

Valuation Guidelines for the Acquisition or Sale of a Medical Practice

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INTRODUCTION

Over the last decade the acquisition and/or sale of physician practices has grown significantly. The importance of establishing a fair value to physician practices has grown along with the increased activity in buying and selling physician practices.

Initially, the increased interest in acquiring physician practices came from young physicians who have encountered a physician surplus in certain urban areas and found it difficult to start a practice without joining an HMO, an established group practice, or getting assistance from a Hospital. However, recently Hospitals have shown an interest in acquiring physician practices in order to maintain their existing patient base or to expand their patient base in a very competitive marketplace. The ability of a Hospital to succeed in the 1990's will be determined based upon their ability to keep their occupancy high and ancillary services operating near capacity. Third party payors (Medicare, Medicaid, and HMO's) will continue to reduce rates of increase they are willing to pay for inpatient services, therefore, in order to maintain the same level of quality, the volume of services will need to increase along with an improvement in the Hospital's efficiency. As part of their strategic plans, Hospitals have developed strategies to acquire physician practices to maintain existing referral patterns. The establishment of a Medical Staff Development Plan, as part of the Hospital's overall strategic plan, will generally identify whether a Hospital is willing to acquire physician practices and establish the criteria and the guidelines for valuation of the physician practice. In most publications dealing with the value of a physician practice, valuation models have not incorporated the revenue stream generated by the Hospital due to patients referred to the Hospital from the physician practice. (See Appendix I for a sample questionnaire developed by a Hospital to evaluate the purchase of a physician practice.)

The discussion of valuing a physician practice is also predicated upon the assumption that there is a willing buyer and a willing seller. Whether the buyer is a physician or a Hospital, the financial realities of reimbursement in the 1990's appear to indicate that the federal and state governments are going to limit the rate of increase in reimbursement to Hospitals and to Physicians. The new Medicare reimbursement system for physicians (RB-RVS) provides incentives for physicians to move to rural areas and to go into the primary care specialties. The ability of young physicians and Hospitals to get the funds necessary to acquire physician practices will, in many circumstances, be limited due to the financial squeeze placed upon them by third party payors.

REASONS FOR DEVELOPING A VALUE FOR A PHYSICIAN PRACTICE

It is important to develop a value for a physician practice for a number of reasons which will be listed in Table 1, however, most physicians have not developed a value to their practice because they do not perceive the need. An example of the impact of not establishing a value to the physician practice demonstrates this point very clearly. A young internist (42) had established a very busy practice where he/she admitted 150 cases a year to a local hospital and he/she handled 100 procedures week in the office. The physician was netting \$150,000 plus funding a pension plan each year and he/she had closed the practice to new patients. The physician became ill and died within two months. There was no effort to sell the physician practice until after he/she died. The physician's patients were scattered among other physicians and ultimately the practice was never sold. The value that had been created by the physician was lost because there was no plan to value or sell the practice.

Table 1

Primary Reasons for Establishing a Valuation for a Physician Practice

1. Financial Planning
 - a. Expansion and Equipment Acquisition
 - b. Tax Planning
 - c. Estate Planning
 - d. Debt Financing and Collateralization
 - e. Litigation and Malpractice
 - f. Unsolicited Offer (Hospital Wanting to Secure Practice)
2. Management Information
 - a. Buy/Sell Agreement in a Group Practice
 - b. Long Range Planning
3. Personal
 - a. Disability
 - b. Death
 - c. Divorce
 - d. Relocation
4. Retirement
 - a. Continuity of Clinical Records with a Good Clinician
 - b. Fund an Annuity or Other Retirement Income

DEFINITION OF VALUE

Income determination and asset valuation is a frequently debated topic in accounting theory and economic courses. Ultimately, the value of an asset which will have an impact upon income determination is based upon one of the following standards:

1. Historical cost or book value
Example: Accounts receivable
Accounts payable
2. Replacement cost
Example: Certain types of equipment
The purchase price of starting a business or the price of recent practices sold
3. Net realizable value or fair market value
Example: Supplies and inventory
Medical records
4. Discounted present value or discounted cash flow
Example: The value of the business based upon net income discounted at a risk adjusted rate of return
Operating and capital leases

Which method of valuation is used depends upon the circumstances of the sale surrounding the physician practice. Generally, a buyer or a business will use historical cost, replacement cost, and discounted cash flows to assign values to certain aspects of the purchase, however, ultimately the purchase price is based upon the price a willing seller and a willing buyer agree upon. That price is based upon the assumption that the practice is a going concern and with knowledge regarding the environment of the physician practice. As noted in the example previously, the net realizable value of a physician practice or business deteriorates if the business is not operating as a going concern.

