



Closing a Practice Checklist

There comes a time when a practice must close, whether unplanned due to death or disability or planned due to retirement or relocation. At that point certain things need to be done to ensure a smooth transition for patients as well as the physician or spouse. Physicians' professional lives are intertwined with patients, insurance companies, hospitals, labs, landlords, attorneys, accountants, billing agencies, suppliers, drug companies, pharmacies, and even government entities, so closing a practice is not as simple as disposing of a piece of property. Many people and entities need to be notified. Hard assets need to be sold, donated, or disposed of properly. Records need to be transferred, destroyed, or put into storage. Accounts receivable need to be collected.

Individually none of these tasks are particularly onerous, but together they can be rather daunting. While geographic variations in law, regulations, customs, and organizations preclude writing a detailed guide on how to close a practice, the following checklist of necessary tasks should help prevent important elements from being overlooked or falling through a crack. If possible, well in advance of your closure, making a timeline of events before, during, and after you are planning to see your last patient is an effective way of keeping the tasks organized.

The checklist only addresses practice closures, not the practice sales. While the two events share some common elements, if you wish to sell a practice, you should refer to ACP's [Buying or Selling Your Practice](#).

Notifications – Many people are affected by and need to know about the closing of a practice. They deserve advance notification to assure both a smooth transition and be assured that you will meet your financial and legal obligations.

- Employees – Employees should be informed early in the process, certainly before the patients. Consider offering incentives to one or more employees to stay until the last patient is seen, and/or until the practice is officially closed, or even longer to help collect any remaining accounts.
- Patients
 - Allow enough time (if possible) for patients to obtain records and find a new physician so that the patients do not feel “abandoned.” Two to three months should be sufficient.
 - Check payor contracts for any patient notification requirements.

- For particularly needy or high-risk patients, consider using certified mail with return receipt. Place a copy in each chart. If undeliverable, make a note in the record about any special attempts made to notify the patient.
 - Some states require that a notice be placed in the local newspaper, including date of closure and how to request transfers or copies of records before and/or after closure. This [website](#) provides patient notification guidelines by state.
 - A patient notification letter should be sent to each patient and should include: reason for closing, planned date of closure, how to obtain records, the patient's options for obtaining continued medical care (both routine and emergency), where the records will be after closure, how long records will be retained and be accessible, and contact information for future record requests. (See Sample Letter, Exhibit A.)
 - Notice should also be posted prominently on your web site, including the same information as in the letter. If you have any social media presence, posting the same information there is also effective.
 - Most telephone providers will allow you to keep or port your number to an inexpensive, month-to-month plan. Keeping the practice phone number active, with a recorded voice message of key information for the first year after closure is a great way to ensure proper notification.
- DEA (in writing)
 - Enclose DEA Controlled Substance Certificate and controlled substance order forms.
 - Cross out and write "void" on forms before sending.
 - State licensing agencies/medical boards – include your notification letter sent to patients with the key items such as the medical records custodian and referrals.
 - State employment agencies (to discharge your employer obligations)
 - Practice insurance carriers (e.g., health, workman's comp, commercial multi-peril, fidelity, employment, etc.)
 - Payors
 - Public (Medicare, Medicaid, Tricare, etc.)
 - Private (PPOs, HMOs, etc.) – Some contracts have specific requirements regarding notification of patients for planned closures.
 - Be particularly aware of contract terms and payment cycles for capitated contracts. Mid-month closure may cause accounting complications, not to mention patient care obligations. Off-cycle closures could also jeopardize any risk pool or bonus payments.
 - Referring physicians (if you are a specialist) or other physicians who may be affected by the closure of your practice
 - Hospitals and other facilities where you have privileges
 - Medical societies (local, state, and national)
 - Landlord (see below)
 - Utilities (electric, phone, internet service provider, answering service, pager service, etc.)
 - Vendors (EHR, telephone, medical suppliers, etc.)
 - Accountant and attorney (who can help with tax and corporate issues)
 - Post office (provide forwarding address or PO box)
 - Magazines or other subscriptions

