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# How To Assess Opportunities for Growing or Selling Your Practice



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# CURRENT CHALLENGES



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- Lack of Succession Planning /Options
- Coding and Compliance Challenges
- Payer rates are flat or declining, contracts are more complicated and you have little leverage with Payers
- Competition from a number of sources
- Not enough support to stay independent
- Is independence still viable?

# POTENTIAL OPPORTUNITIES

- Venture Capital
- Private Equity
- Hospital / Healthcare Systems
- Super Groups/Mergers
- Competitor Acquisitions
- Join Forces/Collaborations

# DOWNSIDES...

- Loss of autonomy
- Limits income potential
- Acquirers' objectives may not align with your objectives for the practice
- Lack of transparency in everyday dealings & strategies
- Competing goals
- Compliance challenges

# UPSIDES...

- More stable income
- Reduced insurance administrative burden
- Practice management
- Reduced risk
- More stable volume
- Improved infrastructure (HIT, HR, staff training, etc)
- Less worry!



# PREPARING TO SELL ...



# Improve Your Position

First, understand your practice's value:

- Have an expert practice valuation performed so you know what your practice is worth
- Understand how valuation of your practice is being calculated
- Know your worth
  - The dividends of acquisition must be equivalent or better than the dividends of ownership given up

Second, get your practice in shape best you can:

- Improve your coding and documentation
- Reduce costs (GPO; reduce inventory, etc.)



# About Practice Value

- How do you calculate the value of the practice?
  - A projection of future financial performance is calculated usually based on an average of prior earnings for 3-5 years
  - Consists of revenue, overhead and compensation
  - The value is typically the delta between what an owner takes home versus what an employed physician makes, times some multiple (often 1.5 – 3 times)
- You can maximize your value by optimizing your practices' before you look for a buyer

*AT THE END OF THE DAY, THE PRACTICE IS ONLY WORTH WHAT SOMEONE IS WILLING TO PAY FOR IT ...*

# Acquisition Process

- Practice Purchase
  - Asset Purchase Agreement
    - Most common type of arrangement
    - Assets are the tangible items but often include intangibles like practice name, phone number etc.
- Employment Agreement
  - Employment as physician
  - Employment as medical director, department head, etc
  - Productivity expectations

# Before You Sign

- Ensure Success!
  - Make sure you understand how the relationship will work once you are acquired
  - Talk to other practices who have sold to the same entity (if relevant) and find out what the challenges were
  - Discuss how you can have a seat at the table, namely being on a physician advisory board or heading up a committee, if continued involvement is a goal
  - Get legal counsel on all documents before you sign
  - Evaluate how comfortable you will be in an employed role versus an entrepreneurial one
  - Make sure the value to you is equal to or better than if you remained in independent practice...



YOU DON'T HAVE TO SELL ...



# YOU DON'T HAVE TO SELL

You've got other options:

Create or join a 'super group'

- Clinically Integrated Networks (CINs)
- Managed Service Organizations (MSOs)
- Independent Physician Associations (IPAs)
- Single TIN Supergroup

# A WORD ABOUT MSO

## Managed Service Organizations (MSOs)

- Help to take the headaches out of practice management (if working with a trusted partner)
- Makes ownership of a practice more appealing, as less to manage from a hands-on perspective
- A potential new option for creating succession



# Q & A

# CONTACT US



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