



Not All Practices Are Created Equally: Why Physician Practice Value Varies by Specialty

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Introductions



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Agenda



1. Orientation and Key Terms

2. Valuation Approaches

- What approaches can be used to value a physician practice?

3. Valuation Challenges

- What makes valuing a practice challenging?

4. Why Specialty Matters

- How does medical specialty impact a practice's valuation?

5. Other Considerations

- How do specific buyers impact the value of a practice?

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Orientation and Key Terms

Key Terms



Value

- A forward-looking economic concept
- Principal of Substitution
- Product of supply and demand

Price

- Actual amount of money (or equivalent) agreed upon in a specific transaction

Fair Market Value

- The price at which the property or service would change hands between a *willing buyer and a willing seller*, neither being under a *compulsion to buy or sell* and both having *reasonable knowledge* of the relevant facts. - IRS 59-60

Valuation

- The act or process of determining the value of a business, business ownership interest, security, or intangible asset

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Valuation Approaches

Valuation Approaches



Asset (Cost) Approach:

- ***“How much it would cost to build a baseball team?”***
- Based on the anticipated cost to recreate, replace, or replicate the asset.

Income Approach:

- ***“How much profit can I make from owning this team?”***
- Based on the economic benefits anticipated to be derived from the asset.

Market Approach:

- ***“How much would a professional baseball team sell for?”***
- Based on transaction data involving similar assets or services

Valuation Approaches

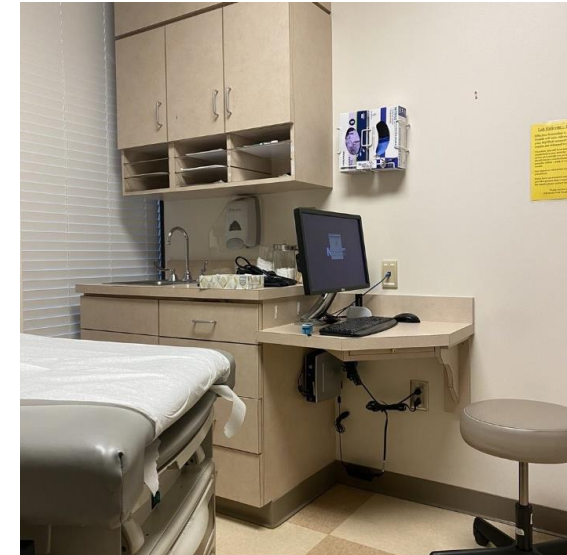


Asset (Cost) Approach:

- ***“How much it would cost to build this from scratch?”***
- Requires space, equipment, workforce, etc.

Income Approach:

- ***“How much can I make as an owner of the practice?”***
- Considers all expenses necessary to support the practice.



Market Approach:

- ***“What do others pay for similar practices?”***
- Necessary to determine comparability with market data.



