

**NEW DENTIST PROGRAM:
START SMART/STAY SMART**

**PRESENTED BY:
CHARLES BLAIR, DDS**

JULY 16, 2016



drcharlesblair
AND ASSOCIATES, INC.

P. O. Box 986

85 Catawba Street

Belmont, North Carolina 28012-0986

866.858.7596 (Phone) * 855.825.3960 (Fax)

info@practicebooster.com * www.practicebooster.com

NEW DENTIST: START SMART/STAY SMART



PRESENTED BY: CHARLES BLAIR, D. D. S.

MARKETPLACE TRENDS

- PPO/EPO Dominance
- Solo to 2-3 dentist practice
- Corporate Dentistry – at least 20-25% or more in eight to ten years.
- Future is still bright for dentists

dr.charlesblair

EIGHT OPPORTUNITIES

- Residency
- Military/public health
- Specialize
- Associateship – short/long?

dr.charlesblair

EIGHT OPPORTUNITIES (CONT.)

- Solo purchase (*clean*)
- Fractional interest in partnership (*complex*)
- Practice share (*2 DDS*)
- Cold start

dr.charlesblair

RESIDENCY

- One or two year?
- Concentrate on speed/practice management/visit offices
- Crown and bridge opportunity?
- Pre-specialty

dr.charlesblair

MILITARY/PUBLIC HEALTH

- Crown and bridge opportunity?
- Concentrate on speed/practice management/visit offices
- Pre-specialty
- Loan Forgiveness/Tuition

dr.charlesblair

SPECIALIZE?

- Make 50% more on average
- Need good personality/communication with GPs (except pediatric and endo?)

drcharlesblair

ASSOCIATESHIP EVALUATING BUSINESS

- Area of need?
 - Metro vs. rural
- % of managed care
 - Patient base %
 - New patient flow %

drcharlesblair

EVALUATING BUSYNESS (CONT.)

- DDS Solid days booked
 - At least three weeks for four-day associate – beware
- DDS to RDH days
- Procedure mix
 - Children / endo
 - Oral surgery / dentures
 - Implants / cosmetics
 - Perio

drcharlesblair

HYGIENE TO DOCTOR DAY RATIO

$$\frac{\text{DDS Collection}}{\$115,000} = \frac{\$690,000}{\$115,000} = 6 + 1 = 7 \text{ Days RDH Needed}^*$$

*Add "1" to computed count.

drcharlesblair

EVALUATING HYGIENE PERIO

	<u>REVENUE</u>	<u>PERCENT</u>
ADULT PROPHY	\$ 95,000	95%
PERIO (D4341, D4342, D4355, D4381, D4910)	\$ 5,000	5%
	\$100,000	100%

drcharlesblair


EVALUATING BUSYNESS (CONT.)

- DDS lab-related mix
 - Lab bill %
- Crown to posterior operative units ratio (25% or better)
- # Implant restorations
- Bridgework / implant to partial denture ratio (5 to 1)

drcharlesblair

$$\frac{\$900,000}{\$4,500} = 200 \text{ New Patients}^*$$

*20% more for PPOs and high child count.





ASSOCIATESHIP

- Short-term associateship
 - Pre-specialty
 - Experience for future
 - Work load evaluation
 - Multiple work locations
 - Covenant considerations
 - Not necessarily committed





ASSOCIATESHIP (CONT.)

- Long-term associateship
 - Experience
 - Work load evaluation
 - Multiple work locations
 - Long-term considerations
 - Complexity
 - Buy-in
 - Covenant considerations
 - Committed to deal

ASSOCIATESHIP CONTRACT

- Compensation
 - Employee vs. IC
 - 30% - 35% W-2
 - Lab bill – 50% or 100% off the top
- Covenant not to compete
 - Time/distance
- Buy-in?