VALUATION OF MEDICAL PRACTICES – THE PRIMARY APPROACHES

Due to the increased interest in buying and selling physician practices there has been a considerable amount written about the various approaches to valuing a physician practice (1) (2). The American Medical Association has published a booklet entitled “Buying and Selling Medical Practices: A Valuation Guide”. The primary approaches to valuing a medical practice appear to be the following:

1. Asset Valuation Approach
2. Discounted Present Value of Net Cash Flows
3. Net Realizable Value

4. Percentage of Gross Income
5. Percentage of Net Income
6. Book Value

Gross income is important as an indicator of potential gross income in the future, however, as a means of determining value it is only a component of the overall analysis. The percentage of net income approach has proven to be an unreliable indicator of value. Book value is useful as an evaluation technique for certain assets but not to value the medical practice. Of the three remaining approaches, asset valuation, discounted cash flows, and net realizable value, each would appear to determine a valuation for the medical practice which is reasonable. As a result many times all three approaches are used together to determine a range of values to be used in the negotiation process.

Asset Valuation Approach

The basis formula for determining the value of the medical practice using the asset valuation approach is summarized below:

	<u>\$ Value</u>
Tangible Assets	_____
Less:	_____
Total Liabilities	_____
Net Tangible Assets	_____
Plus:	
Intangible Assets (Goodwill)	_____
Physician Practice Value	=====

The valuation of tangible assets is generally straight forward and Table 2 and 3 indicates the types of tangible assets generally valued when a medical practice is sold.

Table 2
Tangible Asset Valuation

<u>Total Assets</u> <u>(Most Common)</u>	<u>Valuation Methods</u> <u>(Most Common)</u>
Cash	Book Value
Accounts Receivable	Book Value less Bad Debts Aging Analysis performed (If responsible for Collections, charge a fee)
Inventory	Net realizable value (Limit to 2/3 months)
Medical Supplies/Drugs	Net realizable value (Limit to 2/3 months)
Computer Equipment Medical Equipment	Net realizable value, Book value and Replacement cost
Furniture/Fixtures	Net realizable value, Book value, and Replacement cost
Operating Leases	Book value if on favorable terms
Capital Leases	Net realizable value, Book value, and Replacement cost
Leasehold Improvements	Net realizable value
Real Estate (Generally, a separate transaction)	
Land	Net realizable value (appraisal)
Building	Net realizable value (appraisal) (If renting, fair market value)
Medical Records	Minimal Dollar value per record (Cannot be sold, property of patient and physician)
Library	Negligible
<hr/>	
TOTAL TANGIBLE ASSET VALUE	<hr/>

Table 3
Tangible Liabilities Valuation

<u>Total Liabilities</u> <u>(Most Common)</u>	<u>Valuation Methods</u> <u>(Most Common)</u>
Accounts payable	Book value or Pay prior to sale
 <u>Accrued Liabilities:</u>	
Salaries and Wages	Negotiated (time and place)
Fringe Benefits	Negotiated (time and place)
Taxes (Payroll & Real Est.)	Negotiated (time and place)
Insurance	Negotiated (time and place)
 Notes Payable	 Negotiated or paid off
 Capital Leases	 Negotiated or assumed as Part of acquisition of Asset
 Mortgages	 Refinanced as part of real estate transaction
 <u>Contingent Liabilities:</u>	
General Liabilities	Hold Harmless Provisions
Professional Liabilities	Hold Harmless Provisions
Pending	
Future	
 TOTAL TANGIBLE LIAB. VALUE	 _____
	=====

Note: As a general rule, most liabilities remain the responsibility of the seller, unless they are related to an on-going activity of the business.

The primary component of value for the physician practice when using the asset determination method is GOODWILL. The difficulty in assessing the value of goodwill has led one firm to establish an information exchange on goodwill values used in physician practice sales. The exchange is referred to as "The Goodwill Exchange" and is operated by the Health Care Group in Plymouth Meeting, PA. since this exchange is continually updated, the values used for goodwill for various physician specialties will change over time. In the 1980's the base goodwill values assigned by the Goodwill Registry were estimated by physician specialty to be (3):

