

## **SELLING YOUR MEDICAL PRACTICE?**

Monica Kaden

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It seems that in recent years, more physician practices are bringing in partners, combining with larger practices, or joining hospitals. There are a number of demographic and economic factors contributing to this urge to grow and merge:

- Many baby boomer physicians nearing retirement age are selling their medical practices.
- Larger physician practices often have greater leverage negotiating reimbursement rates than small physician practices.
- Larger physician practices enjoy economies of scale not available to smaller practices.
- Compliance with the various provisions of the Affordable Care Act has increased the cost of operating a smaller practice.
- Larger practices offer cross-referral opportunities not available in smaller practices.
- Medical practices are being “rolled-up” into public companies and physician practice management companies (“PPMs”) that are capturing strategically located, physician-specialty market share. Such public companies and PPMs have a relatively low cost of capital, often offer sellers public company marketable securities (with potential upside), and a greater ability to monetize a seller’s investment in their practice.
- Combining with a larger practice offers the selling physician more of an employee lifestyle.

When deciding on the type of transaction to pursue, a physician has to think about many factors other than just selling price, including:

- Is he or she interested in selling to a large group, a hospital, or another physician looking to take over the practice?
- Does the physician wish to continue working in the practice as an employee?
- Will the buyer continue to provide the level of care that he or she has always provided?
- What if the transaction does not work out as planned? What restrictive covenants will be in place that limit the ability of the seller to earn a living?

There are many factors that need to be considered when selling a physician practice. Thus, a physician should start planning early to allow the proper time to sell to the right buyer and negotiate deal terms. Our medical practice consultants have extensive experience addressing these issues. Feel free to contact Monica Kaden if you are contemplating a transaction or you are seeking advice on how best to proceed.

Contact Monica Kaden:

Phone: (973) 267-1400

[mkaden@markspaneth.com](mailto:mkaden@markspaneth.com)

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