

Practice Tips

The Restroom "Experience"

Remember that the vast majority of your clients are women (except rural, mixed practices) and will often ask to use the restroom. A simply functional restroom is expected. But a restroom that is sparkling clean, has plants, REAL towels, liquid soap, wallpaper, and an empty waste can will tell your clients how much you care.

They will think to themselves, "They are really good doctors." Believe it. Your clients do.

Courtesy Phone and Computer

"Soccer mom" clients are busy, often trying to accomplish the work of three people in one day. If they can turn any waiting time into productive time, the wait becomes an asset rather than a liability. (Of course, NO wait is always better.) Providing a private area with a phone is most appreciated, while providing a computer with internet access can allow clients to access email or do simple web searches while they wait. These services tell your clients that you care about them and that you understand that their time is valuable. Again, that will often translate into, "They are really good doctors."

What others say...

David King was very attentive to my needs and request. He handled the entire transaction in a very professional manner. He addressed each of my concerns quickly and followed through right down to and including closing.

Richard Parker, DVM

Your diligence to detail and negotiating skills helped close a most complicated sale. The major reason you were successful was that you focused on the total package rather than focusing on "deals".

Marc Cohen, DVM

Without Dave Gerber's help, the sale would have likely folded. The reasons for choosing him included his invaluable experience as a practicing veterinarian, a broker, and his professional, yet easy-going style."

Phil Crabtree, DVM

Let's Talk!

SEMINARS & PRESENTATIONS
BY SIMMONS & ASSOCIATES

PVMA Spring Conference

May 18-19; State College, PA

David McCormick will be speaking Thursday, May 19, on issues surrounding buying a practice, starting a practice and preparing your exit strategy.

Southeastern Veterinary Conference

June 15-19; Myrtle Beach, SC

Dr. Doyle Watson and Lisa Woodman will be on hand to answer questions and discuss your goals, position and situation. Dr. Watson will be speaking Wednesday on a variety of practice valuation topics. Private consultations available by appointment.

JACKSON HOLE VETERINARY RENDEZVOUS

June 20; Jackson, WY

Hall of Fame Marketing Tips

Dr. David King and Dr. Dave Gerber have seen many practices over the years and each of them have several gems of marketing tips which they have been pleased to pass along.

You're a Great Doctor. So What!

Drs. David King and Dave Gerber. Excellent medical care is no longer a practice builder. It is a minimum expectation of your clients. It is the incredible client care, branding, and overwhelming feeling that you really care that will create wildly enthusiastic clients.

Top Ten FAQ's of Buying and Selling a Practice

Drs. David King and Dave Gerber will address questions heard on a daily basis. They will attempt to dispel many misconceptions and give tips on how to avoid the most common pitfalls. Do not miss this one!

Your Practice:

The Good, the Bad and the Ugly: What Makes the Difference?

Drs. David King and Dave Gerber. Using examples, will show how to turn your Ugly Duck practice into a Swan practice and why it is so important to both clients and potential buyers.

Maryland VMA Summer Meeting

June 27; Cumberland, MD

David McCormick will be teaching sessions all day on practice management and the link between good business and good medicine.

AVMA Annual Meeting

July 16-20; Minneapolis, MN

David McCormick and Larry McCormick will be attending and teaching at the conference. Check the schedule for dates and times. Private consultations available by appointment.

July 20

Hall of Fame of Marketing Tips

Drs. David King and Dave Gerber. Over the years we have seen many practices and each of them have several gems of marketing tips which they have been pleased to pass along.

July 20

You're a Great Doctor. So What!

Drs. David King and Dave Gerber. Excellent medical care is no longer a practice builder. It is a minimum expectation of your clients. It is the incredible client care, the branding, the overwhelming feeling that you REALLY CARE that will create wildly enthusiastic clients.

July 20

Most Important Frequently Asked Questions About Buying and Selling a Practice

Drs. David King and Dave Gerber will address questions heard on a daily basis. We will attempt to dispel many of the misconceptions and give tips on how to avoid the most common pitfalls. Do not miss this one!

July 20

The Good, the Bad and the Ugly: Why are Practices Perceived So Differently?

