

A RON TESTER COACHING GUIDE

# What Makes Your Practice Worth Something

For PT, OT, and SLP Clinic Owners

Building financial value into a therapy practice, whether  
or not you ever sell it.



**Ron Tester**

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# For PT, OT, and SLP Clinic Owners

Most owners find out what their practice is worth about four years too late. They decide they're ready, they call somebody, and the number comes back smaller than they expected. Then they find out the reasons, and most of the reasons are things they could have changed if they'd known to start.

I sold my practice. From the day I decided I was ready to the day it closed was almost a year, and I had my house in order before I started. What I want to give you here is the part I wish somebody had handed me five years earlier, when it was all still easy to change.

One note on the word worth. I mean money here. Your practice is already worth plenty in ways that have nothing to do with a price, to your patients and your staff and probably to you. This is about the financial part, because that's the part owners tend to leave alone until it's urgent.

And this isn't only for people who plan to sell. Everything in here makes the practice better to own. If you don't sell it, you'll have spent the years building something that doesn't need you in the middle of it every day, which is what most owners say they want anyway. If you do sell it, you get paid for that same work.

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## How the Arithmetic Works

When somebody looks at buying your practice, they do two things. The first is that they look at where you step in and work out what it would cost to replace you. Whatever that number is, they subtract it from the earnings, then they apply a multiple to what's left, and that's your price.

Running alongside that is a second question, and it's the one that moves the multiple up or down. Does the business keep working the way it does now once you're not the owner? That covers whether your procedures are written down, where your referrals come from, whether your team stays, whether the revenue follows the sale, and whether your books hold up when a stranger reads them.

So the work has two halves. Make the cost of replacing you smaller, and make the business less dependent on any one person, including you.

# What the Numbers Look Like Right Now

I'd rather give you numbers than talk in the abstract, so I went and looked these up.

A single-location clinic where the owner is still treating tends to land somewhere around two and a half to four times EBITDA. That's earnings before interest, taxes, depreciation, and amortization, which is roughly what the business makes before those things come out. Breakwater M&A puts that band at 2.5x to 4x for clinics with \$150,000 to \$500,000 of EBITDA, and cites an industry average from WebPT of about 3.6x over the past five years.

It goes up from there. A practice with a million or more in EBITDA and somebody other than the owner running the day-to-day is more like 5x to 7x. The platform deals you read about in the trade press are 10x and up, and those are a different animal than most of us are running.

Two things to know about those numbers before you use them.

They don't agree with each other. Different advisors publish different ranges for the same size clinic, some as high as 5x to 7x for a single location, and there's no public record of small practice sales the way there is for public companies. The people publishing these numbers are M&A firms and valuation firms with an interest in them, so read the range as a direction rather than a quote.

The second thing matters more. The same reports name owner dependency as the biggest reason a small clinic sits at the bottom of its range, and Breakwater says it plainly: when the owner is producing more than about twenty percent of the revenue, the multiple gets squeezed into that 3x to 4x band.

That one is worth reading twice. The biggest thing pulling down the value of a small therapy practice is how much of the work still runs through the owner, ahead of payer mix, location, equipment, or anything else about the clinic.

If you want to see it for yourself:

- Breakwater M&A, on how clinic size and owner dependency move the multiple:  
<https://www.breakwaterma.com/blog/physical-therapy-clinic-valuation>
- HealthFMV, a valuation firm's version of the same picture:  
<https://www.healthfmv.com/post/physical-therapy-valuation-guide>



# Start With the List

Write down everything you do, in three groups: what you do as the owner, what you do as a clinician, and what you do on the admin side. Be specific, down to the pieces. Not the word billing, but which parts of billing you touch. Credentialing, payroll, the evaluations only you can see, the vendor calls, hiring, the schedule, the marketing, all of it.

Then put a number next to each one. What would it cost to hire somebody to do that piece at market rate? Add it up.

That total is the number a buyer works out and subtracts from your earnings, and most owners see it for the first time when somebody hands it to them across a table. That's a harder time to be seeing it. It's also the most useful page you'll write this year, and not only for a sale, because it tells you where your week goes, priced.

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## Then Work the List Down

Every item on that list is one of three things. Something you hand to somebody who already works there, something you hire for, or something you buy from an outside service.