Record Retention – Nothing raises more questions when closing a practice than what to do with the medical records. It is important to remember that the physical record (whether paper or electronic) is the property of the practice and the information in the record is the property of the patient. Thus the patient is entitled to obtain *copies* of the record, but the physician must retain the original in case a liability claim is filed. Other records, such as tax returns, bank statements, personnel files, EOBs, and other financial records also need to be retained. Be careful about basing your retention decisions on just a simple internet search – there is a tremendous amount of outdated, conflicting, and inaccurate information available, depending on the source. A local attorney, specializing in healthcare, is one of the better sources on the specific retention requirements for your practice. Some states have different retention requirements for hospitals than private practices or specialties, and some states are silent on retention requirements. When in doubt, be sure to consider continuity of care for the patients, the potential for insurers to audit/clawback payments (CMS recently changed their requirement to 10 years), and your ability to defend yourself from potential litigation after the practice closes.

- Contact your state government and/or liability insurer for record retention guidance, including the legal length of time records should be retained, and any other state specific requirements. ***Do this first.***
- Your state medical society may also have information on any state regulations on record retention or transfer. This [resource](#) offers state-by-state guidance regarding medical records retention laws and this [resource](#) helps for those states with unclear, incomplete, or no laws regarding record retention.
- If there are state mandates, keep records for at least the prescribed length of time. If no state specific requirements exist, it usually is sufficient to keep original records until the statute of limitations expires or for 10 years from the date of last visit. Child and adolescent records should be kept until the age of majority plus the statute of limitations.
- Obtain written authorizations to transfer all patient records, particularly and specifically for sensitive information. Keep a copy of this authorization in the original record.
- If records will be held by another physician or practice, obtain a written agreement with that physician specifying the length of time records will be held, arrangements to transfer records at patient requests, guaranteed access for you in case of a liability claim or other requirement, and notification to you before record destruction or transfer.
- In your timeline of events, be sure to contact any third parties involved in storing your records, whether your records are physical, electronic, or a mixture. Electronic medical records providers typically need several months' notice to extract your records in a way that no longer requires costly licensing or risk of future access. For physical records, several months prior to closure, you should start thinning out records that are older than the retention requirement and collect any outstanding payments or medical records component to ensure the records are complete.
- When transferring medical record information on behalf of patients, you may charge the patient a reasonable fee to reflect the cost of the materials used, the time required to prepare the material and the direct cost of sending the material to the requesting physician or other party. (Note: Certain states have laws with published rates for what can be charged

for copies of medical records, but these may be in conflict with recent changes to Federal laws – the Federal (HIPAA) standard should be followed..) Since this is generally an uninsured service, reasonable attempts may be made on the part of the physician to collect the fee in advance. Nonpayment of the fee or any outstanding balance, however, is not a reason to withhold the information.

- ❑ You may be obligated either to transfer medical records to another physician at a local address and phone number, or notify each patient that their medical records will be destroyed in (state specific) x years unless they obtain the records or request a transfer of the records to another physician within a reasonable time period.
- ❑ Records must be stored in compliance with all regulations and in a place where they are safe from tampering, loss, access by unauthorized personnel, fire, or flood. In addition to the storage of records, remember that someone must be responsible for receiving authorized requests for the records, and release them in a HIPAA-compliant manner. Consider that you may reach a point where you are no longer willing or able to manage this requirement through the entire retention period. A records custodian can serve this purpose, but make sure they offer a Business Associate Agreement with their contract and their services fully comply with HIPAA. The HIPAA laws on charging patients and the response time for providing copies of records have changed recently, and failure to comply by either you or a records custodian you hire, can result in serious penalties to you.
- ❑ Keep tax returns, personnel files, accounts payable invoices, contracts, and other financial records according to recommended guidelines (usually seven years, but some states vary).
- ❑ Retain HIPAA documentation, such as acknowledgement of privacy notice, requests for amendments, and workforce training documentation, for six years.
- ❑ Shred any paper records that qualify to be destroyed , or if using a professional to destroy your records, obtain certificates of destruction. Destruction can be by incineration, shredding, pulverization, or, in the case of computer media, reformatting or de-magnetization.

