MCS Advisory

TRANSACTION ADVISORY · 2026 VALUATION GUIDE

What Is Your Practice *Really* Worth?

A 2026 guide to valuing physician practices and ambulatory surgery centers — how buyers actually price your business, what moves the multiple, and why the number on your tax return is not the number a buyer will pay.

6–12×
Practice EBITDA range

7.9×
Median ASC multiple, 2025

11–17×
Regional ASC platforms

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START HERE · THE CORE EQUATION

Buyers don't pay for last year's tax return

The single most common question owners ask is "what's my practice worth?" The honest answer starts with one equation — and the recognition that the earnings a buyer pays for are not the earnings on your books.

> **Enterprise Value = Normalized EBITDA × Market Multiple**
>
> Buyers pay for the enterprise value of your cash flows on a trailing-twelve-month basis — not last year's tax return, and not your preferred number.

Two variables, and owners tend to focus on the wrong one. The **multiple** gets all the attention — "cardiology trades at 10×" — but the **normalization** of EBITDA usually matters just as much. A higher quoted multiple on overstated earnings can produce a weaker outcome than a lower multiple on clean, buyer-validated earnings.

What "normalization" actually means

Before a buyer applies any multiple, they rebuild your earnings to reflect what the business will actually produce after you're gone. Common adjustments:

- **Owner compensation reset** — your above- or below-market pay is adjusted to a fair-market replacement salary.
- **One-time expenses removed** — non-recurring legal, build-out, or startup costs are added back.
- **Related-party adjustments** — rent paid to an entity you own, or family on payroll, is normalized to market.
- **Add-back scrutiny** — every add-back you propose gets tested; undefendable ones get stripped, lowering the base.

The valuation question a buyer is really answering is: **which earnings will still exist after a change of control?** That is why they focus less on your preferred multiple and more on the evidence behind the earnings.

REVENUE MULTIPLE (SMALLER PRACTICES)

Smaller practices are sometimes quoted on revenue: roughly **0.5–1.0× annual revenue**. It's a rougher proxy used when EBITDA is thin or volatile.

EBITDA MULTIPLE (THE STANDARD)

The industry standard. Physician practices generally trade at **6–12× EBITDA** depending on size, specialty, and market — the range this guide unpacks.

Source: MCS Advisory. Market ranges per VMG Health 2026 Healthcare M&A Report; FOCUS Investment Banking; Sofer Advisors; Auxo Capital Advisors (2026). Educational use.

PHYSICIAN PRACTICES · WHAT MOVES THE MULTIPLE

Why two practices with the same EBITDA sell for different prices

Size, specialty, and structure drive most of the spread. The market pays up for scale, for specialties with durable demand, and for practices that don't depend on the founder.

Practice profile	Typical EBITDA multiple	Why
Small, single-provider (non-ASC)	~5–7×	Owner-dependent, thin scale
Mid-size group	~7–9×	More providers, transferable
High-provider-count platform	~10×+	Scale, management depth
Cardiology, ophthalmology (leading specialties)	**Premium**	**Ancillaries, durable demand**
Platform vs. add-on	+3–5 turns	Platforms command a premium to bolt-ons

Ancillaries lift the multiple — often dramatically

Owned ancillary services raise both your EBITDA margin and the multiple applied to it, because they add higher-margin revenue and signal operational sophistication:

Ancillary	Approx. multiple lift	Best fit
ASC ownership	+2–3×	Surgical specialties
In-house imaging	+1–2×	High diagnostic volume
Integrated pathology / lab	+0.5–1.5×	Specialty-dependent

Cardiology practices with cath labs and GI practices with endoscopy centers command particular premium positioning — the facility revenue is valued alongside the professional practice.

Broader context: healthcare-services median EV/EBITDA has moderated to roughly **11.5×** in 2026, down from about **14.5×** in 2024 — with the widest spread between small add-ons and large, infrastructure-rich platforms. The premium for scale has, if anything, widened.

THE VALUE-DRIVER CHECKLIST BUYERS SCORE

Beyond the headline multiple, buyers test: provider retention and employment agreements, payer and referral concentration, owner dependence, revenue-cycle discipline, clean location-level reporting, and compliance posture. Strength on these expands your multiple; weakness compresses it.

Source: MCS Advisory. Multiple ranges per VMG Health 2026 Healthcare M&A Report; FOCUS Investment Banking (2026); Auxo Capital Advisors (2026); Sofer Advisors (2025–2026). Educational use.

AMBULATORY SURGERY CENTERS · 2026 MARKET

ASC multiples hit an eight-year high

Demand for outpatient surgical capacity is strong. Median ASC transaction multiples reached their highest level in at least eight years in 2025, and best-in-class centers are commanding double digits.