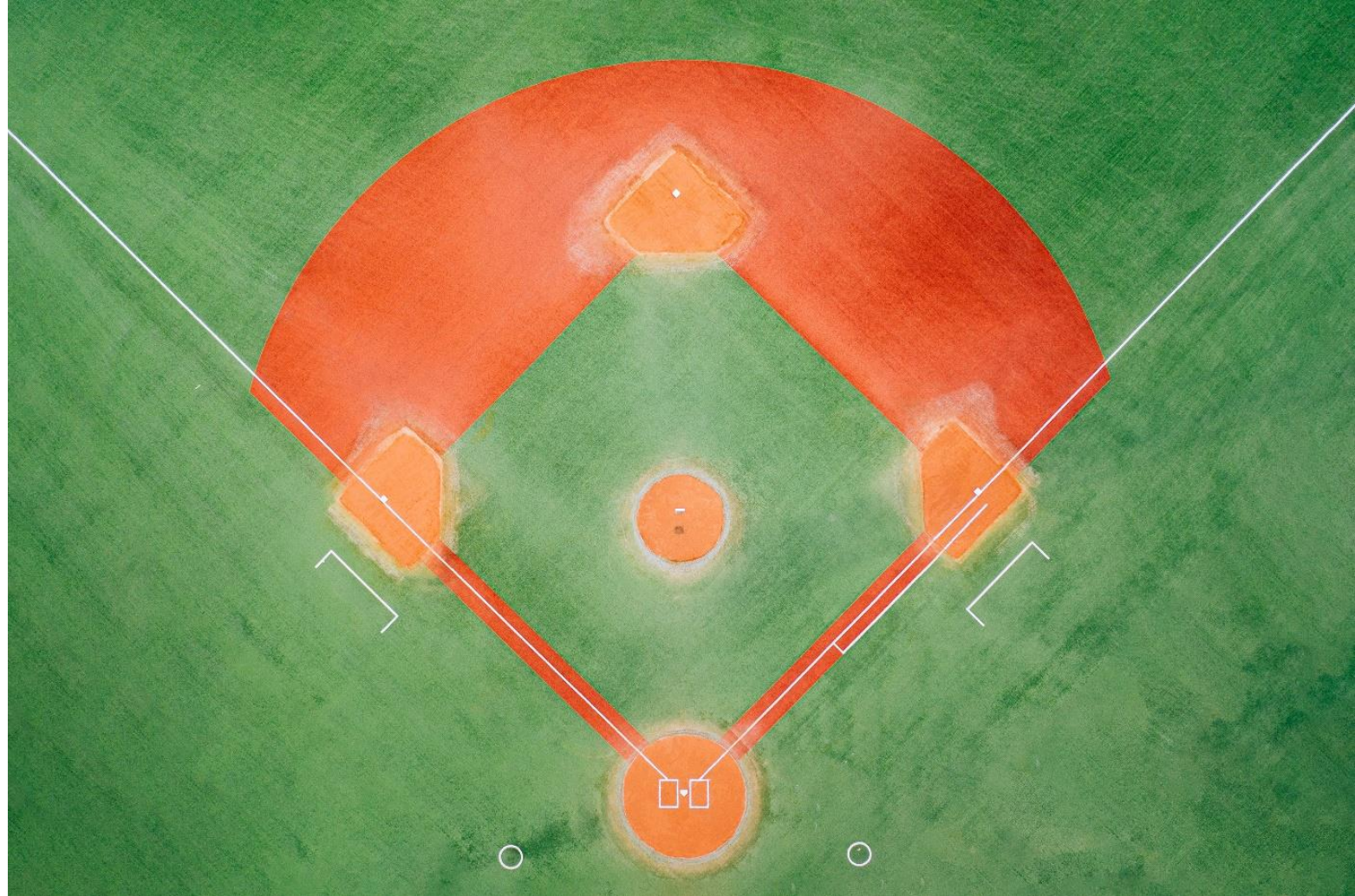
Multiple valuation methodologies can and should be utilized to the extent possible in determining value.

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Valuation Challenges

Potential Asset Approach Limitations

- Often thought of as “hard assets”
- If a practice is operated at a profit*, seller often believes there is substantial goodwill
- Disconnect between revenue generation and profitability



* *Is it REALLY profitable?*

Potential Income Approach Limitations

- “Normalized compensation”*
- Consideration of related party transactions
- One-time/non-recurring adjustments
- Efficiencies?



* *Again, is it REALLY profitable?*

Potential Market Approach Limitations

- Comparability of market-transaction data
- Lack of detail
- Valuation multiples



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Why Specialty Matters

Why Specialty Matters



Ancillary Services

Market Dynamics

Practice Operations & Financial Performance

Asset Structure



Billing Practices



Advanced Practice Providers

Key Considerations – Primary Care



- Does the practice own/provide significant ancillary services?
 - Imaging Equipment
 - Lab Equipment
- Patient panel management
- Value-based care models
- How are APPs utilized?
- Market competition

- **The “Utility Player”**
 - ✓ Family Medicine
 - ✓ Pediatrics
 - ✓ Internal Medicine

Key Considerations – Surgical Specialties



- Where do they perform surgeries?
 - In-office procedures
 - Ambulatory Surgery Center
 - Hospital
- How are APPs utilized?
 - Global billing
 - Ancillary Services Offered
- Rehab/Physical Therapy
 - Patient Monitoring
 - Hearing Aides

