

EXIT STRATEGIES

6 STEPS TO TAKE WHEN SELLING YOUR SPA

AS AN OWNER, THERE ARE A NUMBER OF reasons you may choose to sell your esthetic business or practice. Perhaps a can't-miss opportunity or merger presents itself while your business is booming. Maybe retirement is looking better and better. Or perhaps the unthinkable has happened, and in spite of your best efforts, an unforeseen circumstance leaves you with no other option. Whatever the reason, know the protocol when it comes to exit strategies.

Have your business or practice professionally evaluated as soon as you realize there's a chance you may sell it. If you wait until after an unexpected event or serious illness occurs, the value will have diminished, especially if no emergency plan had been put into place. Knowing this, never get too attached to whatever you perceive the value of your practice to be when you hire someone to properly perform an evaluation. You want to make educated decisions, not emotional decisions. Note that this includes your real estate, your equipment and your patient load, to name a few.

Define your message to the public—before it goes public. Know how you will get the message to your staff, patients and the community. The way you get this message to each of these groups will differ greatly, depending on the reason you're choosing to sell or merge. Know that regardless of the reason, unless you had discussed this option with your team while still in the decision-making process, their faces won't hide their shock. Present the circumstances in the most positive manner possible, and let

them know their honest fate. Will they be laid off? If so, will you allow them time during the work day to interview for other jobs?

If they are not going to be laid off, and there will be a merger (or simply a new owner), will the group or person taking over be present when you break the news to your team, allowing them to directly ask their new employer any questions they may have? What is your proposed timetable? Will you remain on as an employee or a partial owner? Have a plan in place for the possibility of having to explain the changes to the press, and know the laws in your state regarding how and when patients must be notified, including what happens to their records.

Seek assistance in the sale. For a number of reasons, it makes sense to hire a third party to assist you in the sale, inclusive of an attorney and a consultant. A strong negotiator who knows your business is worth his or her weight in gold. Note that if you are looking to liquidate your business, this is even more important. Lowball deals for equipment will come faster than you can catch them, and it is important to have someone on your side who can control the playing field.

If your business is a practice owned by a physician or requires a medical director, the potential outcome of which physician will see your patients could include a variety of options. Your options vary depending on the reason you're choosing to sell the practice and the amount of time you have to make decisions. If you are

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in a position where you are physically unable to keep up your usual pace, plan to bring on a new associate who can immediately generate revenue (insured and non-insured) to at least cover expenses. Perhaps a colleague is able to work several days a week, and another one of your currently employed physicians and mid-level practitioner(s) can pick up the remaining slack.

Consider a temporary physician (locum tenens) to fill a temporary gap or look at hiring another full-time physician. Prepare this plan as soon as possible to avoid a gap in service; clients will begin seeking other physicians to treat them when you are unavailable. Check your state guidelines when it comes to billing insurance.

If your business is a medical practice, know how it is set up as a legal entity; this affects who is able to buy the business from you. For example, in the state of Florida, as well as many other states, if your practice is set up as a Medical/Osteopathic Doctor in a Professional Association or Professional Corporation (MD/DO PA or MD/DO PC), it can only be owned by a physician. In other words, a physician may no longer be capable of owning the practice if his or her spouse is not a doctor. They are unable to take over ownership, even as a previous practice administrator. Otherwise, in the case of death, the medical practice becomes part of the estate, under the guidance of a personal representative and attorney. Should this be a concern to you, make sure the practice is set up as a Limited Liability Corporation (LLC), which can be owned by a non-physician.

Be careful when it comes to personal guarantees on lines of credit. Don't allow your spouse to be a cosigner on any line of credit to your corporation; you don't want him or her responsible as a co-guarantor on the note. If you must have your spouse as a co-signor, or if the bank insists on it, have them place a lien on the practice and/or the financed piece of equipment in the amount of the note, as this makes him or her a secured creditor. ■

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