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# 4 Smartest Things ASC Owners Do Today: Preparing for Sale

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When physicians decide to open an ASC, business success is top of mind. Conducting present business in a way that maximizes future business, however, is a priority that can escape those who are not extremely planful. Here are four of the smartest things ASC owners can do today to maximize future gains from the sale or transfer of various parts of their business.

**1. Increase the value of the ASC business before selling to a strategic partner.** There are a number of opportunities to manage parts of ASCs business that will increase its value in a sale to a strategic partner — an ASC management and development company — when partners move on, retire or want to take some money off the table, according to Jon Vick, president of ASCs Inc. "It's always good to be thinking about increasing the profitability and consequently the value of the center, which, in addition to being the 'low cost, high quality' provider, are some of the reasons physicians set up centers in the first place," says Mr. Vick. His checklist of strategies to maximize profitability includes:

- Renegotiate and improve managed care contracts
- Recruit new physicians with decent ASC volume to the center
- Have staff members dedicated to knowing and minimizing case costs
- Reduce supply costs through contracting with a purchasing organization
- Perform an annual analysis and valuation of the ASC business
- Develop a professional sales prospectus, including the highlights of the center and the benefits of being an owner, to attract new physician partners and corporate buyers

**2. Increase the value of ASC real estate before sale or leaseback.** Several common practices, such as owners paying themselves lower than fair market value rent, can greatly reduce the value of their ASC real estate. "Owners need to have a strategy that addresses the value of their ASC/MOB real estate," says Mr. Vick, who recommends the following steps to boost real estate value:

- Establish and pay fair market rent, which can range between $27 and $33 a square foot nationally
- Have a long-term triple-net lease (maintenance, insurance and taxes are paid by the tenant) of between 10 and 15 years, with renewal options — the longer the lease, the more it is worth to potential buyers
- Utilize a discount broker with experience and a proven track record of finding buyers for ASC and medical office building real estate

- Write annual increases into the lease between 2 percent and 3 percent.
- Have the ASC, rather than the physicians, guarantee the lease

**3. Partnering with a management and development company, especially for joint venturing. Greg Hagood, senior managing director and president of SOLIC Capital, says the most logistically successful ASC sales he sees are in pursuit of three-way joint ventures. "The challenges surgery centers face right now include being part of a regional network and recruiting independent physicians even as more and more are electing to become hospital-employed," he notes.**

**According to Mr. Hagood, a three-way joint venture with a hospital, ASC and management and development company allows physicians to maintain independence and achieve tighter alignment simultaneously, boosting ASC volumes, attracting physicians and connecting the center into its hospital partner's patient referral network.**

**4. Considering competitive offers for any sale, be it ASC business or ASC property when selling to a new strategic partner. As always, any sale should include several competitive bids to ensure shares in the ASC are sold for their full value. Both Mr. Hagood and Mr. Vick emphasize the importance of leveraging bids to achieve profit maximization. Failing to consider competitive offers can result in severe undervaluation of what could be a relatively profitable stake in a surgery center business.**

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