



The graphic features a yellow background with a black bar at the bottom. On the left, the text 'EPISODE 236' is displayed in white, with '236' being significantly larger. In the center, three circular headshots of the panelists are shown. On the right, the 'THE DEAL ROOM' logo is visible, featuring a microphone icon. The black bar at the bottom contains the text 'Current Trends in Medical Practice Sales - an industry expert panel' in white.

The Deal Room Podcast

Episode 236 – Current Trends in Medical Practice Sales - an industry expert panel

Note: This has been automatically transcribed so will be full of errors! We are not providing it to you as a word-perfect version of the podcast but just as an effortless way to provide you with a unique way to be able to scan for information that might be relevant to you.

Transcript

Joanna:

Hi, it's Joanna Oakey here and welcome back to The Deal Room Podcast, a podcast proudly brought to you by our commercial legal practice Aspect Legal. In this episode, we are here live with AIBB members and specialists in the medical practice, say well market Sally Stuart, Chris Babich and Larry Green. So, these three are Business Brokers with a wealth of knowledge on current trends in medical practice sales and acquisitions. And in this episode, they share their thoughts on what's happening in M&A within the medical space. And what they're seeing at the coalface. We share small practice owners' take on industry issues, including government support, and our guests also share with us their tips for ensuring any succession plan is achievable. Of course, that's very important. So, without further ado, here's our discussion with Sally, Chris, and Larry...

Joanna:

Okay, we have three specialist medical brokers altogether, how fabulous is this? What a wealth of knowledge I just absolutely love it. Okay, so rapid-fire questions here. Firstly, what are the trends right now in the industry for medical practice?

Larry:

Well, the thing that I'm seeing predominantly is that a lot of the buyers have changed in nature. So, I think there are more corporates, and I incorporate can mean 5 practices, up to 20-30-40 practices, whatever. So, I think that's one change. There are still individual buyers, but I think there's a lot more of that corporate taxation going on, it went on in dentistry. It's in medicine. So that's one trend. Obviously, the other thing is we haven't got a lot of doctors. Everybody's growing foul on that one. And I think like everybody else, finances are tougher. The things that I'm seeing so.

Joanna:

Thanks, Larry. Sally, over to you.

Sally:

Thank you. Yes, one of the things that have happened just recently, is they've changed the DPA. So, what we're seeing now is there are DPA locations. So overseas trained doctors can work as close as 45 minutes away from a CBD. So, I think this is going to have real ripple effects that are not great for the regional community. So, before you'd have the overseas trained doctors, if they're restricted by 19 AI, or 19 AB, or both Health Act, they would have to go out into Triple M two plus locations, get into a PAP or an MD rap program or get into the new FSP program.

But now literally, they can work so much closer to the cities and their spouse, and their children want to be more Metro because of the schooling opportunities and employment opportunities. This is I think, going to be very damaging for the rural communities because they're no longer going to have doctors that are happy to go out and work in these far-flung places. And Chris and I were talking about that earlier today. So, you might like to follow up on that one.

Chris:

Yes, we've got well, Sally is right. That's the problem. So, the rural communities going to suffer. The actual buyers of rural practices now are small corporates, small owners who are trying to expand in those areas, keeping in mind that we've just had a significant bankruptcy of Tristar so that's shaking the market up a fair bit. So that's been another big trend, in that more practices are going private, private billing, or expanding or trying to get rid of Medicare because it can't live on Medicare.

They're not making enough money. But the other trend, I think that I found is that there are a lot more buyers, Dr Buyers, who are going through their moratorium and coming back into Sydney if you're looking at the Sydney market, or into the major metropolitan areas. Have you found out Larry? Yeah. So, there are significant trends going on and happening. And I think we're going to find a very buoyant market.

Sally:

I think the other thing that's happening is there's been a massive move away. So I call it a tsunami, the baby boomers tsunami, everyone's retiring. And I think the pandemic has bought forward some retirements so people that might have been retiring in a few years' time have decided now that they're going to retire earlier. And I think the other thing that we're seeing with that is a move away from the King of the Kingdom mentality. So we're having a massive move away from the solo practitioner that's got a slide out the front with his name on it, and we're moving into the more multidisciplinary centres. So it's more around what the patient wants and the patient's convenience as opposed to what the doctor wants. And the doctor's convenience.

