

Need confidence in your healthcare M&A process? Ask these 10 questions.



1. Do cash receipts per the bank statement(s) support net revenue reported on the financial statements and collections per the patient billing/accounting system?
2. How are charges and collections trending by payor during the historical period (e.g., are collection rates increasing or decreasing)?
3. Have there been any recent contract changes that will impact earnings post-close (e.g., payor / managed care contracts, professional services agreements, outsourced billing/collections)?
4. Is there a shift in payor mix that will impact reimbursement trends post-close (e.g., increase in self-pay patients, increase in self-pay after insurance amounts for deductibles and co-payments, change in governmental payor mix)?
5. Has there been a change in service mix (e.g., increase in lab fees or growth in ancillary services) that overshadows the performance of the legacy business?
6. Are there any non-recurring expenses recorded in the historical financial statements (e.g., owner compensation or rent expense not reported at fair market value, start-up costs / de novo costs) or changes in cost structure?
7. Are all operating costs required to run the business accurately reflected in the reported financials (e.g., is a cash-to-accrual conversion required)?
8. How does historical compensation and benefit structure for clinicians and other key employees (including the consideration of contractor usage) compare to expected compensation and benefit plans for these employees (and contractors) post-close?
9. Will there be upcoming capital expenditures or other investments required to continue growing the business?
10. Have there been any significant medical malpractice claims against the seller or its clinicians?