Drs. David King and Dave Gerber. Using examples, we will show how to turn your Ugly Duck practice into a Swan practice and why it is so important to both clients and potential buyers.

Southern Veterinary Conference Summer Meeting

August 19-20; Birmingham, AL

The Southern Veterinary Conference (formerly Jefferson County VMA Conference) continues to grow every year. Lisa Woodman, Director of Sales and Marketing, will be on hand to answer questions and discuss your particular situation. Private consultations available by appointment.



Simmons & Associates

Times

Is There a Stand Alone Value In Medical Records?

Each year, Simmons & Associates has a meeting of its nationwide network of offices to discuss various general business, industry issues and to share success stories. We also explore new ground regarding the theory and practice of veterinary practice value and sales.

At our most recent meeting in Las Vegas, Dr. Larry McCormick presented the idea that there may be a considerable, heretofore unconsidered value in the medical records of a neighbor who is about to close and liquidate his/her practice. He presented his thoughts and the floor opened for thought-provoking debate and comments. We left that meeting with the following general consensus to share with our readers.

It does often occur that there is a need to close a practice and liquidate its assets. In this event, the question arises as to whether there would be synergy and good opportunity for a neighboring practice to purchase those medical records or client list. This article suggests that there may be very good reasons to do so, assuming the records and the clients will transfer to the acquiring practice ("acquirer").

There are several factors to consider in order to predict the rate and success of transferability and therefore the feasibility of purchase:

1. Is the proximity near enough so that the acquired clients will drive the new distance to the acquirer?
2. Are the practices similar in client services, quality and fees so the acquired clients will accept the acquirer's services and fees? That is, the practice cultures should be compatible.
3. Are there several practices near the seller who will compete for the seller's clients so that there is an incentive for the acquirer to purchase the records thus obtaining the lion's share of the seller's clients?

4. If I don't buy, how many of these clients am I likely to draw by natural migration?

5. Will the acquirer and seller make plans to maximize client transfer to acquirer? This may or may not include the seller staying on staff in some capacity for some short period after the sale/"merger".

6. Does the acquirer have "excess capacity" regarding space and staff to accept and service the new clients?

7. Will the seller's telephone number remain intact ("connected") and become part of the acquired and transferred assets? Very important!

Assuming the answers to these questions are positive and there indeed does appear to be some synergy and transferability, what might one anticipate paying for those records?

The first consideration is that whatever value there may be should be considered only in respect to their contribution and benefit to the acquirer, not as they would be in the acquired practice as if left intact and sold as its original entity.

To approach the answer to this question, one must consider the profitability the acquired records will bring into the acquiring practice. Let's assume that both the seller's and acquirer's profits (earnings) are 18% after all practice cost of goods and operating expenses, including the managing doctor, are met. In a typical practice, the fixed expenses (occupancy expenses, most utilities, janitorial, repair and maintenance, insurance, etc.) may range in the low to mid 20's as a percent of gross. Let's say 23% for our example here. These expenses will not increase with the purchase of the new records and addition of new clients. Moreover, there will be some acquirer synergy and savings in that the acquirer's existing staff and level of supplies will be able to

handle at least some of the new client services with no increase in staffing or supply purchases.

From the acquirer's perspective, there would be savings on all the 23% fixed expenses plus some from staffing and supply side—say 3% for our purposes here. Thus the profitability on the acquired income in the hands of the acquirer is now the original 18%, plus the 23% fixed savings, plus the 3% staff/supply savings, for a total of 44%!

As to valuation, let's consider these assumptions. Say the acquired practice grosses \$400,000. We have considered all relevant factors and have projected a reasonable client transfer of 70%, or \$280,000. Profitability on that would be approximately \$123,000 (44% of \$280K). Although a typical capitalization ("risk factor") rate in a general small animal practice may range from 18–25%, this situation inherently carries a considerably greater risk. So let's say we have again analyzed all factors and have determined an appropriate rate of 40% (may vary considerably from situation to situation) of the projected acquired income. Thus the value for the acquired income could be \$308,000 (\$123K / 0.40).

