

Experience, Information, Consultants You Can Trust

In This Issue:

Pandemic's Impact on Doctors' Transition Plans



Congratulations!

Doyle Summerlin, D.M.D. to
Kirk Cohil, D.D.S. | Apopka, FL

William K. Belton, Jr., D.M.D. to
Trevor Williams, D.M.D. | Brandon, FL

William M. McDermott, D.D.S., PA to
Jordan K. Hubbard, D.D.S., PLLC | Pinehurst, NC

David A. Schwartz, D.D.S. to
Empire State Dental, PC | Great Neck, NY

Graham B. Burcham, D.D.S., PA to
Sean J. Abrams, D.D.S. | Franklin, TN

Poway General Dentistry Practice

Sonoma County General Dentistry Practice

Visit our website
for more sold listing
announcements!



You're In Good Company

Since the pandemic began in March, much has changed in the dental world, starting with the closure of offices for routine treatment. Many practice owners who had their transition plans set as they began 2020 found themselves changing their timeline, priorities, and reconsidering their options.

Henry Schein Professional Practice Transitions (Henry Schein PPT) has been actively engaged with practice owners to address their concerns. In May, we conducted a survey to understand practitioners' changing priorities and needs, so that we could meet your objectives and support you in meaningful ways.

We track data from multiple sources including the American Dental Association's Health Policy Institute bi-weekly panel survey, which, similar to our survey, found that there was a segment of respondents looking for accelerated divestiture of practice assets.* Underlying health or financial considerations prompted some to shift focus from practicing dentistry to divestiture, resulting in an immediate need to assist these practitioners with finding a successor for their practice, staff and continuity of care for patients.

As a result of this need, and to ensure clients could sell their practices in a timely manner, we created an Accelerated Divestiture Program (ADP). The ADP was designed to help practice owners go from listing to closing in weeks instead of months by prioritizing a quick sale. Utilizing the expertise and extensive network of the professionals at Henry Schein PPT, we are helping those practitioners who could not go back to practicing to realize a return on their life's work that will support them in their retirement. Through this process we have been able to transition many practices that sellers

had thought were unsellable and thought that they would just be closing their doors.

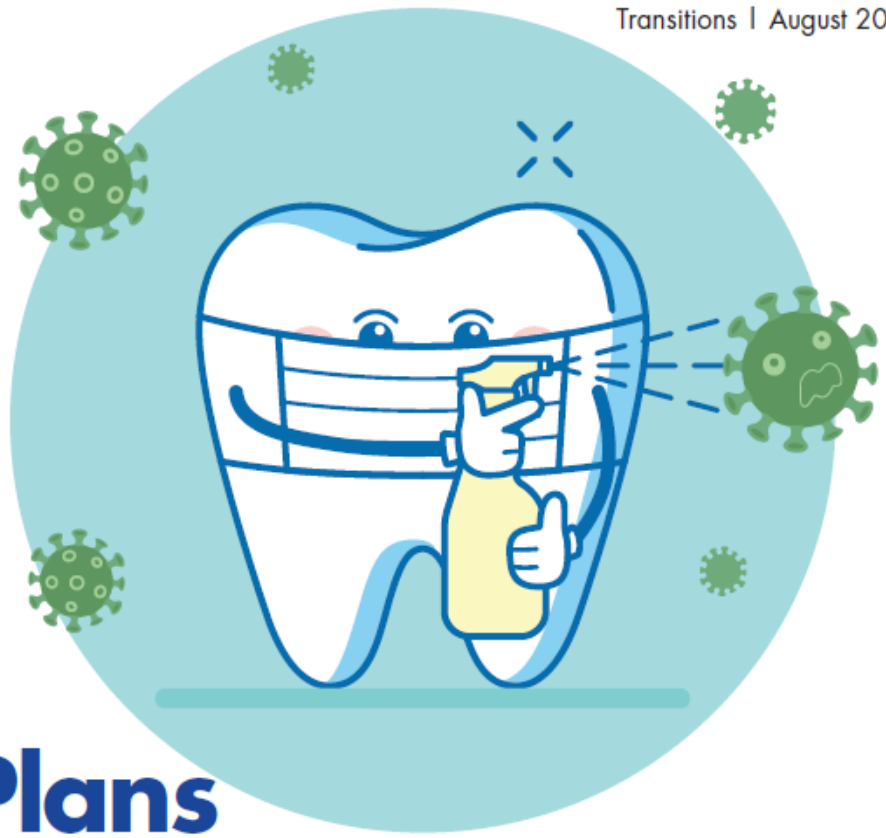
There is no "one size fits all" in a practice sale. When a practitioner shuts their doors and walks away without evaluating other options, everyone loses. They lose, their patients lose, and their staff loses. One call to Henry Schein PPT can connect you to a consultant who can help you to identify and explore all of your options. With a Henry Schein PPT Consultant you are in good company. They will help you through this stressful process and help you get the best possible result for your specific situation, which may not mean closing your doors. Better financial outcome for the owner, quality care for your patients, and jobs for your employees. A win-win-win.

