you did not get along with?
- What is the composition of board that makes decisions?
 - Weighted toward physicians or hospital/foundation/University?
- Can you negotiate a 3-5 year guaranteed salary?

Hard Assets

- Equipment
 - Straight-line Depreciation
 - Used Market Value
 - Replacement Cost
- Exclude personal assets

<https://www.medshare.org/>
Donations of Medical Equipment



Supplies

- Inventoried
- Estimate supplies at 1-2 months of usual inventory costs



Frames

- Wholesale Value, not Retail value

Accounts Receivable

- Age of accounts
- Factor the accounts by age
- Subtract the contractual allowances from each aging



Valuing Intangibles including Goodwill

- IRS ruling 59 - 60 and accounting standards define goodwill as:
 - “The expectation of future profits under the ownership of someone other than the present owner.”



Elements of Intangible Assets include:

- Location
- Type of practice
- Referral patterns
- Staff in place



Elements of Intangible Assets include:

- Systems in place and operational
- Financial performance - collection ratios, gross and net revenue
- Non-compete clause



Elements of Intangible Assets include:

- Transition assistance
- Trade name
- Contracting opportunities

Methods to Value Intangible Assets

- The Goodwill Registry
 - (610) 828-3658 25.88% goodwill to revenues
 - Ophthalmology 2022 report
- Market Approach – Revenue method or Accumulation of Assets
- Income Methods
- Discounted Cash Flow or Excess Earnings

WEIGHTED AVERAGE COLLECTIONS

Year	Collections	Weighted by year	Weighted Collections
2019	\$764,680	x 1 =	\$764,680
2020	\$625,679	x 2 =	\$1,251,358
2021	\$627,434	x 3 =	\$1,882,302
		= 6	\$3,898,340
		divided by 6 =	\$649,723
		25.88%=	\$168,148

ACCUMULATION OF ASSETS METHOD TOTAL VALUE

The total value of this practice has been assessed as follows:

TOTAL VALUE	
Intangible Asset - Goodwill	\$168,148
Furniture, Equipment, Instruments, Leasehold Improvements	\$200,000
Accounts Receivable	\$92,355
Supplies	\$5,985
TOTAL with A/R	466,488
TOTAL without A/R	\$374,133



Medical Practice Revenue and Net Earnings

- Bizcomps 2021
- www.bizcomps.com
- Medical Practice .26-228 Price per Sellers discretionary earnings (specialty specific)
- Price per Gross Revenue =.23-.46

CAPITALIZATION OF EARNINGS

Year		Net earnings		Weighted Net Earnings		Weighted Average Net Earnings With Pension
2019	=	\$280,000	x 1	\$280,000		
2020	=	\$ 207,000	x 2	\$414,000		
2021	=	\$ 257,000	x 3	\$771,000		
			=	\$ 1,465,000	/6 =	\$244,167
		Multiply by Capitalization Rate		value x 2.15	=	\$524,959

WEIGHTED AVERAGE OF EARNINGS

Rating Scale	Category	Rating
Risk Rating (20%)		
Continuity of income at risk		
Steady income likely	X	15
Growing income assured		
Competitive Rating (15%)		
Highly Competitive and /or unstable market		
Normal competitive conditions		
Little competition in the market due to high cost of competition entry	X	7
Specialty Rating (20%)		
Specialty practice, all physician referral		
Specialty practice w/ high level of patient referral	X	15
Primary care, no physician referral		
Business Rating (20%)		
Recent Start-up, not established		
Well established in satisfactory environment		
Long record of sound operation w/ outstanding reputation	X	18
Business Growth Rating (15%)		
Business has been declining		
Steady Growth, higher than inflation	X	10
Dynamic Growth		
Desirability Rating (10%)		
No status, rural area, declining population		
Satisfactory environment, population growth, surplus physician patient		
Challenging environment, metropolitan or high growth area, high physician/patient ratio	X	5
100%		70%