This happens to be 110% of the anticipated acquired gross of \$280,000, typically a high percentage for this size gross. However under the right circumstances, it may very well be worth it.

As we did at our annual meeting, let's leave this subject with the revelation that the income from a neighbor's liquidated records is highly profitable to the acquirer and there may indeed be good reason to consider the purchase and merger of these records. Each practice situation has many variables to consider, and each stands alone as to the feasibility to purchase and the transferability percentage and risk factor to consider. Nevertheless we would highly recommend that a practice owner having knowledge of a liquidating colleague nearby at least consider purchasing these records.



The Simmons & Associates HANDSHAKE



Brian Farquer

Byron Farquer, DVM came to Simmons & Associates in 1999 with a portfolio of experience that includes hospital ownership, business and real-estate education, and academic honors. He and his wife, Dr. Dardalee Bussell, own and operate the Pacific and Southwest territories. Dr. Farquer has

received training in accounting, business practices, appraisals, business assessment, and corporate management. He frequently lectures at veterinary conferences, is a charter member of the Association of Veterinary Practice Management Consultants and Advisors, and belongs to several veterinary associations.



Dardalee Bussell

Dardalee Bussell, DVM is a Montana born farm girl and 1988 graduate of MSU. She graduated in 1992 from Colorado State University College of Veterinary Medicine and enjoys practicing small animal medicine in the northern California area when not assisting with Simmons activities. She

is a licensed California Real Estate Broker and rounds out her daily routine taking care of their two boys Colton and Caden.

In their spare time Byron and Dardalee enjoy family focused activities. Their two boys are active in both baseball and rodeo and both maintain high academic performance. They split their recreational time



between flying a company owned aircraft and fishing in California and Montana.

Bryan, Dardalee and family members after a recent fishing trip.



Ken Ehlen

Ken Ehlen, DVM is a 1967 graduate of Colorado State University. He joined Simmons & Associates in 1999 with the acquisition of the Midwest territory. Ken has extensive experience in veterinary practice brokerage and valuations, combined with 30 years experience in veterinary practice

ownership and management of three small animal practices. Ken is licensed to practice veterinary medicine in three states and is a licensed real estate broker.

Ken enjoys the outdoors and takes advantage of it with hiking, boating and ATV's. On a daily basis you can find him enjoying walks with his dog. A family man, Ken participates and supports the numerous activities his family, grandchildren and extended family enjoy.



Beverly Ehlen

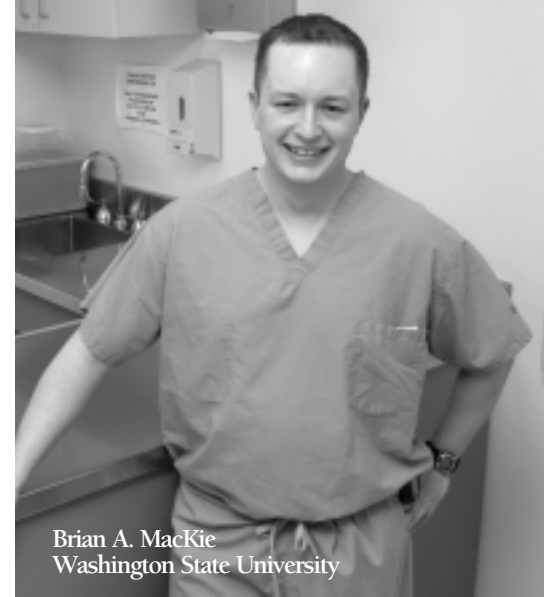
Beverly Ehlen is a licensed Real Estate Broker in Missouri, Kansas and California. A 1972 graduate from California State University, Long Beach, she also has postgraduate training in business administration, management and counseling. With over 20 years experience in the real

estate field, along with working in veterinary management and administration, Beverly brings a wide range of experience and expertise to the Simmons Midwest office.

Beverly has a strong family base, participating and enjoying the numerous and varied family activities that abound both in and out of the Ehlen household. Other interests include skiing, hiking, and traveling. Beverly loves to read and in her free time enjoys writing.

