

TIPS TO CONSIDER WHEN BUYING OR SELLING A PRACTICE



by Partner Alan Rajah

There are various reasons why someone decides to sell their practice - the most common being retirement or ill-health. Other factors that could lead to a clinic being brought are when the clinician decides to expand or upgrade his or her practice by broadening their client base; wants to increase the geographical coverage of their practice or increase the scope of services offered to clients including accessing specialised knowledge or technology

1 SURGERY PERFORMANCE

Every single private practitioner should be looking to enhance the value of their business. This involves building a brand name that will be saleable in the future. The most common mistake made by most practitioners is to use their personal name as the trading name or company name rather than using a generic name that could be adopted by a new buyer.

There is also a moral issue when it comes to selling a practice. You will need to ensure that the new buyer will be able to deliver the same or even superior service that you are currently providing for your patients.

Almost all disposal of medical practices is linked to ensuring that there will be a similar level of fees for the next two years - the last thing any selling practitioner would want is to deal with patient complaints or falling numbers of patients in subsequent years that could have an impact on the final price that has been negotiated.

It is also important to have a good accounting system in place to ensure that you are able to produce management accounts on a timely basis to ensure that all procedures are invoiced on time.

2 FINANCIAL ANALYSIS

Any purchase should undertake further analysis of the turnover of the practice that they are looking to acquire by breaking it down by insurers and self-paying patients. There should also be further analysis of turnover by repeat patients. This will give an indication of the dependency of the practice on different streams of income.

A detailed review of source of referrers should also be undertaken to establish if the same relationships could be maintained by the new buyer and the steps that will need to be taken to continue to maintain the income levels. There are a number of patient management software systems on the market and consideration will need to be taken regarding the quality of the management software when a bid is made for the practice.

The software system should be sophisticated enough to maintain patient records and diagnostic results that avoid the need for storage requirements. The ability to access the patient information remotely is an important criteria in determining the price that is paid for a medical practice.

3 QUALITY OF SERVICE

One of the important factors in purchasing a medical practice is the quality of the staff that you are taking on and the training that they have undergone to enable them to continue to maintain a high standard of care. You need to ensure that staff records are kept up to date and every staff member has been issued with an employment contract and a handbook. Health and safety aspects of the business will need to be taken into account as well.

4 ADDITIONAL RESOURCE

If relevant a review of the latest Care Quality Commission report should be undertaken that would highlight any shortcomings in the practice. A review of claims made by patients against the practice will provide an indication of any pending legal issues as well as the risk profile of the practice

5 ACCOUNTANCY SERVICES

Finally you should always engage a professional medical accountant at an early stage to ensure that the costs of the process - both opportunity and out of pocket costs are kept to a minimum.

For further information on buying selling and valuing practices, please contact Alan Rajah at alan@lawrencegrant.co.uk or visit lawrencegrant.co.uk/specialist