Revenue				
	Year	Collections	Weight	Extension
	344,6752019	\$764,680	x1 =	\$764,680
	2020	\$625,679	x2 =	\$1,251,358
	2021	\$672,434	x3 =	\$1,882,302
TOTAL			= 6	\$ 3,898,340
Weighted Average			divided by 6 =	\$649,723
Less average Practice Expense				\$465,544
Weighted Average Earnings				\$184,179
Rating Scale				70%
TOTAL INTANGIBLE VALUE				\$144,675
Plus Fair Market Inventory Method TANGIBLE ASSETS				\$200,000
TOTAL WEIGHTED AVERAGE VALUE=				\$344,675

DISCOUNTED CASH FLOW VALUE

		Base Year 2021	2022	2023	2024	2025	2026	
Net Collections	672,434	672,434	692,607	713,385	734,787	756,830	779,535	
Overhead Ratio	62%	62.1%	62%	61%	60%	59%	58%	
Operations Expense	417,754	417,754	430,109	435,165	440,872	446,530	452,130	
Net Available for Distribution		254,680	262,498	278,220	293,915	310,300	327,405	
Physician Compensation	254,680	200,000	225,000	245,000	260,000	275,000	290,000	
Operating Income		54,680	37,498	33,220	33,915	35,300	37,405	232,018
Depreciation		2,779	2,879	2,979	3,079	3,179	3,279	
Operating Cash Flows		57,459	40,377	36,199	36,994	38,479	40,684	
Tax Rate		38%	38%	38%	38%	38%	38%	
Taxes on operating income		21,834	15,343	13,756	14,058	14,622	15,460	
Capital Expenditures		-	-	-	-	-	-	
Free Cash Flow		35,625	25,034	22,444	22,936	23,857	25,857	
Cost of Capital @ 16%			0.8621	0.7432	0.6407	0.5523	0.4761	
Present Value of Free cash flows			21,582	16,680	14,695	13,176	12,009	
Residual Cash flow 16%-1%=15%								168,160
Total of all present value/free cash flow						66,133	78,142	
Present Value of Residual Value								80,061
TOTAL PRACTICE VALUE								\$158,203

Overhead percentage decreases as revenues decrease

* Could start a new physician at \$200,000 per year and still have operating cash flows to pay MD, debt and not impair operations

RECOMMENDATION FOR TOTAL VALUE

<u>METHOD</u>	<u>WEIGHT</u>	<u>ASSESSED VALUE/ STRAIGHT AVERAGE</u>	<u>WEIGHTED VALUE</u>
Accumulation of assets	40%	\$374,173	\$149,669
Capitalization of Earnings	20%	\$524,959	\$104,991
Weighted Average of Earnings	30%	\$334,675	\$100,402
Discounted Cash Flow	10%	\$158,203	\$15,820
TOTAL	100%	\$350,502	\$370,882



Appraisals: An Art and a Science

- Knowledge of the medical specialty
- Knowledge of the marketplace
- Estimating likelihood of the revenue stream continuing

Caveats about Pricing

- Price realistically
- Terms may be more than price



Readying Your Practice for Sale

- Maintain an active patient flow
- Assure that IPA membership and managed care contracts are assumable
- Reduce overhead or control expenses
- Assure personnel policies and cash safeguards are in place



Finding a Buyer

- Hospital recruiting
- State and local medical associations
- Specialty Societies
- Broker
- Internet Recruiting Sites



Finding a Buyer

- Medical Meetings - AA0
- University and Residency Programs
- Equipment and supply vendors
- Physicians in your community

What should you advertise?