Important considerations:

- ❑ Accounts receivable – Several weeks before closing, tighten up collections as much as possible to reduce the need for collections after you close. Retain someone (an individual or agency) to collect the last accounts receivable. Alternatively, and less commonly in the medical field, you may be able to sell the remaining accounts receivable, at a discount, to a “factor” who will in turn attempt to collect them for his own account.
- ❑ Malpractice insurance. Contact your professional liability carrier to arrange tail coverage to cover you for any events that may have occurred prior to closing the practice. Some carriers will provide a free retirement tail if you have been insured with them for 5 or more years. Your malpractice insurer can also be a resource for guidance on certain items, such as medical records retention and notification strategies.
- ❑ Lease – Hopefully you previously negotiated a “release” clause in your lease in the event your practice went out of business. If so, make sure you now comply with all the stipulated obligations concerning advance notification to your landlord, etc. If there is no such clause

and the term of the lease runs longer than the practice will need the space, try to negotiate favorable terms with your landlord for terminating the lease.

Office furniture, supplies, and equipment

- Furniture – sell or see if there is a local charity that needs your waiting room or office furniture such as desk chairs and file cabinets.
- Medical furniture and equipment – sell, contact the supplier to see if they can rehabilitate it, or donate to one of many medical charities that accept used medical supplies and equipment.
- Office equipment (computers, printers, scanners, copier, fax machine, etc.) – sell, return to the vendor, or identify a charity that needs them.
- Practice computers containing patient information should be professionally reformatted or hard drives destroyed, after which the computer may be sold, rehabilitated or trashed. (To destroy the hard drive, you may remove it and use a hammer to render it unusable.)

Accounts payable – notify all suppliers of the closure and request final statements of the amounts you owe. Keep your business bank account open for 2-3 months until all final invoices are paid. Invoices received after your practice bank account has been closed can still be paid from your personal bank account, but careful records should be kept.

Other considerations:

- Securely destroy all unused prescription pads by shredding.
- Destroy, donate to charity, or return unused pharmaceutical samples. Contact DEA for specifics on proper disposal of medications.
- Contact your attorney and accountant to make sure all state obligations, such as dissolution of the corporation or payment of franchise taxes, are met.

Exhibit A
Sample Notification Letter to Patients

[Note: Your malpractice carrier or an attorney should review this letter to ensure compliance with state laws. This is a sample intended to be a starting point.]

Dear Patient [use name]:

I regret to inform you that effective ____ (date)____ I am closing my practice due to [my retirement, health reasons, relocation, etc.]. I will no longer be available to take care of your medical needs after that date.

Please arrange to have another physician take care of you. [You may offer suggestions here if you have made any arrangements with local practices.] If you are not acquainted with a physician, you may use your insurance company's provider directory or check with the hospital's physician referral service. [If you or your staff can provide assistance in the referral process that would be a nice touch, but it is not necessary.] Once you have identified a physician or practice, please contact my office by ____ (date)_____ to obtain copies of your medical record.

For your convenience, I have attached a records release authorization [the authorization should include name and address of patient as well as new physician or practice]. In accordance with [state law], there will be a nominal fee [\$x.xx/page not to exceed \$x.xx or whatever your state regulations allow] to make copies of your chart to cover copy and transmittal costs. If you choose to pick up the copy of your record so that you may personally take it to your new physician, please do so by ____ (date)____. After ____ (date)____, your records will be [provide name or location of where records will be held, how long they will be retained before being properly destroyed, and, if possible, an address or PO box to use for future record requests].

I wish you all the best for your future health and happiness.

Yours very truly,