



Selling Your Medical Practice Checklist





Preparing to sell your practice

Selling your medical practice is a significant milestone that requires careful planning and preparation. Whether you're retiring, pursuing new ventures, or the timing feels right, this guide will provide you with valuable insights and steps to put you in the best position for a successful sale or succession planning.

This guide covers the essential legal aspects, including:

- How to determine the value of your practice for sale or succession planning;
- The steps involved in selling a practice;
- Strategies to maximise value when exiting a practice with multiple stakeholders; and
- Understanding the rights and responsibilities of fellow owners/shareholders when you are moving on.

Consider this your comprehensive guide to navigating the sale of your practice.

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Step 1 – Maximising Value

Before you embark on the journey of selling your practice, it is crucial to understand your practice's value. Understanding the value serves various purposes for both owners and non-owners.

What do buyers look for?

Buyers, in general, are drawn to practices with;

- Engaged principal doctor or doctors;
- A busy and thriving medical centre;
- Ideal practice location, with easy access and parking;
- Established patient base;
- Loyal team of nurses, practice management and support;
- Appropriate IT infrastructure; and
- Consistent operations processes.

What do advisors look for?

Advisors evaluating the practice's value often emphasise;

- Strong historical financial performance;
- Consistent growth (or no unexpected decline);
- Expenditures within industry benchmarks;
- The existence of robust legal agreements and compliance with;
- Security of premises; and
- No outstanding ATO lodgments or payments

Understanding and addressing these aspects are key to optimising the value of your practice in the eyes of potential buyers and advisors.





Step 2 – Process of Valuation

When someone purchases a medical practice, they're making an investment. Valuation hinges on anticipated future maintainable earnings and business ownership risk. To navigate this process, you should consider engaging an accountant to review financial information, structuring advice (in conjunction with a lawyer) and cashflow forecasts, a lawyer to review agreements and establish structures, and a bank or broker to assist with finance applications and debt structuring.

How?

Maximising profitability is the key goal. This involves not only improving returns but also ensuring reliability and consistency to minimise risk for potential buyers.

You should also examine the consistency of revenue, patient income (if relevant), services fees, pathology/allied health sub-leases, and any incentives. It is also worth noting the financial landscape may have been affected by factors such as the COVID-19 pandemic and the changes with payroll tax that have occurred in recent years, so ensure you are considering these variables.





Step 2 – Process of Valuation

When buyers have options, they will be looking for more than just a profitable practice. You may wish to consider;

- What sets your practice apart? Consider what unique qualities your practice possesses that would appeal to a prospective buyer;
- Is your practice established and thriving?
- Is the practice in an excellent location with easy access to parking?
- Does the practice have complementary services such as a chemist or pathology services nearby?
- What else might a potential buyer be interested in? Try to see your practice through the eyes of a potential buyer.

In addition to financial considerations it is essential to gather and present vital practice information, including location details (urban, suburban or regional), patient numbers (including growth and turnover statistics), MBS Billing Numbers, billing methods (private vs bulk billing), utilisation of incentive payments, capacity for growth, service fee percentages, and the terms of your premises lease.

Before sharing any sensitive information, it is advisable all parties involved sign a [Confidentiality Agreement](#) or [Non-Disclosure Agreement](#). This helps safeguard these confidential details of your practice during the selling process.





Step 3 – Steps to Sale

There are two main categories of sales for medical practices, each with distinct processes and legal document requirements.

Sale

A corporate sale, often referred to as an all-out sale, occurs when all owners or partners are bought out by an independent third party. This type of sale typically involves several crucial documents;

- **Heads of Agreement:** The initial document before any contract of sale summarising all the key terms of the agreement between you and the buyer. It outlines details like your post-sale involvement, basis of work, and financial agreements.
- **Sale Agreement:** Outlines the terms of the sale and what will happen to the practice's assets, units or shares.
- **Practitioner Services & Licence Agreement:** If you are a practice owner (and doctor) who intends to continue engaging with the practice after the sale, this agreement sets out the terms of your engagement.
- **A New Lease Agreement or Sub-Lease Agreement:** Depending on your lease terms and agreements with the buyer, there may be a need for a new lease or the assignment or transfer of your existing lease to the new practice owner. If you own the property and are selling it as well, additional agreements will be necessary, varying by state or territory laws, especially if selling the premises is a requirement of the sale.





Step 3 – Steps to Sale

Internal Sale

An internal sale involves selling your share of the practice to existing partners or introducing a new stakeholder to replace you. The key considerations for an internal sale include;

- **Foundation Documents:** Your practice's foundational documents, such as your Owner's Agreement, may already cover this process. Ensure they are reviewed and adhered to.
- **Exit Agreement:** Essential for outlining the terms of your departure and the transfer of your ownership stake.

Take a look at You Legal's Fast Track Solution for [Term Sheet for Sale of Practice](#) for advice about what is required to complete the terms of the sale.





Step 4 – Getting Ready

Preparation is key to a successful sale. Several steps may need to be considered;

1. Review Lease Terms and Staff Agreements

You should begin by closely examining the terms of your lease agreement and all arrangements you have in place with your staff. This helps to identify any potential hurdles that may need to be addressed during the transaction.

2. Financial Review

Collaborate closely with your accountant to initiate a comprehensive financial review. Key elements of this review include;

- **Financial Statements:** Gather financial statements spanning the past three years, along with year-to-date (YTD) reports. These documents offer insights into your practice's historical performance and current financial standing.
- **Tax Returns and BAS Reports:** Provide tax returns for past two years and Business Activity Statements (BAS) for the last four quarters. This documentation ensures transparency regarding your practice's tax compliance.





Step 4 – Getting Ready

3. Further Documentation Collation

To streamline the sale process, you must have various documents readily accessible that prospective buyers may request as part of their due diligence process. This documentation may include;

- Your Fee Schedule;
- Summary of employees & their Agreements;
- List of Doctors and their Agreements;
- Leasing Documentation of Medical Equipment;
- List of Major Medical Equipment;
- Leases on the Premises;
- Photos of the Practice; and
- Floor Plan.





Step 5 – Leverage an Expert

Engaging professionals with expertise in medical practice sales can provide benefits including;

1. New ideas
2. Best practice
3. Accountability

We recommend that you consider seeking advice as early as possible from the following professionals:

- Your accountant; and
- A lawyer experienced in medical practice sales.

An expert in these fields will bring insights, ideas and solutions that you may not have thought of, and can talk you through any concepts that you are unfamiliar with.

Finally, be patient with yourself and your chosen experts. This process takes time. It is important that you prepare thoroughly for the process of selling. You need to be certain that selling the practice is what you want to do, and that your practice is ready to be examined by buyers.

Starting this preparation early allows you to take proactive steps to enhance the sale price and achieve your goals successfully. Selling your practice is a big decision, and thorough preparation ensures a smooth transition for all parties involved.





Step 5 – Leverage an Expert

Our team wishes you the best in the sale of your medical practice. We trust you have found this resource helpful. To seek our advice and support, the earlier, the better is truly the best approach.

We have helped countless practice owners with the sale of their practice over the last 10 years.

We look forward to assisting you to ensure a smooth sale process. To discuss further, contact our team [here](#), and we will put you in touch with the best professional for your needs.

To Your Success,
Sarah Bartholomeusz
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Disclaimer: This resource is for general guidance only. Legal advice should be taken in relation to taking actions on specific issues.