7.9×
Median TIC/EBITDA, 2025 — 8-year high

5–8×
Single-specialty center

6–10×
Multispecialty center

11–17×
Regional / national operators

ASC transaction multiples, 2023–2025

TIC / EBITDA	2023	2024	2025
25th percentile	7.4×	7.3×	7.1×
Median	**7.7×**	**7.6×**	**7.9×**
75th percentile	8.0×	8.0×	8.1×

The historical benchmark for a single ASC has long coalesced around 7–8× EBITDA. The 2025 median uptick reflects easing financing, improved buyer confidence in forward earnings, and increased competition for high-quality assets.

WHAT EARNS A DOUBLE-DIGIT MULTIPLE

- Multiple locations & scale
- Strong utilization & efficient operations
- Orthopedics, GI, retina, cardiology mix
- Physician alignment & comfort in the ASC setting

WHAT HOLDS A MULTIPLE DOWN

- Single specialty, single site
- Out-of-network revenue concentration
- Operational or staffing challenges
- Minority (non-controlling) interest

For reference, Surgery Partners — a large public ASC operator — traded around **12.7–14×** EV/EBITDA on 2025–2026 estimates. Platform scale is valued in a different tier than a single center.

Source: MCS Advisory. VMG Health 2026 Healthcare M&A Report (median TIC/EBITDA, percentile table, Surgery Partners); Scope Research (specialty ranges); Becker's ASC Review (2026). Educational use.

2026 CONTEXT · HEADWINDS & PREPARATION

The 2026 reimbursement shift — and how to prepare

Valuation doesn't happen in a vacuum. The 2026 Medicare rule reshapes earnings for procedural specialties, and the practices that prepare 2–3 years ahead capture top-quartile outcomes.

THE 2026 MEDICARE WRINKLE

CMS finalized a 2026 conversion-factor increase (to roughly $33.40–$33.57), but paired it with a **−2.5% efficiency adjustment** to work RVUs on ~7,000 procedural, imaging, and interventional codes. Net effect: value shifts toward time-based specialties (E/M, behavioral health) and away from procedural ones. For a procedural practice, this can pressure the very EBITDA a buyer is capitalizing — model it before you go to market.

The preparation timeline that captures value

Industry experts consistently advise beginning sale preparation **2–3 years in advance**. Early preparation — accurate financials, a documented growth plan, and compliance readiness — remains the most reliable path to top-quartile outcomes. The practical work:

- **Clean the financials first.** Clean books, accurate P&Ls, and clear EBITDA visibility directly determine what buyers will pay. This is the single biggest lever before you talk to anyone.
- **Reduce owner dependence.** Delegate non-clinical responsibilities, document processes, and show that patient flow, referrals, and collections don't rely entirely on the founder.
- **Strengthen the value drivers.** Provider-retention plans, clearer employment agreements, disciplined scheduling, better revenue-cycle controls, and location-level reporting all raise buyer confidence.
- **Decide the right path.** Immediate sale, delayed sale after preparation, majority recapitalization, or minority investment — the best path matches your goals and the practice's readiness.

Regulatory scrutiny has intensified: the IRS and OIG emphasize fair-market-value compliance across healthcare transactions. A defensible, independent valuation is no longer optional for transaction, tax, or partner-buy-in purposes.

Source: MCS Advisory. 2026 Medicare data per CMS CY2026 Physician Fee Schedule Final Rule and MGMA (2026); preparation guidance per VMG Health, FOCUS, and Auxo (2026). Educational use.

WORKED EXAMPLE · PUTTING IT TOGETHER

From tax return to enterprise value

An illustrative multispecialty group, to show how normalization and multiple selection interact. Figures are hypothetical and for education only.

Step	Amount	Note
Reported pre-tax income	$1,200,000	What the tax return shows
Add back: owner comp above market	+$350,000	Reset to $400K FMV salary
Add back: one-time build-out	+$180,000	Non-recurring
Add back: related-party rent premium	+$90,000	Normalized to market
Less: undefendable add-backs stripped	−$120,000	Buyer diligence
Normalized EBITDA	**$1,700,000**	**The real base**

NAIVE: RAW EARNINGS × A HIGH MULTIPLE

$1,200,000 × 8× = **$9.6M** — but built on unadjusted earnings a buyer won't accept.

REAL: NORMALIZED EARNINGS × SUPPORTED MULTIPLE

$1,700,000 × 8× = **$13.6M** — a defensible number that survives diligence.

The difference isn't the multiple — it's the **$500K of normalization** that a prepared seller captures and an unprepared one leaves on the table. On an 8× multiple, that single discipline is worth **$4M** of enterprise value.

What's your practice or ASC worth?

MCS Advisory builds defensible, buyer-tested valuations for physician practices, ASCs, and healthcare ventures — and helps owners prepare in the years before a sale to capture top-quartile value. Veteran-owned, senior-led, confidential.

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