Credentialing is a good example, because most owners have done it themselves from the start. Some of it your front desk could probably pick up. The parts that are genuinely painful are often worth paying an outside service a few hundred dollars to handle, which is less than the value of the hours it takes you. Either way it comes off your list.

You don't have to do this all at once, and I wouldn't. Take the list in order of what costs you the most time or the most money, and work it down over the next couple of years.

Two things usually get in the way. The first is that handing something off means it gets done differently than you'd do it, and for a while it gets done worse. That's the price, and it's temporary. The second is that a lot of owners haven't priced their own time, so a \$300 expense feels expensive and four hours of their own week feels free. It isn't.

# Write Down How the Work Gets Done

This is the part that took me the longest and mattered the most, and it's the one that showed up most directly in what buyers were willing to pay. When I was building toward selling, I had my people create what I called desk procedures. Every bit of routine work each person did, written down, in a three-ring binder sitting on their desk. Anything we did more than a couple of times had one. If somebody was out for a week, or went on maternity leave, or left, the next person opened the book and did the job.

When buyers came in and started asking questions, that's what I showed them. What happens if your billing person goes out? We open this book, here's the table of contents, here's the process. That answer is worth money, because what a buyer is afraid of is that the business only works because of the people who happen to be in it right now.

A few things I learned doing it.

Keep them printed and where people can reach them. The most common failure is a folder of documents on a computer that people forget is there. If it isn't easy to get to, it doesn't get used, and if it doesn't get used it doesn't stay current.

Don't run it as a project. If you decide you need ten procedures by Friday, it'll break down, and you'll end up with ten documents your team doesn't use. Do it as you run into the work. Next time you run payroll, write the payroll one. Next time somebody verifies insurance, write that one. Over about a year you'll have most of a set, and each one will be accurate because you wrote it while you were doing the thing.

Don't write them all yourself. Have the person who does the work record their screen and talk through it while they go. They send it to you, you review it, and it becomes the procedure. OBS is free and doesn't cap your recording length. Otter and similar tools will transcribe the recording for a few dollars a month, and the transcript gets you most of the way to a written procedure without you typing it. Keep the recordings short, or index them. Otherwise finding step four means scrubbing through an hour of video, and people stop bothering.

Use one template so they all look the same. It doesn't have to be a good template. It has to be the same one every time.

One more thing worth knowing. When somebody follows your recording, they'll sometimes find a better way to do it, and that's a good sign rather than a problem. Improving the process is part of owning it, and a procedure that keeps getting improved is a procedure people are using.

The thinking underneath all of this comes in part from Michael Gerber's *The E-Myth Revisited*, which is worth reading if you haven't. His argument is that you build the business the way McDonald's is built, with the decisions already made and written down, so it doesn't depend on who's working that day. That comparison can land wrong for clinicians, and I don't mean it as a reflection of the care you provide. I mean it about everything that supports providing the care.

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## What a Buyer Looks At Besides You

Everything above is about you and the earnings. The rest of what gets priced is whether your team, your referrers, and your patients keep doing what they do now once you're not the owner.

## Where Your Referrals Come From

For an outpatient clinic this may be the biggest one after you. If a large share of your volume comes from one orthopedic group, one surgeon, one pediatrician, or one school district, a buyer has to wonder whether that source keeps sending patients once you're not the owner. They'll price that uncertainty into the offer.

Work out what percentage of your volume comes from your top three sources. Then spend the next few years bringing that percentage down, which mostly means adding sources rather than losing any.

While you're at it, write down who your sources are, what each one sends you, and who at your clinic owns that relationship. A referral relationship that lives with one person is the same problem as owner dependency in a different place, and it doesn't get better if that person is your marketer instead of you. The move is to bring somebody else along to those conversations over time, so the relationship belongs to the practice.

## Books That Tie to the Tax Return

The books are one of the most common reasons a good practice sells for less than it should.

You want three years of financials that reconcile to your returns, and any expense the business pays that a new owner wouldn't have documented and explainable. A broker will call those add-backs. A car, a phone, a family member on the payroll, a conference that was

mostly a trip. Written down and explainable, they get added back to earnings and they raise your price. Left for a buyer to discover, they read as sloppiness, and the discount lands on everything, including the parts that were fine.