The Handshake is presented each issue to introduce readers to the industry professionals from selected Simmons & Associates offices around the country. To learn more about the Simmons & Associates office nearest you, see the contact list on the facing page.

Simmons & Associates Educational Trust Fund Business Aptitude Awards



Brian A. MacKie
Washington State University

THE SIMMONS & ASSOCIATES EDUCATIONAL TRUST FUND

The Simmons & Associates Educational Trust Fund was established to educate practitioners about the business aspects of the veterinary profession through speaking engagements, seminars, newsletters and other programs. Each year, the Fund awards \$1000 to one veterinary student from each participating school in the nation. From these, an additional \$5,000 is awarded to the winning essay submission. For more information on the Simmons & Associates Educational Trust Fund, contact your regional Simmons & Associates office.

Brian MacKie Named 2005 National Winner

Brian MacKie, a senior at the Washington State University School of Veterinary Medicine, is the 2005 National Recipient of the Simmons & Associates Educational Trust Fund Business Aptitude Award.

Brian, who will receive his Doctor of Veterinary Medicine degree in May, was selected following the judges' evaluation of required essays submitted by eligible students from veterinary schools around the nation on the topic: "Business in Veterinary Medicine."

David Gerber, DVM, who owns Simmons & Associates Northwest, Inc., said, "Complementing his superior medical skills, research experience and course work, Brian's essay demonstrated a keen and comprehensive understanding of the business skills and systems required by today's more successful veterinary practices. On behalf of the Simmons & Associates offices nationwide, we congratulate national winner, Brian MacKie, and each of the 2004 regional award recipients."

The 2004 regional recipients of the Simmons & Associates Educational Trust Fund Awards were: **MIDWEST:** Kelly Morgan, Romanie Walter (University of Illinois); Cathleen Mochal (Iowa State University); Amy Lynn Lomas (Kansas State University); Tawnia K. Prior (University of Minnesota); Jay Taylor (University of Missouri); Denise Stemps (University of Wisconsin) **SOUTHEAST:** Arlynn Blazer (Auburn University); Kevin F. Smith (Tuskegee University); Dawn Kocher (Mississippi State University); Vasiliki Meisenburg (University of Florida); Vera Anatolievna Tucker (University of Tennessee); Lisa Southard (University of Georgia); Jaime Le (North Carolina State University) **NORTHEAST:** Andrew Hersman (Tufts University); Brett Thomas Tillou (Cornell University) **PACIFIC:** Amanda L. Edwards (Western University of Health Sciences) **GREAT LAKES:** Andrew James Fipp (Purdue University) **SOUTH CENTRAL:** Matt Teuscher (Oklahoma State University); Victoria Smith, Tyson Wallis (Texas A&M); W. Todd Fulton (Louisiana State University) **NORTHWEST:** Brian MacKie (Washington State University) **INTERMOUNTAIN:** Jennifer Forste (Colorado State University).

For information about practices opportunities, contact the Simmons & Associates office in your area of interest.

<p>SOUTHEAST A Doyle Watson, DVM Lisa Woodman, Sheila Collins 800-333-1984</p>	<p>F INTERMOUNTAIN Larry J. Wiseman, DVM Sue L. Wiseman, DVM 800-923-2224</p>
<p>SOUTH CENTRAL B David King, DVM 800-982-8033</p>	<p>G MIDWEST Ken Ehlen, DVM Bev Ehlen 877-322-6465</p>
<p>SOUTHWEST C Byron Farquer, DVM Dardalee Bussell, DVM 877-315-1954</p>	<p>H GREAT LAKES Dick Goebel, DVM Michele Goebel, MSM Bob Ferguson, DVM 888-746-3717</p>
<p>PACIFIC D Byron Farquer, DVM Dardalee Bussell, DVM 877-315-1954</p>	<p>I MID-ATLANTIC Larry McCormick, DVM, MBA, CBA David McCormick, MS 888-881-7084</p>
<p>NORTHWEST E David Gerber, DVM 800-846-0062</p>	<p>J NORTHEAST Jim Stephenson, DVM 800-474-4775</p>

For a complete listing of available practices nationwide visit: www.simmonsinc.com