



The Checklist Guide to Buying a Chiropractic Practice

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THE **STRATEGIC** CHIROPRACTOR
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Congratulations on taking the first steps toward owning a chiropractic business! It's one thing to dream but it's another to act. So now it's time to make your vision a reality and put your plans into motion. These steps to business ownership will help you stay on track and create a solid foundation for entrepreneurial success:

1. Determine Desired Practice Area

Since you will likely own the same practice throughout your chiropractic career, the first important step to business ownership is simply deciding where you want to live. Certainly, you can assess the competition, research resident demographics and perform your due diligence as to the marketplace that you will enter. But don't overlook one big, basic fact of chiropractic business: you should work where you want to live! This way you avoid the uncomfortable situation of having great success in practice but great disappointment in every other area of your life because you just don't like the area where you reside.

2. Target the Type of Practice You Want

The next step on the path to your business ownership dreams is to clarify your vision for your practice. Do you want a practice that has a balanced mix of patients from all walks of life, paying with cash and insurance, needing care for acute injuries, accidents and chronic conditions? Or would you like to care for a particular population of patients such as athletes, children, or some other niche? How about a practice that's focused on work injuries, car accident care or even a cash-based clientele? Determining your vision before you begin your search will help you eliminate practices that aren't really a fit for your style and dreams.

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3. Decide the Timeframe for Your Transition

Some docs begin their practice search and planning months or even years before they intend to act. While others have a much shorter target date in mind. Your present circumstances may dictate that you look for a new opportunity immediately, but buying a chiropractic practice is definitely not something you want to rush into. You are about to spend a significant amount of money on a practice purchase, so you should be prepared to spend an adequate amount of time researching the right fit in order to avoid the regrets of acting too rashly.

4. Get Your Finances in Order

Most chiropractors looking to buy an existing chiropractic business don't have the luxury of purchasing the practice with money sitting in their pocket. Therefore, it's highly likely that you will have to go through the process of a business acquisition loan. If your credit is a little compromised, clean it up as soon as you can so that you can get the best lending rates and get your financial house in order to prepare for the process of seeking funding.

5. Start Your Practice Search

Many chiropractors actually make the mistake of beginning their practice purchase here, by simply looking for existing practices currently on the market. Taking the previous steps will help you sail smoothly once you hit this stage and they will actually save you much time and trouble in researching viable options. Fortunately, there are many places to do your search. While national chiropractic magazines often get the most exposure, they are also often filled with practices that are lingering on the market the longest (and as a result, the seller or broker is willing to pay big bucks for the ads in these publications). Many times the best practices fly "under the radar" and are listed on free classifieds found on chiropractic college websites or on websites listing chiropractic practices for sale.

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Here are few places to begin your search:

Chiropractic College websites (usually in Classified or Professional Resources section)

www.PlanetC1.com

www.Chiropracticjobfinder.com

www.ChiroClassifieds.biz

Get FREE Notifications of Chiropractic Practice Sales & Associate Opportunities!

If you haven't yet signed up for our FREE notification service, you absolutely should take advantage of it. All you need to do is complete a quick and simple form letting us know your interests and we will email you notifications of practices for sale and associate opportunities that fit your profile. Yes, we will literally do the heavy lifting for you – for free. **Sign up at: <http://bit.ly/2lnnWov>**

6. Understand Market Perspectives

If you don't understand the perspectives surrounding the chiropractic practice market sale, you are likely to potentially damage your chances for purchasing a great business or be disappointed in your sale transaction. There are three basic people in the relationship. The Seller's perspective is typically one of great pride and they are looking for someone who is a great fit for their patients, so that person can continue their legacy. The Buyer (you) are excited to enter business, try out your ideas and are looking to take your vision and install it into a practice that already has momentum, so that you can accelerate your dreams. And, if you're honest, you probably don't think the practice is worth what the Seller is asking and/or you are looking for a bargain. The Transitions Consultant or Broker are in the middle of this relationship, trying to help create a win-win agreement between the two parties.

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7. Find the Story Behind the Sale

An often overlooked ingredient in buying the right practice is to simply ask WHY the owner is Selling and then understanding the implications of the current practice status. For example, an owner who is selling to pursue retirement may be tired and may have let the practice slip a bit before deciding to sell. This is different than an owner who is looking to transition out over the next few years and their practice is performing at its peak. Similarly, a doc who is injured could have a practice that is still doing well despite his/her injury or it could be limping along for years because their injury has left them unable to produce at full capacity for years. There's no universal method of determining the "reason" behind the sale and its current status until and unless you ask. Finally, in addition to asking about the doctor's reason for selling, go some quick internet research to determine the reputation of practice and doctor. A doc whose practice is slowing down a but may have a great reviews online and an excellent reputation; whereas a doctor who appears like their practice is performing fine might have an online profile that says something completely different. At this point in your search, a few questions and a little research goes a long way!