GOODWILL AS A % OF ANNUAL GROSS REVENUE

<u>SPECIALTY</u>	<u>BASE PERCENT</u>
Ophthalmology	39.00%
Allergy	34.00%
Dermatology	28.00%
OB/GYN	27.00%
Family Practice	24.00%
Pediatrics	22.00%
Psychology	22.00%
ENT	20.00%
Internal Medicine	20.00%
Cardiology	17.00%
General Surgery	16.00%

The above listing indicates that those specialties which are not heavily dependent upon referrals have a higher base value. To the base goodwill values above the percentage would be increased based upon other factors as outlined in Table 4. An example of the value assigned to the sale of a pediatrics practice based upon an appraisal is shown below:

PEDIATRICS PRACTICE GOODWILL APPRAISAL

<u>ITEM</u>	<u>PERCENT</u>
National Average for Goodwill	22.00%
Other Factors:	
Higher than typical net	4.00%
Transition Assistance	2.00%
Retainment of Key Employees:	
Receptionist	3.00%
Nurse	3.00%
Other	3.00%
Retain Location	5.00%
Retain Phone Number	8.00%
<hr/>	<hr/>
TOTAL	<u>50.00%</u>

TABLE 4

FACTORS EFFECTING THE VALUE OF GOODWILL

<u>Factor</u>	<u>Impact on Value</u>
1. Demographics: Population (5) Population Aging Payor Mix Employment/Unemployment Location	Growing – positive Older – negative Commercial Ins. – positive Medicare – negative Medicaid – negative HMO – unknown, depends on contract Stable Industry – positive Easy Access/Parking – positive
2. Specialty	Primary Care – positive Referral Based – negative (see prior list)
3. Competition (5)	Comparison of MD per population by specialty
4. Referral Sources	Depends upon specialty
5. <u>Operating Issues:</u> Higher Gross than Average Operating Hours Fee Schedule Equipment-Fixtures Business Office Systems Billing/AR Medical Records Payroll Trained Staff Credit/Collections Going Concern Medical Records – Hist.	Positive High – negative Compare to area practitioners Lower – positive Modern – positive Up to Date/Modern Computerized – positive Computerized – positive Computerized – positive Yes – positive Good Collection Ratio – 95%+ Operating as Usual – positive Good Condition – positive
6. <u>Transition Issues:</u> Use of Sellers Name Maintain Phone Number Sellers Aid in Transition	Positive Positive Positive

TABLE 5**PHYSICIAN TO POPULATION RATIOS (5)**

<u>Specialty</u>	<u>Recommended Population Per MD</u>
Allergy	25,000
Anesthesiology	14,000
Cardiology	25,000
Dermatology	40,000
Gastroenterology	50,000
General/Family Practice	2,000
General Surgery	10,000
Internal Medicine	5,000
Neurology	60,000
OB/GYN	11,000
Ophthalmology	20,000
Orthopedic Surgery	25,000
Otolaryngology	25,000
Pathology	20,000
Pediatrics	10,000
Plastic Surgery	50,000
Psychiatry	10,000
Pulmonary Disease	100,000
Radiology	15,000
Thoracic Surgery	100,000
Urology	30,000

The determination of value using the asset valuation approach requires an assessment of objective and subjective information. If the process to evaluate the factors mentioned above is undertaken there is a reasonable probability that a fair value will be determined for the medical practice. An alternative valuation approach is the discounted net cash flow method which should be evaluated along with the asset valuation approach.

Discounted Present Value (Net Cash Flow) Approach

The discounted net cash flow method to value a medical practice is important because it requires the buyer to prepare a projection of volume, revenues, operating expenses, and capital expenses over a discrete period of time. If the buyer develops the incremental net cash flows over the period of time it would take to develop a start up practice to the same level of business and discounts those cash flows at an appropriate risk adjusted discount rate than the buyer would develop a value for the medical practice based upon pure economic principals. An example of this approach is as follows:

**INCREMENTAL NET CASH FLOWS BY YEAR
FIRST YEAR**

	<u>Existing Medical Practice</u>	<u>Start-Up Medical Practice</u>	<u>Incremental Cash Flow</u>
Revenues	\$500,000	\$250,000	\$250,000
Expenses	400,000	225,000	(175,000)
Taxes @ 50%	50,000	12,500	(37,500)
Start up Costs	0	125,000	<u>125,000</u>
Inc. Net Cash Flow			162,500
Risk Adj. Disc. Rate (Assume 15%)			<u>0.8696</u>
Net Present Value First Year			<u>\$141,304</u>

The net percent value for year one through year N (4 to 7 years) would provide an economic estimate of the value of the medical practice. The development of the revenues and expense for the projection period is important because it requires that the buyer understand how the business side of the medical practice is impacted by changes in the environment.

