

# EXIT STAGE LEFT

Five smart steps for cultivating a hiccup-free exit strategy.

BY JAY A. SHORR, BA, MBM-C, CAC XII , AND MARA SHORR, BS, CAC XII

**W**hether you're exploring a can't-miss opportunity, a merger presents itself while your business is booming, or you're ready to trade in your scalpel for a fishing rod and time with your grandchildren...it's never too early to think about an exit strategy.

Whatever the reason, putting a plan into place sooner rather than later will help you achieve a smoother transition.

With that, we encourage you to:

## 1. 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. An evaluation should include your real estate, equipment, and patient load among other items. That said, take the emotions out of this equation and listen to the experts. Never fall in love with what you perceive the value of your practice to be when you hire someone to properly perform an evaluation.

## 2. DEFINE YOUR MESSAGE TO THE PUBLIC...BEFORE IT GOES PUBLIC.

Know how you will relay your message to your staff, patients, and the community. This will differ greatly, depending on the reason you're choosing to sell or merge. They may be surprised, but present the circumstances in the most positive manner possible, and let them know their honest fate. Will staff be laid off? If so, will you allow them time during the work day to interview for another job? If not, and there will be a merger (or simply a new owner), will that person be present when you break the news to your team to answer questions? What is your proposed timetable? Will you remain on as an employee or a partial owner? Know the laws in your state regarding how and when patients must be notified, inclusive of what happens to their records.

## 3. SEEK ASSISTANCE IN THE SALE.

For a number of reasons, it makes sense to hire a third

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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. If you're looking to liquidate your business, this is even more important. Low-ball deals for equipment will come faster than you can catch them, and it's important to have someone on your side who can control the playing field.

## 4. MAKE SURE THERE IS A PHYSICIAN ON BOARD IN THE INTERIM.

If your business is a practice owned by a physician or requires a medical director, who will see your patients includes a variety of options that depend on the reason you're choosing to sell the practice and the amount of time you have to make decisions. If you are in a position where you are physically unable to keep 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 transitory gap or look at hiring another full-time physi-



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cian. 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. *Note:* check your state guidelines when it comes to billing insurance.

### 5. UNDERSTAND HOW YOUR BUSINESS IS SET UP.

If your business is a medical practice, know how it's 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 an MD/DO PA or MD/DO PC (Medical/Osteopathic Doctor in a Professional Association or Professional Corporation), it can only be owned by a physician. In other words, should a physician no longer be capable of owning the practice, should his or her spouse not be 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 an LLC (Limited Liability Corporation), which can be owned by a non-physician. It's also important to take care when it comes to personal guarantees on lines of credit.

Don't allow your spouse to be a co-signor 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, or if the bank insists on this, have your spouse 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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