8. Ballpark Your Buying Price

Understanding the financing behind practice sales can help you immediately determine the price point you should be shopping in. First, unlike buying a house or car, the BUSINESS is the primary factor that affects lending. Your credit can help or hurt, but if the business is not profitable enough compared to the asking price, banks will not lend. Your comfort level also plays a role here too. For example, a practice producing \$800,000 a year may certainly be able to support paying yourself a healthy salary; but you will also have a heavier loan burden than a practice that's half the price. Since most banks will lend for practice purchases in the range of 5-10 years, use a loan calculator to get a ballpark estimate of what your payments would be. This figure may scare some buyers and it may not bother others in the least. As you look at the practice financials, this will help you determine whether a practice may be a good fit for you.

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9. Interview the Owner

Once you determine a practice looks good enough at a glance, your next step should be to simply get to know the Seller. A brief initial phone interview can quickly help you both determine if there is an affinity in personality, practice style, philosophy and other areas to move forward or stop right there. A second phone interview can be used for deeper discussion and, if you both agree, an in-person visit should be the next step.

10. Make Sense of the Money

After you feel that you and the Seller the potential to work together well, it's time to make sense of the money going in and out of the practice. At a minimum, you will need to review their Practice Stats (New Patients, Services, Collections, Visits, etc) as well as Profit and Loss statements to analyze cash flow, overhead and profit margins. When you get to this point, it's wise to get expert assistance to review these documents; finding a CPA who is familiar with small business sales or even better, an expert in chiropractic practice sales, will be an investment that can pay huge dividends in helping you decide whether this practice makes financial sense to purchase.

11. Make Your Offer

Assuming your owner interviews and financial analysis both look positive, it's time to determine the price you will offer for the practice and the terms that you desire. Here, you shouldn't be afraid to negotiate and ask for what you want. But do keep in mind that if you can't create a win-win transition, the deal will fall through. When you are looking at an investment that will provide you with a living for years and decades to come, you don't want to pass on a practice that costs a few pennies more up front, but has the potential of paying you thousands more over time.

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12. Secure Your Financing

Most chiropractic buyers don't have the means to purchase a practice with proceeds that are sitting in their back pocket, so don't be discouraged that you need to obtain a loan. And, yes, banks WILL lend to you even if you have student loans; in fact, they are quite used to it for professional practices. Here, you will want to shop around for the best terms and interest rates. At a minimum, you should look into getting a loan through the Seller's bank (they already know the practice financials), through a large SBA lender (who commonly provides practice acquisition loans) and through a private lender (who may offer more flexible lending arrangements than a traditional bank). Oh, and don't forget to ask if Seller financing is available – especially if you don't like lender terms or get turned down. Many times, a Seller has the financial means to do so; but most would prefer a lump sum payment so they won't necessarily offer – unless you ask!

13. Signing Contracts

The next exciting phase is putting everything into writing. Your lender (and the Seller) may want you sign a "Letter of Intent" which declares your seriousness on the practice purchase and gets the ball rolling. A Purchase & Sale agreement is the document that will help "seal the deal" for a chiropractic practice sale. And you'll have to "house" your practice somewhere, so it's likely you will sign a Lease Agreement as well to secure your space. For all of these documents, you will want a local Attorney to review the paperwork and protect your interests. Yes, that means you have to spend a few more dollars for them to review these contracts, but this is well worth the cost as you are signing agreements that will plan your future for many years.

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14. Post-Transition Tasks

The final step (before the new beginning) is to take care of the details that will enable you to practice as the new owner. This may include Insurance Provider-ship transfers, Tax IDs, setting up checking accounts, sending patient notification letters (announcing that you are the new owner) and, of course, seeing your first patients!

Ready to Take the Next Step?

Though this concludes our checklist, it's really the beginning of your new adventure as a business owner. We hope this guide has been helpful and we have many more resources that may interest you on our website at www.strategicdc.com.

Begin your adventure by signing up for our FREE notification service so we can email you **Chiropractic Practices for Sale & Associate Opportunities** that fit your interests!

Sign up at: <http://bit.ly/2lnnWov>

Dr. Tom Necela founded The Strategic Chiropractor to help chiropractic practices work smarter IN business and in getting OUT of practice.

Dr. Necela is chiropractic's first certified professional medical auditor (CPMA), a certified professional coder (CPC) and certified compliance professional (CCP-P) who has authored over a dozen books, speaks at state conventions, conducts private seminars and has a loyal blog following of over 20,000 subscribers from the chiropractic profession.

As a result, Dr. Tom's thoughts and words have been featured in major chiropractic publications such as Dynamic Chiropractic, Today's Chiropractic Lifestyle, Practice Insights and the Strategic Chiropractor website at www.strategicdc.com was recently named by Chiropractic Economics magazine as one of the "top 5 must-follow" blogs in the chiropractic profession.