

## **CLOSING THE DEAL**

The basics of becoming a pharmacy owner have been discussed in the past six columns in this series. They include making the all important decision to become an owner, locating a pharmacy to purchase, doing the financial and operational homework required to determine the value of the business to you, negotiating the final price and terms, arranging the financing and contracting with the current owner to purchase the business. Finally, you can see the light at the end of the tunnel in your quest to become an owner. After dealing with all these complex and weighty issues, the rest should be simple, right?

To quote a famous English playwright, “There’s many a slip twixt the cup and the lip,” or, more succinctly put, “The Devil is in the details.” The events leading up to the closing of a pharmacy acquisition, and those that take place immediately post-closing can and will have a significant impact on both short and long term success. It is always better to “hit the ground running” once you have closed the deal, not leave any loose ends or details to be attended to, in order that you can focus your full attention and efforts on a smooth transition and maintenance of, at the very least, the status quo.

In order to deal with all the issues that needed attention in the critical period leading up to and immediately succeeding the closing, you will need competent professional guidance, significant attention to detail and a fair amount of time to take care of these matters. Among the many things to be dealt with and attended to are:

- Taxing authorities, Federal, state and local, for tax identification numbers, sales tax numbers, unemployment tax numbers. Usually, your accountant and/or your attorney can assist in filing the necessary elections to obtain all of these necessary identifiers.
- All the regulatory authorities that govern the world of pharmacy. These include the State Board of Pharmacy, for your pharmacy operating license or certificate, the Drug Enforcement Administration (DEA), for your DEA number and authority to order Schedule II pharmaceuticals and the National Association of Boards of Pharmacy (NABP), for your NABP number, essential for billing third party payers.
- Many of the third party payers require notification, or new contractual arrangements, when there is a change of ownership. In

today's retail pharmacy environment, with more than 87% of all prescriptions in the average pharmacy paid for by third parties, it is essential that your payer arrangements are all in order on or before the day you take over. This includes your State Medicaid provider number which, in certain states, is not that simple to obtain. If the pharmacy you are buying does a significant amount of Medicaid business now, make sure you deal with this issue well in advance of the closing.

- Check on any contractual relationships the current owner may have with outside vendors. Make sure that if these contracts are necessary for you to do business easily, that they are or will be transferred at the time of closing. This is particularly important in the case of the pharmacy dispensing computer system.
- Maintaining good relationships with suppliers, particularly the full line wholesaler, is an essential component of any transition. In today's world of short margins and tight credit, don't just assume that the pharmacy's current wholesaler will welcome you as a customer with open arms. Arrange for the current owner to provide an introduction to your sales rep, and possibly the credit manager, to insure that the flow of merchandise to the pharmacy will not be interrupted. It is also important to insure that any direct accounts with suppliers can be easily transferred, any special/franchise supplier arrangements maintained.
- Someone must arrange for the inventory to be taken on or shortly before the day of closing. You and the seller need to agree on who the inventory taker will be (this cost is usually split between buyer and seller in a transaction), what day and time the inventory will be taken, what pricing formulas will be used to determine the value of the inventory and how to deal with outdated merchandise which must be returned that will be uncovered during the course of the inventory.
- There are a myriad of issues to deal with in terms of the existing staff, what they do, how much they get paid, what their benefits are, who should and shouldn't remain with the new owner after the closing. It is important that once the transaction is on the way to closing, that you meet with each of the key employees and discuss the transition with them in detail. Bringing them in on your plans in the beginning will make for a much smoother operation after the deal closes.
- Finally, there is the soon to be former owner, how long he or she will stay on, how long you will want them to stay on, what they will do, how much that will or will not cost you and, if they plan to relocate or take a lengthy vacation, how you can contact them in case there is some critical piece of information you require to operate the business after they have left.

Suffice to say that before you fill your first prescription as an owner, make your first payroll or bank deposit, meet your first customer or prescriber, there is a lot to be done. Seek out professional advice, ask friends and colleagues who have already gone through the process for their advice. But most of all, keep on top of the details, stay organized at all times, make lots of lists and be sure to cross everything off each and every one before discarding it.

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