Checklist: Buying a practice

Ask yourself these questions before signing off on a veterinary hospital. Like your answers? You may have found the clinic for you.

The purchase

☐ Get a practice valuation, a real estate appraisal and any supporting financial documents
☐ What percentage are you buying? If it’s only a partial sale now, what’s the time frame for future purchases?
☐ Is real estate included? If not, when is real estate available? What are the lease agreement and terms?
☐ Check your financing options and terms
☐ What’s the transition timeline for the seller? How long will the seller continue with the practice?
☐ Get an affordability or cash-flow analysis. Will there be enough cash to service debt on the purchase?
☐ Get a buy-sell or purchase agreement as well as non-compete and confidentiality agreements.

Community

☐ Is this your desired community: urban, semiurban, suburban, rural?
☐ Check the local demographics: population, households, percentage of owned vs. rented properties, income levels, cost of living, major employers, age distribution, population growth projections, etc.
☐ What’s the availability and quality of local human healthcare?
☐ What cultural/recreational activities are available?
☐ What’s the quality of elementary, high school and college education in the area?
☐ What’s the competition—number of doctors and practices, quality of care in comparison to you?

Compliance and risk management

☐ Are you clear of past, pending or potential lawsuits?
☐ Get a practice credit check
☐ Verify a disaster preparedness plan and OSHA compliance
☐ Verify all necessary insurance: malpractice, liability, property, health, disability, auto, acts of terrorism, flood, workers’ compensation, business overhead expense, life, employment practices liability, etc.
☐ Are all associates’ and team members’ professional licenses in good standing?

Facility

☐ How’s visibility and parking? Are the entrances and exits handicap-accessible? Is there curb appeal?
☐ Is the facility neat, clean and odor-free outside and inside?
☐ Have you looked at the history of repairs and maintenance, equipment and technology, current décor, and the last renovation/update?
☐ Is the equipment and technology up-to-date? When was the last update for computer hardware/software?
☐ Is the size suitable, or will you need to expand? Is there room to expand the number of exam rooms or the size of the treatment area? Does the layout work, or are there bottlenecks? Are there ancillary service areas (boarding, grooming, retail, daycare)?

Source: Benchmarks 2015: A Study of Well-Managed Practices
Financial considerations
- How is the practice structured? (Sole proprietorship, partnership, type of corporation, etc.)
- Who prepares financial statements—outside contractor, employed bookkeeper, practice manager, practice owner, practice owner’s spouse/family member?
- Who pays bills? Who manages accounts receivable?
- Is the budget well-managed, with clear revenue and expenses and noted opportunities to improve?
- Run the numbers: doctor production, average doctor transaction, revenue by service, fee structure, etc.
- Have you noted all existing contracts/obligations?

Clients
- What’s the client mix by species? Planning changes?
- What are the numbers for active and new clients and client visits? Based on demographics, is there potential for growth?
- What’s the practice’s reputation in the community?
- What client education programs are in place?
- Check hours open—current and intended
- Check hours for appointments and surgery—current and intended
- Are reminder systems in place working well?

Staff development
- What’s the organizational structure for management and staff?
- Are systems in place for hiring, training (employee manual), regular evaluations and promotions?
- Is there a lot of turnover?
- How strong is internal communication—management, doctor, and staff meetings?
- Is the staff-to-doctor ratio sufficient to meet patient care and client service goals?
- Is staff compensation/benefits commensurate with ability, experience and community economics?
- Is there an annual management/client-relations CE plan for all appropriate positions?

Medical development
- Are you happy with the level of medicine and written protocols of care?
- What services, products or new technology do you want to offer?
- Is the level of medical knowledge appropriate for each position in the practice?
- Is there an annual medical CE plan for all appropriate positions?
- Do you know all the medical products currently stocked?

Marketing program
- What are the current and future plans for internal and external marketing to promote the practice?
  - What’s the budget? Who manages marketing efforts?
  - How are results tracked and monitored?
- Is the website up-to-date?
- What’s the clinic’s presence on social media?
- Is the practice active in community events?

Support network
- Business: accountant, attorney, management consultant, business/life coach, financial planner
- Banker
- Insurance representative,
- IT support
- Mentors: Association members, colleagues
- Contractors: plumber, electrician, heating and air conditioning, maintenance and lawn care, cleaning, nanny, baby sitter, pet sitter
- Family and friends

For a "Blueprint for Success”—including hospital staff organization charts, advice on co-owning a hospital, tips for mentoring a future practice owner and management tips from Well-Managed Practice owners—grab your own copy of Benchmarks 2015 at dvm360.com/benchmarks2015.

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