



Don't Sell to a Chain

Let NCPA help you make
the best decision

by B. Douglas Hoey, Pharmacist, MBA



A few weeks ago I got a call from a pharmacist that I've known for a long time. I had heard that he had decided to sell his pharmacy to a chain drug-store a couple of years ago.

He told me his rationale at the time. Prescription reimbursements were going down. Hassles were going up and so were the uncertainties as it seemed like the big guys just kept getting bigger. They made him an offer. He decided he couldn't refuse

it. It's not necessarily a bad storyline. Small business owner starts business, pours heart and soul into business to make it successful, then eventually sells business and lives happily ever after, right?

Wrong. Once the business was sold he missed the personal fulfillment of building something that was his. Ironically, he missed the satisfaction of solving the problems that had been dragging him down. He missed

being his own boss. And, most of all, even though he was still working, he missed taking care of patients his way versus taking care of them following someone else's directions.

Deciding to sell his or her pharmacy is one of the biggest decisions a business owner will make. The chain drug-stores have dedicated teams offering themselves up as a solution. In fact, chances are that sometime in the last few weeks you received correspon-

Planning Makes Perfect

Selling a pharmacy is something that many owners do just once in a lifetime. Although you can't practice for that one-time event, you can—and should—prepare well in advance for it. The junior partnership route, described on page 22, is one approach. (We have a whole book about it in our bookstore.) But most owners, regardless of what option they choose—to a recent graduate, a colleague, or a chain store refugee—working with a broker or not, have questions galore about what to expect in a sale.

NCPA's many resources are housed in the Pharmacy Solutions section of our website under "Ownership." The tools are invaluable for sellers and buyers, students and managers.

For sellers, there are financial ratio calculators to evaluate business performance and potential value; webinars and videos; online advertising for pharmacy transactions at www.pharmacymatching.com; and business considerations for pharmacy transition, including six "Seller's White Papers" from attorney and NCPA contributor to *America's Pharmacist* Jeffrey S. Baird, Esq., to name a few.

But every seller needs a buyer, right? So, NCPA has a number of resources for potential buyers, too. Our business partner Live Oak Bank of Wilmington, N.C., has invested \$600 million in community pharmacy loans of up to \$5 million, and has an expedited process for those of under \$350,000. First Financial Bank of Cincinnati and Bankers Healthcare Group of Davie, Fla., also are NCPA corporate members.

Sign up on www.pharmacymatching.com for free and answer seller listings online. Buyers can also advertise. Post a pharmacy buyer's listing for 180 days at \$50; NCPA members get half off.

And don't forget about NCPA's Ownership Workshops, sponsored by McKesson. The next one is June 3-5 in Memphis and one will be part of the Annual Convention's pre-convention program Oct. 13-15 in New Orleans.

—Michael F. Conlan, editor, *America's Pharmacist*

dence from one of them professing to empathize with community pharmacy's problems, like DIR clawbacks and slow and low MAC payments; sympathizing with the challenges that comes with owning a small business, like long hours and managing people. They offer to do you a favor by taking your pharmacy off of your hands!

PROCEED WITH CAUTION

Take a deep breath. Count to 10. Find your happy place. Yoga people, assume your favorite pose. Do what you need to do to have a clear head as you consider the professional and personal impact selling your pharmacy will have on your life. After all, selling

your pharmacy is not only selling your business, it's selling a part of yourself.

INVESTIGATE OTHER POTENTIAL BUYERS

If you ultimately make the decision to sell, there are often others who might be interested in buying your pharmacy. Maybe there's someone on your staff or maybe an employee stock option plan is a good alternative for you. Perhaps it's another independent in your town or county. A junior partnership is a worthy option, as the article on page 22 illustrates.

Only a few years ago, finding financing used to be an almost insurmount-

able problem. Traditional lenders back then had a hard time understanding that the value of a pharmacy was not limited to asset (mostly inventory) based loans. Not anymore. Pharmacy lenders like Live Oak Bank and others have made financing much more accessible.

Your wholesaler is highly motivated to help connect you with someone else. They want to keep you as a customer. But if they can't have that, they for sure want to keep your business. NCPA offers a pharmacy matching service that can help current owners connect with buyers.

CAVEAT VENDITOR—LET THE SELLER BEWARE

If you decide that selling to a chain is your best option, go into the transaction with eyes wide open. Remember, chains buy other pharmacies as their day job. They know how to make the transaction most favorable to their corporation and they know the psychology of the deal. Get everything in writing. Parse every word. Have a lawyer familiar with transfers of ownership help you. You may decide to hire a broker. Likewise, make sure the broker's incentives align with protecting your interests. Getting extra help will cost a few dollars, but for some this will be the biggest transaction of your life. Don't be penny-wise and pound foolish.

The member who called me had seller's remorse. For everyone, it's an intensely personal decision. When you feel like you're ready to make the decision to sell, NCPA is here to help you. Check out your options. Tread carefully. Investigate your options to keep your legacy alive by keeping the independent business you built independent. ■

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