• **The “Power Hitter”**

- ✓ **Ophthalmology**
- ✓ **Otorhinolaryngology**
- ✓ **Urology**
- ✓ **OBGYN**
- ✓ **Orthopedic Surgery**

Key Considerations – Non-Surgical Specialties



- Unique practice patterns dictate practice value
 - Radiation oncology – Linear Accelerator
 - Dermatology – Cosmetic/MOHs
 - Allergy – Allergy Shots
 - Pulmonology – Sleep medicine
 - Gastroenterology – Scope procedures
- Billing practices
 - Global vs. professional

• **The “Marketable Player”**

- ✓ Allergy/immunology
- ✓ Dermatology
- ✓ Pulmonary medicine
- ✓ Radiation oncology
- ✓ Gastroenterology

Key Considerations – Hospital-Based Specialties



- Requires detailed understanding of contractual agreements
 - Agreement term
 - Who provides what service?
 - Restrictive covenants
- Exclusivity rights

- **The “Free Agent”**
 - ✓ Radiology
 - ✓ Anesthesiology
 - ✓ Hospitalists
 - ✓ Emergency Medicine

What Drives “Value”?

Increase in Value

Significant equipment
Ancillary services
Leveraging APPs
Valuable practice brand
Large workforce

Services provided primarily
by owner physicians
No significant transferrable
assets
Less “integration”

Decrease in Value

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Other Considerations

Why Physicians Sell



Shifting financial risk

Administrative burden

Consistent regulatory burden

Work / life balance

Succession planning and monetizing practice growth

Why Physicians Sell



Potential Buyers



Buyer:

Health System

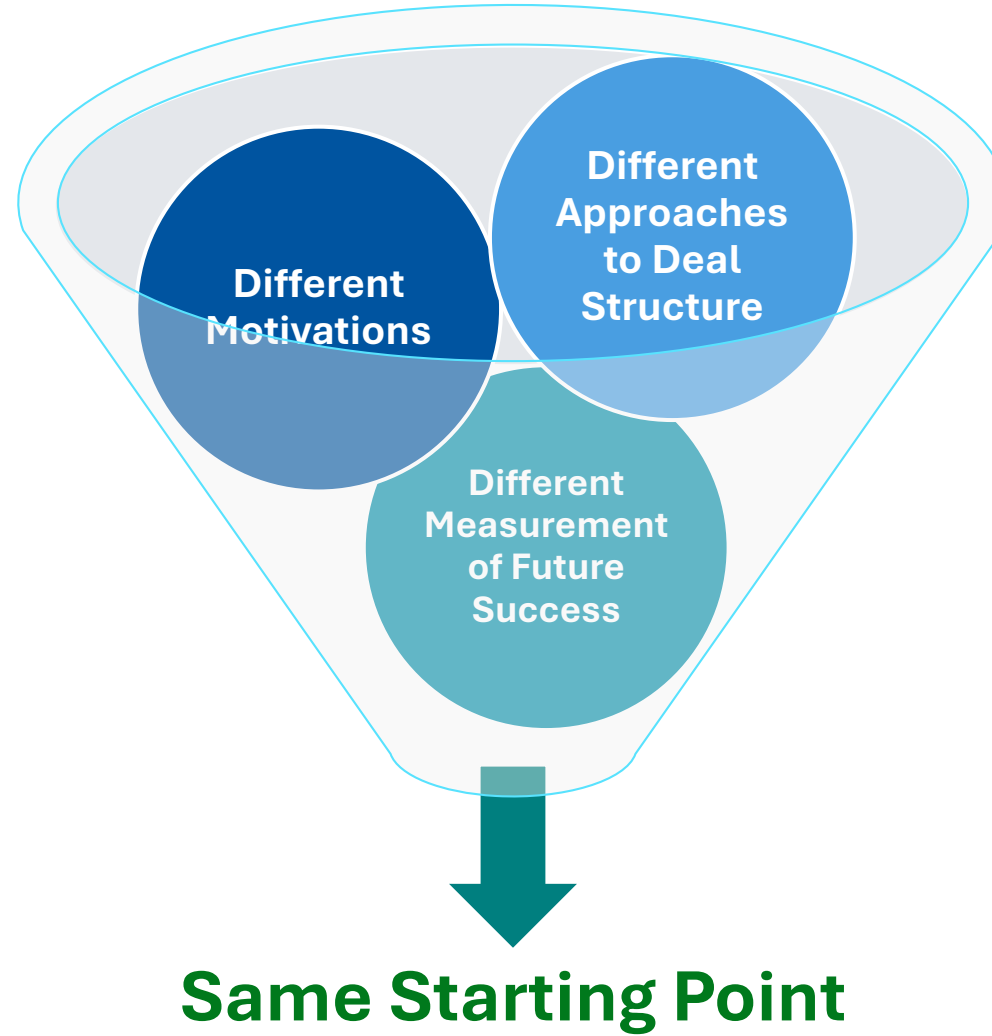
**Private Equity/
Corporate Consolidator**

