

**M A R K S P A N E T H**

ACCOUNTANTS & ADVISORS

# **VALUATION FOR YOUR HEALTHCARE PRACTICE**

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There are many reasons to value a physician practice, ambulatory surgery center, imaging center or other health care entity (for example, merger, acquisition, sale, litigation, matrimonial dissolution). But such health care businesses are subject to different regulations, technology changes, consolidation and other risk factors than companies in other industries. Thus, the person performing the appraisal should be experienced and knowledgeable in health care valuation.

Understanding the valuation implications of the Patient Protection and Affordable Care Act, and knowledge regarding relevant health care laws and other health care valuation concepts are critical to an accurate and supportable healthcare business appraisal. Some especially important concepts are:

- Fair market value compensation;
- Understanding relative value units (RVUs) and physician productivity, historical and forecasted;
- Anticipated changes in Medicare reimbursement rates and other third party commercial payers;
- Coding change to ICD 10 anticipated in October 2015;
- The difference between professional and technical components of revenue which is critical in evaluating physician compensation (only professional components) and surgery centers (that are only technical components);
- Health care laws including Stark, Federal Anti-Kickback Statute, related safe harbors, and other laws;
- Definition of Fair Market Value for health care purposes; and
- Concept of commercial reasonableness in a transaction.

When the business appraiser fails to properly consider these industry-specific risk factors, the valuation conclusion may be inaccurate and unsupported. Accordingly, when hiring an appraiser to value an ownership interest in a health care entity, industry-specific expertise is critical.

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