

Buyer Beware: Purchasing a Chiropractic Practice

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Having both sold and purchased a chiropractic practice in my career, I have seen the transaction from both ends. In purchasing an ongoing practice, I was involved in a transaction that was fraught with misinformation and dishonesty. The purchase caused me to evaluate the specifics of the purchase/sale of a practice and with that, the formulation of a textbook that is now being finalized.

First and foremost, although many purchases occur through practice brokers located throughout the U.S., brokers generally provide a good service but are not foolproof. While they will identify practices that might fit your ideas as to location and price, the final verdict of the success of a practice sale is truly between buyer and seller and occurs after the contract is signed. For example, no contract done by a broker can ensure that the existing staff that stays behind will be amiable to a new doctor. Let's examine this point in more detail.

Hostile Takeover

When I purchased my practice, the existing staff consisted of the doctor's family and one non-family member who was a back-office CA. I tried to evaluate who I could develop a relationship with in order to learn more about the practice as I took over - a confidante who would help me with inside information. I was wrong. When you purchase a practice, you now own the practice. Those who stay with you are now your employees. Although you needn't step on their toes too briskly at first, they need to understand that you have your own ideas and that you are now writing their checks. In my case, they withheld my ability to access the computer system that I had purchased. It took me three months to make the decision that two out of three of them had to go. In short, I had to undergo a hostile takeover of a practice that I already owned. Don't let this happen to you.

Know the staff you are taking over and meet with them immediately. Make small changes at first, but let them know your philosophy, goals and expectations. If they balk, note it, confront it and deal with it quickly. Letting one bad apple remain does spoil the entire bunch.

Transition

Next, there will be a period of transition with any purchase. This time frame where the seller "transitions" the practice to the buyer is a very important time in that it sets the basis for patients to get to know the buyer and allows the seller to confidently introduce the new doctor in a positive light. This period is often too short or, in my case, way too long. Buyers should understand that after two months, they should be fully acquainted with the practice and ready to roll on their own. At that point, the selling chiropractor should ride off into the sunset. Buyers, if the seller is not willing to exit the building permanently after a satisfactory transition period, don't sign the contract. In short, prior to the purchase, the buyer must be certain that after a set time period the seller will depart. There should be nothing in the contract that allows the seller to return and "see a few patients here and there." If the patients you now treat see the former doctor in the building, questions will arise, including, "Why can't I see him?"

Any purchase, with or without a practice broker, demands accuracy and honesty on the part of the seller. If buying with a broker, statistics including tax returns will be available for your review. If no tax returns are available, demand them. As personal as it is, tax returns for three years prior to the sale must be submitted for your review. A "spreadsheet" made up by the seller does not qualify. Lip service espoused by the seller does not qualify. Only bona fide IRS 1040 (personal) and 1120 (corporate) returns are acceptable. The buyer should also have an independent accountant or business attorney review those returns and make recommendations on the selling price or counter offer if there is one to be made. Couple the statistics of the practice with the returns and evaluate them independently of the broker, if one is involved. Understand that when one sells a practice, he must place his income in front of you for evaluation. If he will not, walk away. It might hurt, but it just might save you a tremendous cost in the long run.

Legal readiness

Another topic that very few buyers think about is your legal readiness to take over an existing practice. Obviously, we all are aware that if we are intent on practicing, we need a license for that particular state. However, did you stop to think about your participation with insurance carriers that require a credentialing process? How about Medicare? Application to those carriers as well as to Medicare, should you choose to participate, must be done as soon as possible to ensure that you can bill for services rendered in your new practice once you begin working. Do not think that anyone else will do this for you.

If you are intent on participating with carriers in the state you purchase your practice, find out who they are by contacting the provider relations or contracting departments and get the applications that are required. This can usually be done on the Internet. Do not get into a situation where the seller "bills" your services and will pay you once checks come in. You need to do the old KISS routine: Keep It Separate, Stupid!

This separation of buyers' and sellers' services brings me to my next point: the existing computer system. If you think it's not a problem, guess again. It was the seller's computer and now it's yours. Immediately upon signing the contract, the buyer must establish his own practice in the existing computer software system. All modern systems have the ability to add new practitioners. Do not assume that this is going to be done for you by existing staff or the selling doctor. While it should be done for you, make sure it does in fact take place. The computer system is now yours, buyer. Take it over. Learn it and make certain you are an added practitioner. If the system is password-controlled by existing staff members, get that password immediately. It's yours. You purchased it.

There are so many areas to discuss related to the successful purchase of an existing chiropractic practice. The buyer must walk the fine line between being a new owner/employer as well as a new doctor to hundreds of patients. The buyer must have patience while at the same time have the assertiveness to manage new staff their own way. The buyer must learn the nuances of existing patients from the seller, being careful to balance past treatment methods that worked with new treatment methods that the buyer brings to the office. Success for the buyer is the goal and job of a good seller.

Above all, have your plan and goals and run your plan. There will be a few bricks in the road. Be ready, be flexible and kick those bricks aside. No plan is a plan to fail.