

# Practice Purchases & Sales

## When Opportunity Knocks

**Q:**

*I have found a buyer for my practice. Problem is it's four years before I planned to sell. This younger doctor just fell into my lap, so to speak. I still need my income from the practice, although it could be less since almost everything is owned free and clear. Is there any way to sell and still have my income — maybe with a hire-back?*

**A:**

Finding the right buyer — who shares your philosophy of care, meets your patients' expectations and instills confidence of success and a smooth transition — is a valuable find whenever it occurs.

I'll assume you have talked with the prospective buyer, checked credentials and satisfied yourself on clinical areas. You can in fact arrange a sale of the practice now. One approach would be for you to maintain the status quo by having an intervening associateship to lessen the period of time that you are not in control of the practice and ensure a continuing income stream.

It would be important for you to have an employment agreement drafted by legal counsel and receive an opinion on the enforceability in your state of a restrictive covenant limiting the employee from setting up nearby if the employee terminated the relationship. You could have your attorney simultaneously prepare the employment agreement and the purchase and sale agreement.

Some advisors, however, would not want their clients to sign an agreement for an event that would not close for several years. This is due to the difficulty of the seller meeting various representations and warranties regarding the practice, its patient base and financial information, which may change between the time the agreement is signed and the deal closes. Instead of the long close, you may want to proceed to an immediate purchase and sale and have a hire-back employment agreement with the practice.

If so, there are some issues you should consider. When a buyer takes on the debt of paying for a practice purchase he usually needs all of the net income of the practice to meet the debt payment for the next five or more years; the buyer also could need any income over the amount of debt to maintain his lifestyle.

Few practice owners make much money off associates, especially those that compete for the same patients. But if you have capabilities the buyer does not have, then you would add income for the buyer and fill a need for the practice. In that case a hire-back would be a win-win, and you could probably calculate the income you would have as an employee for the term of your employment.



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