Transitions

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Experience, Information, Consultants You Can Trust

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Preparing For Your New Associate

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What's the Value of My Practice?

The value of a business is determined by how much money a buyer would pay to acquire the opportunity and earn an income. Whether an investor-owned or owner-operated business, the income left after all expenses are paid is the incentive to take on the ownership risk. For an owner-operated dental practice, the money left after overhead is paid is the practice "net income". By estimating this figure for the first year of operation, a purchaser is able to make an informed decision to pursue an opportunity or not.

We often get the question, "so, ballpark, what do you think my practice is worth?" While this may seem like an easy estimation to make, without proper evaluation, there is no reliable way to answer.

While it is true, nationally, that general practices sell, on average, for anywhere between fifty (50) to ninety plus (90+) percent of the most recent year's collections, depending on these figures can be extremely deceptive.

For example, assume two equivalent practices are each collecting the same amount. By applying a "percentage of gross" methodology, both practices would have the same value. Looking deeper, though, if one practice's rent is double the other's, would both practices be worth the same? Assuming that every other aspect of the two practices is exactly the same, the obvious answer would be "no". The practice with the lower rent would be worth more as it results in more owner net income.

When asked to evaluate a practice, an appraiser should adhere to standard, accepted procedures for business appraisals. There is specific methodology for the evaluation of a business and while equipment or aesthetics may not have a significant value on their own, the quality of both may be extremely important in the determination of the overall practice value.

In most cases, the seller of a practice feels that their opportunity is a "gold mine". In many cases, the doctor sends out procedures that could be done in-house. An aggressive purchaser who wants to do more business only needs to keep these procedures in-house, advertise, join insurance plans, or change something else about the practice to make it more profitable. Now, while this may be interesting to a purchaser and a great opportunity for their future, if the seller has not taken these measures, the "gold mine" is obscured. The bottom line, though, is that it is impossible to value "potential". A purchaser, though, does purchase the opportunity to reach that potential.

Value is an opinion either backed up by guesses or facts. Informal polls of colleagues or classmates, public or internet forums, or simple formulaic calculations are guesses. Standard methodology, taking into account multiple variables and cross examined with several methods, is the only way to produce a reliable valuation.

Preparing For Your New Associate

By Cindy Bickers, *Manager, Henry Schein Nationwide Dental Opportunities*

From years of experience, the following are a few suggestions for you to consider when adding a new associate to your practice.

Why hire an Associate?

As the senior dentist or practice owner, you may consider hiring an associate dentist if the practice has too many patients to treat or you are booked out for a substantial amount of time. Perhaps you want to reduce your treatment hours per week, allowing more time to spend growing the practice or possibly taking time away from the practice. An additional practitioner may increase revenue, profits, and the value of the practice by treating more patients. A benefit of adding an associate is more coverage for sick days, vacation, and emergency situations. Also, it is often easier for an associate who is working in the practice to become a partner or to transition to the practice owner.

Are you ready for an associate?

Once you have decided that you have a need to hire an associate, you will need to determine if the practice can support an additional dentist. In order to make it work, the practice gross should exceed $800,000 per year and the practice should be well-established with an active patient count of 1,800 or more. These should be active patients based on a 12 to 18 month recall. You should also be bringing in a minimum of 25 new patients per month in order to support a new associate. If the patient count is too low, consider implementing a marketing plan to bring in new patients. The office should have sufficient space and be adequately equipped to accommodate another practitioner.

Marketing Plan

Introducing the new associate to the patients is paramount. It's important to have business cards printed, modify signage, update your website, and prepare marketing literature such as a patient newsletter, to introduce the associate. It may be best to wait for the passing of the associate's probation period to announce your associate's affiliation to all of the patients or to make any major changes with the exception of the business cards. So, in the unlikely event that the associate is not the right candidate, only a handful of patients will be impacted, not the entire patient base.

Staffing

It is crucial that your associate learns how to do things "your way". We recommend that you assign one of the experienced dental assistants to the new associate. You may utilize the staff to teach the new associate your policies and procedures as it will ensure quality control. Also, get your staff on board with hiring an associate. They can make the difference in the success of the new associate and your practice.

Patients for the Associate

You want the new associate to be busy and productive. You shouldn't expect a new associate to come into the practice to build their own patient base. Reactivating patients is a key ingredient to properly integrating the new associate into your practice. Perhaps the practice is more focused on a specific type of dentistry or there are procedures that may not be performed. The new associate may add some procedures to the practice. You may also add insurance plans that are not currently being accepted.

Recruitment

When you are ready to begin recruiting, Henry Schein Nationwide Dental Opportunities can help you conduct customized searches to find qualified candidates nationwide. All searches are confidential and we have a very high success rate. Our fees are more reasonable than you may think.

Contact Henry Schein Nationwide Dental Opportunities today! Call 1-866-409-3001 or email NDO@henryschein.com.

What Our Clients Say

"Having just successfully sold and transitioned my cosmetic and restorative dental practice of 40 years through Henry Schein Professional Practice Transitions, I would absolutely recommend their services and agent, Mr. Matthew Sutton, to colleagues.

The complete experience has been very positive and handled with the utmost professional care by Mr. Sutton and the supporting Henry Schein PPT team. Their industry knowledge and expertise is unmatched. I was kept in the loop throughout the entire process with regular status updates and on-demand agent support. Matt's background as a commercial banker added value that I would not have received through any other firm; his ability to understand both sides of the transaction made the process smooth for all parties involved. He went beyond by helping my buyer to quickly find suitable financing that met the transaction requirements."

– Dr. Vic Bateh, D.D.S., *Seller* – Marietta, GA