Many doctors have re-evaluated the timing of their transition and are re-thinking their plan. Now is a good time to re-evaluate your transition plan or to develop one if you don't have one. And it is always advisable, pandemic or not, to create the plan with a knowledgeable dental transition advisor. You need someone who has experience with dental practice valuations, sales, and transition planning specifically in the dental industry. Henry Schein PPT has Transition Sales Consultants nationwide with that expertise, as well as the resources and industry contacts of Henry Schein.

For more information go to:
HenryScheinPPT.com
or call 866-491-2443.

* The week of June 1, 2020 ADA survey results showed 13% of the respondents planned to sell their practice in the next 6 months, 16% planned to retire, and 5.3% were going to file for bankruptcy.

Pandemic's Impact on Doctors' Transition Plans



By Thomas L. Snyder, DMD, MBA, Senior Director | Henry Schein Professional Practice Transitions

Since early March, the pandemic has had a major impact on all dental practices. As a result, many practitioners have given serious consideration regarding whether they want to return to practice at all or accelerate their practice transition plans. Approximately 32,000 dentists are now 65 years of age and older and still actively practicing. The majority of this group are also solo practitioners. Because of the increased health risks of the older population to COVID, as well as the increased costs of PPE and other infection control strategies for all dental practices, it's no small wonder why so many dentists in this age group are taking immediate action.

The American Dental Association's Health Policy Institute has been conducting a bi-weekly panel survey of 12,000 dentists. This survey began in March with approximately a 50% response rate. The panel survey has been tracking various statistics such as patient volume, collections, and the employment status of staff. It also classified respondents as solo, group, and DSO categories. The panel survey poses varying bi-weekly questions for respondents, such as in the most recent survey panel conducted the week of June 1, where the following question was asked: "Do you intend to do any of the following in the next 6 months?" Of the 5,675 respondents, 16% stated they plan to retire, another 13% stated they would sell their practice, and unfortunately another 5.3% stated they would be filing for bankruptcy! In total, more than one-third of respondents will not be returning to their practices.

Those who are considering a return may prefer to sell their practice as a "going concern" and possibly remain for a short transition period after the sale. However, with such a large number of doctors entertaining this type of drastic action, there will be many patients who will need a new dentist. This provides an extraordinary opportunity for many practitioners to assume the dental care of many "new" patients, immediately enriching their businesses and possibly enhancing their practice transition plans. Most Purchasers, however, are reluctant to pay all cash for an offer to buy a patient list. The biggest risk for them is whether the Seller's patients will travel to their new practice location. On the other hand, it is extremely unfortunate for doctors who had a successful career to simply end it

by handing over their patient list to a colleague in their area, without remuneration, or sell their patient list for a minimal fee.

There are several options for consideration that can mitigate these scenarios, thus allowing a Seller to receive a fair return for their career's efforts while at the same time provide a risk-averse way for a Purchaser to obtain many new patients for their practice. The first option is called the Production (Revenue) Acquisition Method. The first step in this method is to determine a value for the patient list which is reflected as a ratio of the most recent year's gross receipts. This ratio should be in a higher range than for an all-cash patient list purchase since the Seller assumes much of the transaction risk. A down payment is usually required in this method, accompanied by the payment of a percentage of receipts generated from the Seller's patients who join the new practice over a predetermined period. Payments are usually made quarterly. If the patient transfer is successful, once the sale price has been paid, the Purchaser has no further financial obligations. Conversely, if the payments made to the Seller fall short of the sale price previously negotiated over the payout period, the Seller may receive less than negotiated. Some states may place limitations on this type of transaction as it may be construed as feesplitting. Therefore, legal advice is needed to even consider this option as a viable strategy. Finally, the Seller should have the right to conduct an annual audit to ensure that everything is in order.

The second option for consideration is an Individual Patient Record Acquisition Method. This is accomplished by determining an active patient count of those patients who visited the practice over a 12 to 18-month period. Once the size of the active patient base is determined, calculate the average of the Seller's total practice receipts over the last 3-year period and divide those average receipts by the number of active patients. This will provide an individual patient record fee. Typically, the payment of the patient record fee is made on the second patient visit and is paid out over a predetermined time frame. Both options are fair to all parties concerned and can provide a positive outcome for both the Seller and the Purchaser.

“Fourteen years ago, I decided I wanted to be a dentist. I wanted to be my own boss and serve my community. Three years ago, that dream of becoming a dentist came true. Now, the final step of that dream, owning a practice, became a reality thanks to Lindsey Ingram and Henry Schein Professional Practice Transitions. I never imagined it would be during a global pandemic, but here we are! I am honored, humbled and blessed to live this life. I bought

an amazing practice (along with a beautiful office building) which has been serving patients for over thirty years. I cannot wait to continue providing the absolute best care to my patients and this community, just as they have been accustomed to for the past thirty plus years. Cheers to new chapters and making dreams become a reality!”

Jordan Hubbard, D.D.S. – Buyer
Pinehurst, NC



Jordan Hubbard, D.D.S. – Buyer,
William McDermott, D.D.S. – Seller &
Lindsey Ingram – Transition Sales
Consultant