The following example demonstrates the type of information which should be developed in order to calculate the net cash flows for valuation purposes using the discounted cash flow method.

Assumptions:

- A. Two Internists want to establish a value for their practice in order to incorporate that value into their buy/sell agreement.
- B. The initial financial projections were developed based upon the following assumptions (See Table 7, 8 and 9):
 - 1. Volume was projected by CPT-4 code and existing case loads
 - 2. Net Revenue was developed based upon net revenue per third party payor and the existing fee structure
 - 3. Expenses were based upon historical experience
 - 4. Capital Budgets were based upon projected upgrades in computer equipment and office furniture
 - 5. The book value of the net fixed assets excluding working capital (Accounts Receivable, Accounts Payable, etc) was \$80,000.

**Internal Medicine
Physician Practice
Volume Projections**

<u>Procedures</u>	<u>CPT –4 Code</u>	<u>Case Load/Week</u>	<u>Case Load/Year</u>
Initial Office Exam	90020	20	1,040
Subsequent Off. – Brief	90050	77	4,004
Subsequent Off. – Inter	90060	33	1,716
Comprehensive Off.	90080	20	1,040
Initial Hosp. Exam	90220	7	364
Subseq. Hosp. – Brief	90250	14	728
Subseq. Hosp. – Inter	90260	14	728
Comprehensive – Hosp	90620	7	364
Consultation – Brief	90640	7	364
EKG w. Interp.	93000	20	1,040
Specimen Handling		170	8,840
Office Co-Pay		67	3,484
Other:			
Insurance Exams		0	0
Pap Smears		0	0
Immunizations		0	0
I.V. Injections		0	0
Total Visits Per Week		219	11,388

**Internal Medicine
Physician Practice
Revenue Projections**

Net Revenue By Payor

<u>Case Load/Year</u>	<u>Medicare</u>	<u>Medicaid</u>	<u>BC/BS</u>	<u>HMO-1</u>	<u>HMO-2</u>	<u>Comm Ins</u>	<u>Self-Pay</u>	<u>Average</u>	<u>Annual Revenue</u>
1,040	\$55.00	\$50.00	\$63.00	\$90.00	\$78.00	\$100.00	\$75.00	\$73.00	\$75,920
4,004	24.00	30.00	31.00	35.00	30.00	50.00	25.00	32.14	128,700
1,716	40.00	36.00	42.00	35.00	43.00	75.00	50.00	45.86	78,691
1,040	57.00	50.00	68.00	60.00	65.00	100.00	75.00	67.86	70,571
364	57.00	50.00	57.00	78.00	80.00	100.00	75.00	71.00	25,844
728	23.00	30.00	30.00	30.00	30.00	30.00	25.00	28.29	20,592
728	28.00	20.00	27.00	32.00	30.00	50.00	50.00	33.86	24,648
364	71.00	50.00	80.00	90.00	80.00	100.00	75.00	78.00	23,392
364	20.00	30.00	30.00	30.00	30.00	50.00	25.00	30.71	11,180
1,040	34.00	25.00	42.00	35.00	30.00	50.00	25.00	34.43	35,806
8,840	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	53,040
3,484	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	20,904
0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0
0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0
0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0
0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0
0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0

11,388

\$574,288

Note: This projection assumes an even distribution across all payors.

**Internal Medicine
Physician Practice
Operating Expense Projections**

<u>Operating Expenses</u>	<u>\$</u>
Salaries & Wages – Staff:	
Two Nursing @ \$12.50/Hour	\$52,000
Two Billing/Secretaries & \$8.00/Hour	33,280
Subtotal – Staff Salary	<u>85,280</u>
 Fringe Benefits – Staff @ 25% (Health, Life, Social Security, Pension)	 21,320
 Physician Expenses:	
Malpractice Insurance	16,000
Health Insurance	10,000
Life Insurance	2,000
Disability Insurance	2,000
Social Security	8,000
Medical	5,000
Travel/Education	8,000
Telephone/Beeper	2,500
Pension Funding	20,000
Other	2,000
Subtotal Physician Exp.	<u>75,500</u>
 Office Space (3,000 sq/ft @ \$12.00 sq/ft)	 36,000
Utilities	6,000
Taxes	3,750
Office Supplies	10,000
Medical Supplies/Drugs	12,000
Telephone	7,200
Postage	3,000
Accounting	5,000
Legal	5,000
Depreciation	10,000
Subtotal	<u>97,950</u>
 Total Operating Expenses	 <u>280,050</u>
 Net Income Prior to Physician Salary	 <u>\$294,238</u>
 Net Income Per Physician	 <u>\$147,119</u>