This is the piece with the longest lead time, because you can't go back later and make three years of books trustworthy. It's also one of the cheapest to fix, since it's mostly a conversation with your accountant about how things get categorized from here forward.

## **Whether the Revenue Comes With the Business**

This one surprises people, and it's specific to healthcare. I looked all of this up rather than going from memory, and the sources are at the end of the section.

Insurance contracts usually can't just be handed to a buyer. Almost all of them say the contract can't be assigned without the insurer's written consent, and the insurer can say no. So depending on how the deal gets structured, the buyer may have to get credentialed with each insurer from the beginning, which commonly runs three to six months per insurer. That's months of thin revenue right after closing, and a buyer who has been through it before will price it in.

Medicare is stricter. In an asset sale your Medicare agreement doesn't automatically go with the practice. The buyer either enrolls as a new provider or applies to take over the existing agreement, and neither happens quickly.

If you have a DME or supply line, it's stricter still. For DMEPOS suppliers, if somebody buys more than half the ownership within 36 months of your last enrollment change, your enrollment ends, and the buyer has to file a whole new application, go through accreditation again, and get a new PTAN. As I write this there's also a nationwide freeze on new DMEPOS enrollments in certain supply categories, in place since February 2026 and extendable. While a freeze like that is on, selling a supply line through an asset sale is close to impossible, because the buyer can't get enrolled. That particular freeze may well be gone by the time you read this. I mention it because it shows how much that piece of a practice depends on rules that keep moving, which is a good reason to know early whether the supply side is part of what you're selling.

None of this stops a sale. It shapes how the deal gets put together, which is why it belongs in an early conversation with an attorney rather than a late one. Roughly, a stock sale tends to carry contracts and enrollments along with it and an asset sale tends not to, and buyers usually prefer asset sales for reasons of their own. That tension is worth understanding before somebody puts an offer in front of you.

- On insurance contracts, consent, and how long re-credentialing takes:  
<https://payerready.com/blog/credentialing-practice-acquisition-merger-guide>
- On the DMEPOS freeze and the 36-month rule, from a law firm that works on these deals:  
<https://www.nixonpeabody.com/insights/alerts/2026/03/02/cms-dmepos-moratorium-has-major-impact-on-ma-and-ownership-changes>

## **The Lease, or the Building**

For a clinic the location is a chunk of what somebody's buying. How many years are left, whether the lease can be assigned, and whether the landlord gets a say all show up in due diligence. Two years remaining with no option is worth less than ten assignable years on the same space.

If you own the building rather than lease it, that's a second transaction and worth deciding on separately. Selling the practice and leasing the building to the new owner is often a better outcome for the seller than selling both, since it leaves you with income that doesn't depend on running anything.

## **Whether the Team Stays**

A buyer wants to know the clinicians are still there in six months.

That means employment agreements, whatever non-solicit protection holds up in your state, and no single producer carrying so much of the caseload that their leaving changes the math. Your strongest clinician is an asset and an exposure at the same time, and both of those are worth considering while you're a few years out and can do something about it. Ask an attorney what's enforceable where you are before you write anything, since the law around non-competes has been moving.

## **The Charts**

A buyer's team will pull a sample of charts during due diligence. What they're checking is whether the notes support what was billed.

If they find visits where the documentation doesn't back up the billing, they'll want protection, because insurance can come back years later and ask for that money. Usually that means the buyer keeps part of what they owe you for a period of time, or the two of you agree to park some of it with a third party until enough time has gone by. Either way it's money that isn't in your hands at closing, and some of it you might not get at all.

Doing your own review well before anybody outside looks is a lot more comfortable than finding out during theirs, and it's the kind of thing your team can build a procedure around.

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## Which Way the Numbers Are Heading

Buyers look at direction, not only at where things are. Three years of revenue and visits going up is worth more than three years flat at the same average. And if the numbers have been going down, you'll be sitting there answering questions about why.

There's one more thing that shows up at closing that people don't expect. In most deals the seller keeps whatever hasn't been collected from before the sale. So old money still sitting out there is yours to chase, and whatever you can't collect, you don't get. If your AR has been creeping past ninety days, that's not only a cash-flow problem today. It's money that walks away on the day you sell.

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## Who to Talk To, and When

You don't need a team of advisors years out. You do want to start finding them before you need them, because sorting out the wrong one costs you time you won't have later.

