



## Is there Real Value in Medical Records?

### *The Theories Behind it All*

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With physician practice acquisitions occurring rather rapidly in the market, there are a lot of questions and comments surrounding the **fair market value** of **patient medical records**. There are conflicting theories as to whether a collection of patient medical files truly have any real value to a buyer or seller in a medical practice transaction.

First, there is strong evidence that shows a financial cost to a physician practice owner/seller to retain custody of patient files and keep them in storage. Because, most state medical boards (not all states) require that patient medical files be stored and available for anywhere between three and seven years. For example, in the state of Florida medical doctors are required to retain a patient's medical records for a period of five years from the last patient contact<sup>1</sup>. The cost to store hundreds of patient files can add up over time. As such, I once heard from a reputable health law practice that their physician clients would be happy if the purchaser (likely a hospital or another medical practice) paid them \$1 for all of the files, because they do not want the burden or responsibility of storing them.

Secondly, in most cases, a buyer of a physician practice will incur a financial cost and burden to obtain a patient medical record if they did not already have possession of the file. So, it seemingly makes sense that if the physician practice seller doesn't want the responsibility and cost of retaining custody of the records and a buyer of the medical practice incurs a cost to obtain them if they don't already have possession that the two parties would transact for a nominal fee. Unfortunately, the marketplace is not that simple and buyers and sellers will bargain for their own economic benefit. So, how does one determine the fair market value of patient medical records?

First, let's address the question of "what does it cost to store patient medical records?" Typically, if a hospital purchases a physician practice and chooses not to purchase the patient's medical records, the selling physicians will have to store the files at a company like Iron Mountain or a similar facility.

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<sup>1</sup> Fla. Admin. Code Ann. 64B8-10.002(3) (2008)

Now, let's address the question of "what is the cost to a medical practice owner/operator of not having possession of patient medical files?" Logically, the cost of not having possession is equal to the cost of obtaining the medical files when they are needed. Assuming the patient medical files are stored at a third-party storage facility, the requestor of the patient files normally bears the cost to retrieve and photocopy the file. It's important to note that not all buyers of physician practices will perceive any value in possessing the patient medical files. For example, a buyer of an orthopedic practice would probably not perceive any value in retaining custody of all the patient medical records. An orthopedist that sees a patient for a broken ankle may never see that patient again. Conversely, an OBGYN may see a patient two or more times per year and therefore will need the patient's medical history.

Calculating all of the aforementioned costs is a timely process which entails the use of assumptions, estimates, market rates and, of course, the specific facts and circumstances of each particular case. In conclusion and in theory, the market value of patient medical records falls somewhere between the cost borne by the seller to store the files and the cost to the buyers to obtain the files when needed.