In order to determine an appropriate value to incorporate into the Buy/Sell Agreement based upon the discounted cash flow method the excess Net Income above the area average would be discounted at various risk adjusted discount rates:

<u>Int. Med. Practice Average Income</u>	<u>Area Int. Med. Average Income</u>	<u>Incremental Practice Income</u>	<u>Risk Adj. Discount Rate</u>	<u>Range of Values per Physician</u>
\$147,119	\$90,000	\$57,119	15.00%	\$ 237,639
			20.00%	205,891
			25.00%	180,561

Note: Incremental Practice Income is divided by the risk adjusted discount rate to estimate the physician practice value over a seven year time frame.

The risk adjusted discount rate reflects the uncertainty of the buyer. The ability of another physician to maintain the higher than average salary is reflected in the discount rate. If it is fairly certain the discount rate would be lower, if the ability to maintain the incremental income is low than the discount rate is higher.

The above financial projections would be viewed by a buyer over a discrete period of time, five to seven years. Additionally, the above financial projections would be incorporated into the incremental analyses identified earlier along with financial projections the buyer would prepare based upon either starting a practice from scratch or joining an existing group at a fixed salary.

NET REALIZABLE VALUE (MARKET COMPARISON)

If the information is available by specialty it is very useful to compare the price actually paid for other physician practices in your area. There are several sources for this type of information. The local medical journals may carry advertisements with specific offers quoted. Obviously, the asking price is not the sale price, therefore, inquiries would need to be made to confirm the final sales price. There are physician brokerage firms which would accumulate this information by specialty and by geographic area. Geographic location would be important because in the those areas of the country where physicians are highly regulated and may have an adverse relationship with the regulatory agencies the value of the physician practice would probably be lower. In the future Hospitals, HMO's and large Group practices may develop data bases which estimate the value of a physician practice due to their interest in acquiring physician practices.

Market comparisons can be misleading, in that, the comparison does not take into account many factors which would either add or take away value as pointed out in our discussion on Goodwill.

The establishment of a value to a physician practice ultimately will be based upon what a willing buyer and a willing seller agree is a fair price. In my opinion it is necessary to utilize all three of the valuation methods previously described in order to allow the buyer and the seller to determine the final price. If the Hospital is involved in the purchase of the physician practice one additional piece of information is normally available and may have an impact on the price, inpatient revenue by specialty. The value of a physician to a Hospital, depending on payor mix, could be substantial as shown below.

Inpatient Revenue by Specialty (4)

<u>Specialty</u>	<u>Average Inp. Rev.</u>
Pulmonary Disease	\$ 832,671
Cardiovascular Medicine	819,904
Internal Medicine	807,137
General Surgery	615,637
Thoracic Surgery	539,037
Obstetrics/Gynecology	462,437
Orthopedic Surgery	448,252
General and Family Practice	408,534
Neurological Surgery	371,652
Urology	289,378
Neurology	261,008
Otolaryngology	214,196
Ophthalmology	150,363
Pediatrics	131,922
Plastic Surgery	79,437

Note: Adjusted for inflation

PURCHASE AND SALE AGREEMENT

Once the purchase price is agreed upon by the buyer and the seller the other factors of the acquisition need to be negotiated. There will be tax consequences based upon the allocation of costs to the various assets. Although this is not as important today as it was prior to the tax law changes in 1986, it is still important to minimize the tax liability of the buyer and the seller. The period of time required to pay for the practice may impact the value of the practice which was initially agreed upon. Obviously, the buyer would prefer to have total payment at the time of the closing. If there is a transition period built into the agreement, it should be very specific as to responsibilities, compensation, and termination for cause. Many times it is difficult for the prior owner to give up control even though legally the control has been incorporated in to the agreement. Non-compete clauses are difficult to enforce and are subject to time limitations, geographic distances, and limiting an individuals ability to make a living. It is important to have a knowledgeable lawyer prepare and review the final purchase and sale agreement for each party to the transaction due to the different interests of both the buyer and the seller.

There are other factors to be considered when buying and selling a medical practice which cannot be covered in this article, however, they may have an impact on the process. The form of ownership (sole practitioner, partnership, or professional corporation), corporate practice of medicine laws, private inurement laws (IRS), Medicare/Medicaid fraud and abuse statutes, and safe harbors regulations may all have some impact on the valuation of the medical practice and should be considered as part of the overall analyses.