Start with SCORE. They're free advisors through the Small Business Administration, usually retired executives who've run businesses themselves, and they're good at walking somebody through what this process looks like. Most states also have a small business development center. Tell them what you're thinking about and ask who they know. They probably won't advise you on the sale itself. What they're good for is pointing you at people in your area who know how to do this.

Ask your accountant too. Accountants usually know who handles business sales locally.

On the attorney, I wouldn't go into a sale without representation, and I don't mean a family attorney or an estate attorney. You want somebody who understands the mechanics of buying and selling a business. When it's time, the buyer will have an attorney too, and a lot of it goes better as attorney talking to attorney. They're the ones who get the contract wording right, and they bill by the hour, so I used mine for that and not for strategy.

On a business broker, eventually, probably. Not years out, beyond maybe one conversation to understand the landscape. A broker represents the seller, takes a percentage, markets the business to potential buyers, helps with the valuation, and steps in on the negotiation. If you use one, use one who has sold practices like yours. Healthcare looks strange from the outside. Insurance, AR, where the referrals come from, none of it makes sense the way it would in another industry, and a generalist will either misprice you or point you at the wrong buyers.

One thing to watch for early, with all of these. Whether they call you back. If somebody's slow or vague before they have your business, they'll be slower after. Waiting a month for a return call while a deal sits open is miserable, and you'll be doing plenty of waiting as it is.

And if you're in a small town, be careful who you tell. Word about an owner thinking of selling travels, and it reaches your staff and your referral sources before you're ready for it to.

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## How Long It Takes

From the day I decided I was ready to sell to the day it closed was almost a year, and I had my house in order before I started. Most of that was due diligence, mine first and then theirs, since my buyers used an SBA loan and the bank ran its own process on top of everything else.

That's the argument for starting the operating work years ahead instead of the year before. The transaction itself doesn't take five years. What takes time is everything that makes the transaction go well, and that work takes a while to stick.

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## Decide What Kind of Buyer You Want

This one is worth thinking about early, because it changes who you go looking for. Private equity firms buy practices to roll them up, make them as profitable as they can, and sell the group. It's a legitimate business model and it can pay well.

The only way I've seen that model work is by cutting the quality of care and cutting expenses, and the way those firms hit the next set of numbers is usually staffing. There may be other ways to do it, and I haven't seen one. That's my experience talking, and other people will tell you differently.

For me, I wanted something else for the people I'd built the practice with, so I sold to somebody who was going to carry it forward. You may weigh it differently, and either one can be the right call. Just know which one you want, because a broker will aim at whichever buyer you point them at.

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## If You Don't Sell

Somebody told me early on that if you don't sell your business for money, you end up buying it every day. It stuck with me.

You might build something that throws off enough that you'd rather keep it, which is a good outcome and maybe the best one. Either way it should be a decision you make on purpose rather than one that gets made for you, and you can only make it once the business is worth something.

So none of this is a separate project from running the clinic well. A practice you could sell tomorrow is one that doesn't depend on you being there every day, with the work written down, the referrals spread across enough sources that a single phone call doesn't sink the month, books you can read, and a team that would stay. That's a better practice to own whether or not anybody ever buys it.

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## Where to Start

None of this has to happen at once. If you did only these over the next few months, you'd be ahead of most owners who are five years out from selling.

- Write the list. Everything you do, in three groups, with the market cost of replacing each piece. Add it up.
- Pick the two most expensive items on it and decide who else could do them, or how else they could get done.
- Work out what share of your volume comes from your top three referral sources.
- Ask your accountant what it would take for three years of financials to tie to your returns, and what should change in how things get categorized starting now.

- Write one procedure the next time you do a piece of routine work, then another one the time after that.
  - Look at your AR aging and find out how much of it is past ninety days.
  - Find out how many years are left on your lease and whether it can be assigned.
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## One Last Thing

Most of what's in here isn't complicated. It's work that rarely feels urgent, right up until the week it's the only thing that matters and there's no time left to do it. That's the whole reason to start on it while it's still years away and none of it is pressing.

If you'd like to talk any of this through, email me at [ron@rontester.com](mailto:ron@rontester.com). I'm happy to answer a question without it turning into anything.

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