

## *How to Sell Your ASC*

*Ambulatory Surgical Centers of America*  
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## Background

- ASCOA and I have sold 25 surgery centers over the past 8 years and bought 18.
- We currently have centers that we are selling.
- I personally dedicate the majority of my time to selling our surgery centers.



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## What are the Steps?

- Build consensus amongst the owners.
- Obtain confidentiality agreements from potential buyers. (couple weeks)
- Create and distribute to buyers an information book on the facility that provides all the necessary information. (few weeks)
- Collect and analyze proposals. (few weeks)
- Meet with strongest suitors. (few weeks)



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## What are the Steps? (Cont.)

- Negotiate and sign a “letter of intent.” (1 week)
- Buyer performs in-depth due diligence and works on assignment of contracts. (1 – 2 months)
- Negotiate purchase, management, and operating agreements. (1 month)
- Collect and exchange signatures. (1-2 days)
- Fund! (1 day)



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## Building Consensus

### — Pros:

- Monetize future income at advantageous tax rates.
- Reduce exposure to debt guarantees.
- Buyer may aid in getting better contracts.
- Buyer may aid in improving physician recruiting.
- Diversify your assets.



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## Building Consensus (cont.)

### — Cons:

- Sellers no longer control center.
- Perpetual management fees common.
- New partner may not benefit you long-term.
- Limited participation in future center performance.
- Seller indemnifications.



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## Building Consensus (cont.)

- Pricing is typically a key factor.
  - Out-of-network billing.
  - Growth prospects.
  - Threats: hospital employment, proximity of other centers, and payer mix.
- Consider the difference between after-tax income over time and capital gains.



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## Obtain Confidentiality Agreements

- Make list of potential buyers.
  - Local hospitals.
  - Industry buyers – Amsurg, SCA, Surgery Partners, Meridian, and USPI are most active.
  - Turnaround buyers.
- Create a standard agreement.
- Call and describe your center generally; if parties are interested send CA.



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## Create & Distribute Info Book:

- Executive summary.
- Description – size, ORs, lease, structure, equipment, and anesthesia.
- History of financial performance – IS & BS
- Case volume history by surgeon, specialty, and payer.
- Revenue by surgeon, specialty, and payer



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## Create & Distribute Info Book (cont.):

- Payer environment and contracts.
- Competitive environment.
- Ownership breakdown.
- Debt guarantees.
- Owner profiles.
- Description of risks and challenges the center faces.



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## Request Proposals

- Detail to potential buyers how you want them to propose:
  - Buying how much and from whom.
  - Due date. (2 – 3 wk min.)
  - Treatment of existing management contract.



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## Analyze Proposals & Choose

- Put proposals into a comparison grid so you can make apples-to-apples comparisons on key deal points: pricing, percentage to buy, physician proceeds, governance, management fee etc...
- Select 2 or 3 you like best to come present, see the center, and meet the partners.
- Choose one to negotiate with for an LOI.



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## Negotiating an LOI

- ID 2 or 3 points you care most about.
- Form a owner sale committee.
- Tell the buyer you like best what you want.
- If they don't accept your counter consider countering the one you like next best.
- Competition is what gets you a good deal.
- It is hard to anticipate at the outset which buyer will be most aggressive.



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## Negotiating an LOI (Cont.)

- Retain one experienced attorney/firm to represent the sellers.
- Once you've agreed to terms take them to your attorney to incorporate in an LOI.
- Beware of attorneys that want to negotiate every point to death – it stymies the process.



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## Due Diligence

- Buyers need to have full access to center information.
- Center administrator should expect to work a week on assembling the information.
- Buyer will do on-site inspections, staff and physician interviews, chart audits, and financial testing.
- Sellers call partners of buyer for references.



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## Negotiate Agreements

- Buyer typically creates the purchase, management, operating agreements, and works on the assignment of center contracts.
- Sale committee will do several conference calls or meetings with the attorney as these agreements are negotiated.
- Most buyers have limited areas for negotiation.



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## Items Commonly Improved

- Who dilutes when bringing in new partners.
- Retirement provisions. (Two sides to this.)
- Reps and warranties qualified.
- Working capital adjustment and calculation.
- Caps on pass-through expenses.
- Indemnification basket, caps, and limits.
- Physician approval before selling to local hospital.
- Cash required at closing.
- Tail insurance.
- Non-competition terms.



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## Collect Signatures & Fund

- With large physician groups, be sure to collect signed signature pages to be held in escrow ahead of intended closing date.
- Finalize calculations of proceeds net of accounting and attorney fees, cash reserve, and administrator bonus.
- Provide wire instructions ahead of time.



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## Post Closing Items

- Net working capital true-up and holdback disbursement.
- Partial year tax return.
- Buyer and seller accountants reach agreement on asset values.
- Dissolve old legal entities and disburse final funds.



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## Keys to Success

- Build consensus.
- Sale committee.
- Create competition for your center.
- Work with an experienced attorney that keeps your goals in mind.
- Be completely forthcoming and honest with your buyer.



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## THINK AGAIN

Ambulatory Surgical Centers of America  
866-98ASCOA or 866-982-7262

[www.ascoa.com](http://www.ascoa.com)

## THINK BETTER



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