Payer

Considerations:

Targets largely fill gaps in services for care delivery and clinical integration	Acquire scale and efficiencies through platform and tuck in acquisitions	Care management to drive cost reductions
Acquire and integrate (no exit plan)	Build for exit/liquidity event through focus on strong financial performance and investment return	Retain achieved savings within health plan rather than sharing with providers
Less focused on achieving scale and efficiencies	Structured to allow for practice management in accordance with corporate practice of medicine statutes	High focus on financial performance and investment return
Heightened focus on fraud and abuse laws given referral opportunities		Possible exit in future

Transaction Structure





VALUE vs. PRICE

Final Takeaways

- “There is no “I” in team... but there is a Me”
 - Every physician practice is different
- “They're in a League of Their Own”
 - Valuation is based on specific practice economics
- “Play Your Own Game”
 - Transaction structure may impact price, but not value
- “Bring in the Designated Hitter”
 - Imperative to engage with an appraiser who understands the nuances of the industry
- *That’s why not all physician practices are created equally*



A close-up photograph of a wooden baseball bat and a white baseball with red stitching. The bat is on the left, and the ball is in the center, both slightly out of focus. The background is a blurred green field.

Play ball!



A national healthcare advisory services firm
providing consulting, audit, and tax services

PYA by the Numbers

56% FEMALE OWNERSHIP

Over 2x the average of similarly sized firms

- Inside Public Accounting

1500
Healthcare
valuation opinions
requested annually

TOP 15 LARGEST AUDITOR
of AHA's Top U.S. Multi-Hospital Systems
- Ames Research Group

CLIENT LOCATIONS



O V E R
450
Commercial
Reasonableness
Arrangements in the last 5 years

Modern Healthcare **2025**
Largest Healthcare Management
Consulting Firms

INSIDE
public accounting
TOP 100 FIRMS
2025

accountingTODAY
2025 Top 100 Firms

USA TODAY
AMERICA'S MOST RECOMMENDED TAX FIRMS
2025 IN COOPERATION WITH statista

MORE THAN **2700** HEALTHCARE CLIENTS

Academic Medical Centers | Accountable Care Organizations
Ambulatory Surgery Centers | Blood Centers | Clinically Integrated
Networks | County Owned Hospitals | Critical Access Hospitals
Diagnostic Centers | Dialysis Centers | Health Plans | Health
Systems | Home Health Agencies | Hospices | Hospitals
Independent Practice Associations | Maternity Centers | Medical
Groups | Mental Health Centers | Nursing Homes
Physician-Hospital Organizations | Physician Practices | Physical
Therapy Centers | Psychiatric Hospitals | Rural Health Centers
Safety Net Hospitals | Surgery Centers | Urgent Care Centers

Vision Beyond the Numbers

We measure our success based on the success of our clients.
Our culture of HELP and helpfulness is an intrinsic daily philosophy.



RESPONSIVE



ACCESSIBLE



COMMITTED

A blurred background image of a modern office interior with large windows. Several people in business attire are visible, some standing and talking, others walking. The lighting is warm, suggesting a sunset or sunrise. A dark teal horizontal bar is overlaid across the middle of the image, containing the text "How can we help?".

How can we help?