



To Merge or not to Merge

By T. Shepard Burr, CPA

The medical practice industry has seen a steady stream of mergers for some time now. Because our clients have asked us for advice on what to do when approached by a prospective partner, we are issuing this article with some general advice. We recommend that before you make any decision that will have a significant impact on your practice that you speak with an experienced professional; because while merging may create many new opportunities for your office, merging may not be your best choice. There are many variables that will affect your decision, both internal and external, and you should consider each of them carefully before making that decision.

Internally, we recommend that you focus on demographics, such as the age of your owners. If your practice is owned by four physicians near age 60, you will have a different perspective than a practice owned by three physicians in their 40s. The reasons for wanting to merge may be different as well – with one group focused on retirement and the other on expansion. In addition to focusing on owner demographics, we recommend that you also look to other internal factors that may affect your practice’s survivability, such as your ability to negotiate successfully with vendors. Also, be sure that you think about your financial capabilities to adapt to future changes. Do you have the funds to recruit additional physicians should you need to, for example?

During your internal assessment, you should look to your financial information and decide whether you have sufficient capital to maintain, and expand, your operations if the need presents itself. You may also want to look at your overall financial situation. If your profits are slipping and you are having a more difficult time meeting your monthly financial obligations, merging now could help your practice remain afloat.

Of course, there are many external factors that you must consider as well. If you do not merge, remaining competitive may be more difficult as other practices in your area may merge and become stronger competitors. Some experts also predict that reimbursements will decrease in the coming years and your ability to deal with lower reimbursement income will certainly affect your ability to compete independently.

If you decide to remain independent, it will take no small effort on your part as you must ensure that your practice is optimized to run at its peak efficiency. Reducing waste, improving staffing and efficiency should be vital goals of your practice.

If you would like more information about merging and the variables you should consider during the process, the professionals at our firm can help. Call us today.

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