

MEDICAL PRACTICE DEMERGER CHECKLIST

It's a fact of life – sometimes marriages don't work out. This is especially true with respect to medical practice mergers. That is why the due diligence process is so very important when physicians decide they want to merge. However, should things not “work out” after a merger takes place, use the following checklist as a guide to help make the dissolution as painless as possible.

OPERATING AGREEMENT ISSUES

- r Determine what operating/partnership agreements requirements regarding dissolution/leaving the merged entity
 - o Follow existing agreement; or
 - o Agree to change the terms of original agreement.
 - § Document changes
- r If no agreement, have all agree to a general framework for dissolution using checklist.
- r Document agreement

ASSETS THAT WILL BE DISTRIBUTED FROM THE PRACTICE

- r Hard assets
 - o Which Assets go to each doctor
- r Need to inventory furniture & equipment and agree on who gets what.
- r Supplies will be divided at final dissolution date.
- r Valuation of assets distributed
- r Independent appraisal
- r Informal consensus
- r Accounts receivable
 - o Expenses will be paid first then balance to be distributed to partners based on:
 - § Ownership Interest
 - § Each doctors proportionate share of production during prior _____ months/years
 - § Other agreed upon basis
- r Need to agree on balance of cash received to be retained until all amounts owed are paid. Amount _____
- r Decide on who gets any contracts for services
 - o Nursing Homes
 - o Hospitals
 - o Other

LIABILITIES OF THE PRACTICE

- r Accounts payable
- r Notes and other payables

- r Lease obligations
- r Legal and Accounting fees for demerger

PERSONNEL

- r Decide which employees go with each partner
- r Determine if employee costs need to be separately allocated during transition period
- r Compensation for post dissolution billing and bookkeeping services

FACILITIES

- r Review current lease obligations of the practice
 - o Office lease
 - o Equipment leases
 - o Rent during transitional period

OTHER TRANSITIONAL ISSUES

- r Who gets the practices name
- r Who gets the practices telephone number
 - o What is the arrangement for directing calls if telephone number retained
 - § Rely on new practice to forward calls
 - § Have system answer phone and allow caller to select doctor
- r Yellow pages advertising
 - o Contract needs to be cancelled and paid out
- r Date of dissolution
 - o Tentatively schedule for _____
- r Medical charts
 - o Need to determine paperwork to sign by each Dr. to move charts from current location
- r Appointment scheduling during dissolution period
- r Banking
 - o Request bank to send copies of bank statements to all owners.
- r Public notice
 - o Publish announcement in the local newspapers
 - o Mailing to patients
 - o Post a notice reception area
- r Insurance
 - o Notify insurance carriers of entity dissolution
 - o Group health - required notifications to employees - COBRA
 - o Malpractice tails
 - § Doctors
 - § Practice
 - o Office contents

- **Update life insurance beneficiaries if necessary**
- **Update disability and office overhead insurance if necessary**

PRACTICE'S RETIREMENT PLAN

- r **Decide what to do with current plan.**
- r **Provide required notices**