- Specialty
- Size or gross income
- Geographical area



Information the Buyer will want to know – Due Diligence

- Practice tax returns and Profit Loss Statements
- Appraisal
- Copies of leases and assignability



Information the Buyer will want to know – Due Diligence

- Copies of maintenance agreements
- Time to review charts/EMR in your office
- Accounts Receivable, Aging spread



Information the Buyer will want to know – Due Diligence

- Staff wages, hours, pension, etc.
- Any lawsuits, liens, liabilities pending or threatened
- IPA membership information and HMO, PPO contracts

Negotiating Sale Terms

- Using a professional will bring:
 - Higher sales price
 - Better terms negotiated
 - Loopholes closed
 - Less hassle to seller



Two Types of Buyers:

- Those who love to bargain
- Those who hate to bargain
- Evaluate your buyer's personality



Other Terms to Negotiate:

- Purchase of Assets, Stock, or Partnership Interests
- Earnest money deposit -- refundable or not
- Down payment
- Terms of any seller carry-back financing



Other Terms to Negotiate:

- Allocation of purchase price
- Equipment and supplies to be included
- Covenant not to compete
- Introductory services



Other Terms to Negotiate:

- Who will pay closing costs
- Pro-rations such as employee benefits, expenses, etc.
- Whether accounts receivable will be part of the transaction
- Provisions for records retention



Other Terms to Negotiate:

- Life insurance on new buyer
- Conduct until close of sale
- Contract contingencies which must be removed prior to close of escrow

Other Terms to Negotiate:

- Indemnification for prior acts
- Protections against breach of agreement

Writing the Agreement

- Details of the agreement must be in writing
- A copy of the signed agreement should be used by the escrow officer



Help your Buyer Finance the Practice

- Check with your bank for assistance
- Bank of America (MD division)
- Banks through the SBA
- Check with your hospital



Personal Introduction

- Offer to introduce new physician to patients and referring physicians
- A powerful negotiating strategy



How to Save Taxes on the Practice Sale

- Tax advice should be obtained from a professional
- Review your position in advance with accountant



Recommendations for Bringing in a New Associate:

- Write an employment offer spelling out conditions and expectations
- State all AR, charts, lists, etc. are employers property
- Have approximate cost decided before the interview process begins

Practice Link



Log In

For free help with your job search, call **(800) 776-8383**.

[Home](#) [For Physicians](#) [For Employers](#) [Career Resources](#) [About Us](#) [Contact Us](#)



Search Physician and Healthcare Jobs

Profession



Specialty



City and State, or Zip Code

Search



Recommendations for Bringing in a New Associate:

- Create an incentive program
- After incentive is reached, additional money generated should be given as bonus, or put in escrow for buy-in

Discuss Salary and Benefits

- Market comparable salary?
- How is it paid?
- Incentive bonus?
- Malpractice and Tail?
- Benefits, life, health, disability? Pension and profit sharing?
- Auto?

Example

- 300,000 MD Salary +
- 25,000 Benefits
- 325,000 Physician Cost +
- 150,000 Additional Overhead Cost =
- 475,000 Breakeven Point MD needs
to generate revenue

Incentive Bonus

- After Employee reaches breakeven point, additional revenue goes to overhead, Employer return on investment and Employee bonus
- 10,000
- 5,000 Overhead (50%)
- 2,500 Employer (25%)
- 2,500 Employee (25%)



Buy - In

- Can you review the partnership agreement?
- What is the methodology for buy-in?
- Can intangible asset value be established at point of entry?
- Can the buy-in be spread over several years?

Mergers

- Merging with another MD or group can provide the transition
- Removes records issues
- Provides buy-out



Professional Assistance Needed:

- Appraiser / Consultant
- Broker
- Attorney
- CPA

ZDOGGMD Video

- <https://www.youtube.com/watch?v=jV9RyXQyQ7Q>



Thank you for attending!

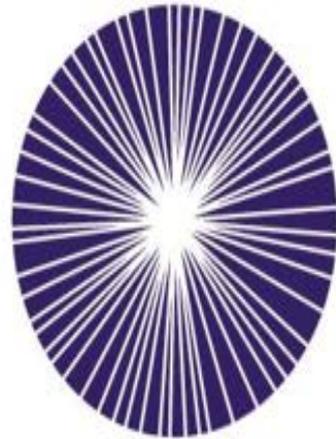
Debra Phairas

dphairas@practiceconsultants.net

(415) 764-4800

www.practiceconsultants.net

www.medicalpracticesusa.com



AMERICAN ACADEMY
OF OPHTHALMOLOGY®

Protecting Sight. Empowering Lives.