Larry:

As you Sally said, they want to retire doctors being doctors or to keep practising medicine. Yeah, well, they don't want to be as the boss, they don't want to have to keep running this as a business. And this is an argument I've had with a lot of people, it's come from practice owners, that there is a disconnect between what the government talks about when they talk about doctors. Individual doctors are not what we're talking about here.

Larry:

We're talking about business owners, and though say they should treat practices as small businesses, I think that would be a far better attitude to take. No, I think that's why we've seen a lot of practices really struggling because that \$39.10 Medicare rebate is pitiful. Yeah, he went up by \$1.65 or \$1.65. The last time it was indexed. That's not inflation.

Joanna:

And what are your tips there? Maybe if we're going to have just, you know, one tip that you have given you know, you see so many practices at that exit point? What tip do you have for practice owners to be thinking about right now?

Larry:

If I can start, I just think Be realistic. You know, Healy is sold for half a billion dollars. That's not the reality for the small practice owner. It's realistic, your practice is not worth anywhere near what you think it is, or what your accountant has told you. That's the first thing from me.

Sally:

Yeah. I just wrote a paper on this yesterday. So I think one of the things that people need to think about is their exit strategy three years out from when they want to exit and be less reactive and less knee-jerky because sometimes people are going to waste so much money. And we're sorry, I talked about this earlier today with the deal structure.

But if you should be selling your business as a company, as opposed to a business, talk to your accountant, I think one of the things is to get your dream team around you for the deal, the deal team, get a great medical accountant who's a specialist, get advisors who are specialists brokers and try and find specialists to support you. Because you could end up saving hundreds of \$1,000 in pocket money post-settlement if you choose the right deal.

Chris:

I think the timing is very important. And time can be your friend or your enemy. I think if you're looking at any sort of succession plan, practice succession plan, you need to give yourself the time you need to organize things properly, you need to give yourself time to be there, you've got essentially two things in the sale, you've got the price, and then you've got the terms and conditions. These days, hardly ever do we get a walk-in walk-out situation as we used to in the good old days.

So in other words, you can't sort of think, Oh, well, I'm just going to sell and then I'm going to stay there for a week or two handover, and I'm going to go and retire, you can't do that anymore, you will need to stay on for at least 12 months, minimum two years, up to three years, right working perhaps your own hours or whatever, but you need to stay on because you're the anchor doctor. And you'll need to be there to satisfy the buyer as one of the terms and conditions of the sale, you need time to do that. If you've got if you want to leave it until you're going to retire in six months, you're not going to get a result anywhere near as good as you could, if you take if you plan. And if you take the time. That would be my advice to you.

Joanna:

Guys, thank you. I just want to say a massive thank you to the three of you for coming down and joining us for this last-minute live Vox pot session. So much knowledge.

Sally:

Thank you for your ongoing support JINR. So, we really appreciate you being here. Thank you very much. Thanks,

Joanna:

Well, that's it for this episode of The Deal Room Podcast. We hope you're now primed for your next deal with these pointers and have enjoyed these fascinating insights.

Joanna:

Now if you'd like more information about this topic, then head over to our website at thedealroompodcast.com where you'll be able to download a transcript of this episode as well as access any contact details and any other additional information we referred to in today's podcast.

Now if you'd like to get in contact with our guest today and the services they offer, you can go ahead and check out our show notes for a link right through to them and their details. You can also book indirectly with our legal over at Aspect Legal. If you'd like to soundboard your next steps, discuss a legal question, or find out more how we can assist, whether that's with buying or selling a business or perhaps somewhere in between.

Now, don't forget to subscribe to The Deal Room Podcast on your favourite podcast player to get notifications whenever a new episode is out. We'd also love to hear your feedback. So please leave us a review and rating. If you're already one of our subscribers or even if you're listening to this podcast for the very first time, every review helps our team produce valuable content for you. Well, thanks again for listening in. You've been listening to Joanna Oakey and The Deal Room Podcast, a podcast proudly brought to you by our commercial legal practice, Aspect Legal See you next time.