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# Single Physician Practice Valuation

BUSINESS ADVISORS, BUSINESS VALUATION

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The success of a single physician practice is normally reliant on the physician's reputation, knowledge and level of patient trust. These qualities, along with all of the other personal traits of the physician, create the "personal goodwill" value of the practice and are generally nontransferable in a sale of the practice (a sale in this context assumes that the physician would not continue to work with the practice once ownership is transferred). Depending on the specific circumstances, the loss of the physician/owner could have a significant impact on the overall value of the practice in a transaction.

Although personal goodwill may be the key value driver for a single physician practice, there are other factors that may be attractive to a potential purchaser. For example, the practice may be located in a well-populated area with little competition from other doctors, or the office may have a highly qualified staff of nurses and assistants who would remain in place after a transaction takes place. Such factors may help to create "enterprise goodwill" for the practice, which, unlike personal goodwill, is tied to the practice as a whole and would be transferred in a sale. A valuation analyst may ask various questions of the physician in order to better understand the value of the practice exclusive of the personal goodwill.

## QUESTIONS THAT A VALUATION ANALYST MAY ASK TO UNDERSTAND A PHYSICIAN PRACTICE AND PERSONAL GOODWILL

- *What draws patients to the practice?* – This general question may uncover some useful facts about the practice that may not be easily observed.
- *Are there many other competing practices in the area?* – A lack of competition in the area could help keep patients at the practice regardless of the current doctor in place.
- *What is the physician's specialty?* – Depending on the circumstances, it may be more difficult for a replacement physician to take over a well-established practice functioning in a highly specialized or rare field (e.g., neurosurgery) as opposed to a more general or widely studied field (e.g., internal medicine).
- *Who are the current employees of the practice, including their position, years of experience and years with the practice?* – As mentioned above, a highly qualified employee base remaining in place post-transaction could create more patient loyalty to the practice.

In addition to having discussions with the physician, a valuation analyst will evaluate transactions of similar physician practices to provide a good base for

understanding what a potential buyer might be willing to pay for the subject practice.

Schneider Downs has access to various databases that provide details on physician practice transactions for a variety of medical specialties and geographic locations. [Contact us for more information on our business valuation services](#) and [visit the Business Advisory Services webpage](#) to learn more about the services that Schneider Downs offers.

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