FOOTNOTES AND REFERENCES:

1. "Buying and Selling Medical Practices: A Valuation Guide", American Medical Association, 1990
2. "The Valuation of a Medical Practice", Health Care Management Review, Summer 1990, pp. 25-34.
3. "Practice Assets, They're Too Valuable to Guess At", Medical Economics, October 29, 1984, p.209.
4. "Is Your Specialty on a Hospital's Most Wanted List?", Medical Economics, March 17, 1986, p. 238.
5. "Choosing a Practice Location", Medical Economics, March 17, 1986, p. 80.
6. "When Medical Practices Change Hands: The Elements of Successful Practice Transitions", James J. Unland, The Health Capital Group, Chicago, Illinois

APPENDIX I

PHYSICIAN PRACTICE APPRAISAL QUESTIONNAIRE

2. Practice Location Address: _____

A. Describe Office Facility Condition: _____

B. Describe Traffic Flow: _____

C. Describe Office Visibility: _____

D. Describe Office Site Features:

1. Parking _____

2. Demographics _____
Population _____
Age of Population _____
Payor Mix _____
Employment _____

3. Access to Parking _____

4. Other MOB's _____

3. Personnel:

Name	Title	Rate	Service

3A. What is the probability existing staff will continue? _____

4. Financial Policy of the Practice (i.e., cash only, assignment, credit cards, etc.) _____

5. Practice Consultants:

	Name	Phone	Address
Accountant/CPA			
Lawyer			
Banker			
Tax Advisor			

Okay to contact these people? Yes _____
No _____

6. Do you have any formal arrangements with other physicians for such items as coverage, equipment usage, facility usage, etc.?

7. Are copies of these agreements (if any) available? _____

8. Is the practice a corporation, partnership or other? _____

9. What is the exact legal name of the practice? _____

C. Financial Factors

1. What do you estimate to be the fair market value of this practice? _____

2. What assets are included? Any liabilities to be assumed? _____

3. How do you wish the proceeds of the sale to be distributed (e.g. lump sum or payable over a period of time)? _____

4. Do you have potential buyers for this practice? If so, at what price? Are there any broker fees involved with such sales? _____

5. Have you approached other hospitals regarding this sale? If so, which ones? _____

6. Is property for sale along with the practice? If so, list monthly income produced from rentals (if any)? _____

7. Copies of the following documents are required to accurately appraise your practice. With your approval, we will review your internal accounting system, office equipment, files and personnel. In addition, we will contact your CPA for any additional data required. Such data will be held in strictest confidence.

- Practice Tax Returns for past three years.
- Equipment list including age of equipment and sales price (if available)
- Depreciation schedule for all equipment and property
- Current year-to-date charges, receipts and adjustments by month.
- Copies of leases for plan and equipment to be included in the transaction, copies of assignable contracts such as physician contracts or agreements with employees or HMO's
- Current Fee Schedule

8. Do you have a recent appraisal for the applicable land, building and equipment? _____

9. Do you have a recent practice appraisal? If so, what was the practice appraised at? _____

10. Is access allowable to patient records to review the ages and home town of patients of the practice and for purposes of counting the active and inactive records? _____

11. Is access allowable to patient scheduling and accounts receivable information to determine number of new and previous patients seen, average numbers of patients per day, average charges per patient, predominate patient payment method, and patient referral patterns? _____

TABLE A

DR. ONE

FOR THE YEAR 1990 – 1992

Month	Charges	Collections	Adjustments	A/R
January				
February				
March				
April				
May				
June				
July				
August				
September				
October				
November				
December				
Total Average				

TABLE B

DR. ONE

FOR THE YEAR 1990 – 1992

Month	# of Office Visits	Charges	Avg. Chg. per Visit	Avg. OV per Day
January				
February				
March				
April				
May				
June				
July				
August				
September				
October				
November				
December				
Total Average				

TABLE C

DR. ONE

FOR THE YEAR 1990 – 1992

<u>Operating Expenses</u>	\$	<u>1990</u>	%	\$	<u>1991</u>	%
Rent/Mortgage						
Maintenance						
Laundry/Cleaning						
Phone & Utilities						
Travel & Entertainment						
Wages/Benefits						
Med Suppl (Inc Xray & Lab)						
Office Supplies						
Insurance						
Depreciation						
Professional Fees						
Professional Dues						
Promotion						
Interest on Indebtedness						
Miscellaneous						
Total						
Collections/Charges						
Avg A/R/Charges						
Expenses/Collections						