

Most physicians spend 20–30 years building a practice and fewer than 18 months planning how to exit it. The result is predictable: undervaluation, unfavorable transaction terms, unexpected tax exposure, and post-sale obligations that feel nothing like retirement. This guide gives you the framework to approach any transaction — sale, affiliation, MSO partnership, or internal succession — with full information and appropriate leverage.

Important Disclosure: This guide is educational and does not constitute legal, financial, or tax advice. Valuations and transaction structures vary significantly by specialty, geography, payer mix, and market conditions. Engage a healthcare transactions attorney and a CPA with healthcare M&A; experience before entering any letter of intent.

1. How Medical Practices Are Valued

Practice valuation is not a single number — it is a range determined by multiple methodologies, each telling a different story. Understanding all of them gives you negotiating intelligence.

Method	What It Measures	Common Use	Typical Range
EBITDA Multiple	Earnings before interest, taxes, depreciation & amortization	Hospital / PE acquisition	4–8x EBITDA (varies by specialty, size, growth)
Revenue Multiple	Gross or net collections	Quick-look benchmarking	0.3–0.8x annual revenue
Discounted Cash Flow	Projected future cash flows	Long-term MSO / partnership deals	Requires 3–5 yr projections
Asset-Based	Tangible assets: equipment, receivables	Wind-down / liquidation	Usually lowest; rarely reflects true value

The add-back analysis is where value is recovered or lost. A sophisticated buyer will normalize your EBITDA by removing owner compensation above FMV, personal expenses run through the practice, and one-time costs. Do this analysis yourself — before any buyer does — so you control the narrative.

2. The 8 Value Drivers That Move Your Multiple

<p>1. Revenue Consistency</p>	<p>Three or more years of stable or growing collections. Erratic revenue — even if the average is strong — signals risk and compresses multiples.</p>
<p>2. Payer Mix</p>	<p>The higher your commercial and self-pay mix relative to Medicaid, the more valuable your revenue stream. Document your payer breakdown clearly.</p>
<p>3. Provider Independence</p>	<p>If revenue is entirely dependent on you personally, buyers are purchasing cash flow that walks out the door with you. Reducing this concentration increases value.</p>
<p>4. Contracted Relationships</p>	<p>Hospital privileges, payer contracts, and ancillary agreements that transfer to the buyer add tangible value.</p>
<p>5. Staff Stability</p>	<p>Low turnover, trained teams, and documented processes signal operational resilience. High turnover is a red flag in diligence.</p>
<p>6. Clean Compliance History</p>	<p>No outstanding RAC audits, open OIG investigations, or unusual malpractice exposure. Buyers price risk — a clean record is value.</p>
<p>7. Growth Trajectory</p>	<p>Even modest documented growth improves the multiple. Stagnation at any level reduces it.</p>
<p>8. Transition Readiness</p>	<p>How long are you willing to stay post-close? A 2-year employment agreement is standard. Buyers discount heavily for immediate departures.</p>

3. Transaction Structures — Know What You're Agreeing To

Full Practice Sale

You sell the entire entity — assets or stock — and typically become an employed physician for a transition period (1–3 years). Most common in hospital acquisitions.

Advantages: Maximum upfront liquidity. Clean exit path.

Considerations: Loss of autonomy immediately. Employment terms can be restrictive. Non-competes apply.

MSO Partnership / Affiliation

A management company takes over non-clinical operations. You retain ownership of the clinical entity and your physician autonomy.

Advantages: Retain clinical independence. Operational burden reduced. Stepping stone to full sale.

Considerations: Requires trust in the MSO. Fee structure must be FMV-compliant. Less immediate liquidity.

Joint Venture / Co-ownership

A partial equity stake sold to a hospital, PE group, or MSO. You retain minority or co-equal ownership.

Advantages: Shared risk and upside. Access to capital and infrastructure.

Considerations: Complex governance. Distributions may be deferred. Exit can be complicated.

Internal Succession

Sale to an associate physician or partner within the practice over time.

Advantages: Cultural continuity. Patient retention. Seller-financed deals possible.

Considerations: Dependent on buyer financing. Slower liquidity. Requires deep trust.

4. The 24-Month Preparation Timeline

Practices that achieve premium valuations typically begin preparing 2–3 years before any transaction. Here is a practical roadmap.

Months 24–18 Financial Cleanup	<ul style="list-style-type: none"> • Reconcile 3 years of P&L; move to accrual-basis accounting • Identify and document all owner add-backs • Eliminate personal expenses from practice accounts • Engage a CPA with healthcare M&A; experience
Months 18–12 Operational Hardening	<ul style="list-style-type: none"> • Complete compliance self-assessment (see companion checklist) • Resolve any open credentialing, payer, or audit issues • Document all standard operating procedures • Begin reducing personal revenue concentration
Months 12–6 Valuation & Advisors	<ul style="list-style-type: none"> • Commission an independent practice valuation • Engage a healthcare transactions attorney • Identify and prioritize potential transaction partners • Begin NDA-protected preliminary conversations
Months 6–0 Transaction Execution	<ul style="list-style-type: none"> • Respond to LOIs with full knowledge of your floor valuation • Enter due diligence with an organized data room ready • Negotiate employment terms, non-compete geography, and tail coverage • Close and execute transition plan

5. Questions Every Physician Should Ask Before Signing Anything

Q: What is the exact structure of consideration — cash at close, earnout, equity rollover, salary?

Q: What are the specific conditions under which the earnout can be reduced or clawed back?

Q: What is the geographic scope and duration of the non-compete? Is it negotiable?

Q: Who bears responsibility for tail malpractice coverage — and what are the limits?

Q: What happens to my employed staff post-close? Are there retention commitments?

Q: What clinical autonomy do I retain? Who makes protocol, formulary, and referral decisions?

Q: What are the performance metrics in my employment agreement, and who controls the denominator?

Q: What is the buyer's track record with physician retention post-acquisition in this market?

Q: What representations and warranties am I making, and what indemnification exposure do I carry?

Q: Is there a ratchet or right of first refusal if the practice is subsequently sold at a higher valuation?

Considering a transaction? Start with a confidential valuation conversation. HURF Healthcare Associates offers strategic advisory for physicians evaluating exit options — whether that means a hospital sale, MSO partnership, or building toward an independent exit. We've navigated these decisions as practicing physicians and multi-entity operators. **Request a confidential consultation: hurfhealthcare.com/consult**