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# What's your chiropractic exit strategy?

David Foster, DC January 12, 2024  
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Over my 23-year career, consulting DCs, I have received inquiries requesting an exit strategy for many years into the future to spouses stating their mate has just passed. I am always asked, "What do I do?"

## The importance of documentation and data

Documentation is imperative. Many DCs avoid statistics and analytics as they are less likely to enjoy numbers and are more skilled at caring for patients. Mastering the financial mechanics of your practice will give you a better life professionally and personally. It is important to keep daily, weekly, monthly and yearly data and replace instincts with facts. Over a career and during an exit, this exercise will give you a huge return financially and emotionally.

When **planning an exit**, data is the tool that directs you to receive the greatest return. Reviewing the data will illustrate your clinic's strengths and weaknesses. A three-year lead time to listing a practice for sale will allow the seller to analyze and improve below-average characteristics. These **characteristics** may not only be financial, but could include the physical office, staff or services. Taking action to improve these areas in preparation for the exit is of great financial value.

The following are some common statistics/empirical data:

- Services rendered (S/R)
- Collections
- Net profit
- New patients per month
- Patient visit average

The following are some intrinsic characteristics:

- New patient acquisition and reproducibility for a new buyer
- Percentage of net income/expense to collections
- Employee profiles and cost



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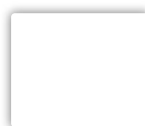
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- Techniques
- Insurance dependence
- Lease terms

## Target marketing: Determine the right buyer by the data

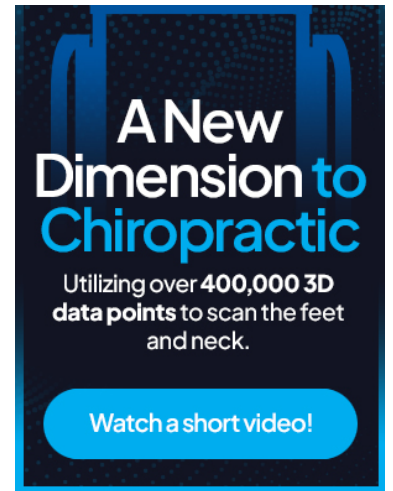
The best buyer relates to the practice profile or practice model. A square peg cannot fit into a round hole. The buyer's dream, that image, must be similar to what is being sold. I find many incongruent buyers and sellers working with brokers to push a transaction without first determining if it is a good fit. The practice will lead you to the buyer. The following examples will present guidance that will save you time, energy and money. Where do you fit?

- A small, below \$400,000 in collections, one-doctor clinic with two front desk staff will attract doctors who search the state chiropractic association website.
- A multi-doctor, multi-discipline practice with \$800,000 in collections would be listed with a quality regional or national chiropractic practice broker or national chiropractic website procuring practices for sale.
- A large practice with gross collections of more than \$1,000,000 with a net income above \$500,000 would fit best with a private equity roll-up group.

Once a target market is determined, the seller or the broker/representative must create a high-quality, accurate practice proforma.

## Practice proforma

The practice proforma or marketing tool describes not just financial data but demographic, personality and intangible information on the practice for sale. This package is compiled by the seller and presented to potential buyers. Accuracy is paramount. Professional presentation equals credibility and return. Bring the practice to life by illustrating the personality of the practice



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A seller should evaluate the **sales transaction** on a scale of risk. The sales transaction can be as simple and low-risk as cash at closing where the buyer gives the seller a check, but this is rare. Most buyers have limited resources due to life's costs and student loans.

A logical exit strategy where both parties equally benefit and assume risk is when an associate is brought into the practice with the intention to purchase. After a probation period is completed and both parties are satisfied, a buy-in schedule is created. The buyer increases their ownership and pays the debt over time. The seller has limited their risk in coloration to ownership and enjoys decreasing hours.

Depending on the buy-in schedule, the following three documents are needed to execute the transition:

1. Option to buy
2. Contract of sale
3. Shareholder agreement

### **Broker/representative**

Listing your practice with a chiropractic practice broker is a viable alternative. A broker is best used for a mid-size practice. A quality practice broker will aid you in all aspects of the process. Use a firm that is high-tech. There are brokers that have been in business before 2000 and are not current in the technology to market the practice. The brokers charge an up-front setup cost of approximately \$1,500 with a total of 8% of the sales price. The 8% fee may seem to be a big chunk of the sales price, but it's worth it if the practice fits the model.

## Steps in the exit process

The exit process begins with preparation:

- Gather data, empirical and intrinsic.



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understand.

## Final thoughts

Chiropractic has matured to profitability, and investors are now interested in our profession. Private equity groups are searching for high net income practices where the doctor/owner is not the primary caregiver. This exit opportunity has become the goal of many exiting doctors. To prepare your practice to the point where a private equity group would be interested in selling it will yield you the highest return today.

**DAVID FOSTER**, DC, has practiced since 1991 and has co-owned 12 practices. He graduated from Boston University with a major in finance and marketing. Prior to attending Life Chiropractic College, he was a securities broker. With his acquired knowledge and experience, Foster has been a consultant within the chiropractic community for the past 23 years. He consults in appraisals, buy-sell and associate agreements and strategic negotiations, in addition to a wide variety of legal, franchise and private equity relationships and financial and strategic issues related to the business of chiropractic. For more information, go to [backofficeconsults.com](http://backofficeconsults.com), call 973-885-8078 or email [dave@backofficeconsults.com](mailto:dave@backofficeconsults.com).



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