MONTHLY CALCULATION


\$ 31,000	Collections
< 1,000 >	Lab @ 100%
\$ 30,000	
X 32%	
\$ 9,600	W-2 Available



W-2 CALCULATION

\$9,600	Earned Compensation
- 1,000	Reimbursement*
\$8,600	W-2 Paid

*Medical, Disability, CE, etc.



RESTRICTIVE COVENANT

- Time (1 - 2 Years)
- Distance (5 - 15 Miles)

drcharlesblair

BUY-IN

- 1 – 2 Year Associateship
- Trigger at \$40,000/Month or some other collection amount.

drcharlesblair

COLD START VS. BUY DECISION

- Opportunity cost
 - Production
 - Procedure mix
- Circumstances drive decision-making, not logic



drcharlesblair

COLD START VS. BUY DECISION (CONT.)

- Advisor bias
 - Supply dealer
 - Broker
 - Dual representation
 - CPA (least bias)



drcharlesblair

COLD START

- Lease vs. buy facility
 - Lease terms and provisions
 - Parking
 - Signage
 - Renewal
 - Assignment
 - Disability/death
 - Long-term suitability



drcharlesblair

COLD START PLUS ACQUISITION?

- Records available?
 - Letter
 - Phone #
- Which is better? 300K or 400K debt?
- May eliminate competitor
- Rarely done



drcharlesblair

BUYING A SOLO PRACTICE

SOLO LEAST RISK



dr.charlesblair

BUYING A SOLO PRACTICE (CONT.)

- Myths
 - Old equipment
 - Inherit staff
 - Buying problems of practice
 - More inefficient, better the deal
 - Financing not available

dr.charlesblair

BUYING A SOLO PRACTICE (CONT.)

- Evaluating seller
 - Why is it for sale?
 - Age – ready to go?
 - Watch out for sale-stay on – keep control for buyer
 - Young DDS – dreaming of sale?
 - Any advisors helping seller?

dr.charlesblair

BUYING A SOLO PRACTICE (CONT.)

- Transition issues
 - Age of seller – covenant
 - Cash vs. some financing
 - Consulting agreement
 - Time line in contract

dr.charlesblair

BUYING A SOLO PRACTICE (CONT.)

- Cash flow
- Other
 - Procedure mix profile
 - Hard assets
 - Value
 - Technology upgrade cost
 - Staff (pitfalls)

dr.charlesblair

BUYING A SOLO PRACTICE (CONT.)

- Fee profile
- Managed care %
- Facility – third party
- Existing lease provisions
 - Assignment
 - Options/extensions
 - Signage/parking

dr.charlesblair

BUYING A SOLO PRACTICE (CONT.)

- Seller owned facility
 - Long-term appropriateness
 - Lease terms
- Sale of facility
 - Option/mandatory purchase
 - Price/rent offset
 - Financing
 - Sale date

drcharlesblair

Buying A Solo Practice (cont.)

- What are you buying?
 - Pricing
 - % of gross formula
 - Earnings multiple formula
 - Earnings plus assets formula
 - Size discount
 - Existing overhead (important)

drcharlesblair

PERCENT OF GROSS VALUATION

\$500,000	Collections	
X 65%	Multiplier	
\$325,000	Selling Price	

drcharlesblair

EARNINGS MULTIPLE VALUATION

\$200,000	Net Income	
X 1.5	Multiplier	
\$300,000	Selling Price	

Note: \$500,000 Collections

drcharlesblair

EARNINGS PLUS ASSETS

\$200,000	Net Income	
X 1.0	Multiplier	
\$200,000	Intangible Value	
\$100,000	Hard Asset Value	
\$300,000	Sale Price	

Note: \$500,000 Collections

drcharlesblair

SIZE DISCOUNT?

\$1,000,000 Gross

Vs.

\$400,000 Gross



drcharlesblair

BUYER'S DEBT IMPACT

Owner		Buyer
• 40% Net	40%	Net
	< 15% >	Debt*
	25%	Buyer Net

*Includes new equipment debt.

drcharlesblair

BUYING INTO A PARTNERSHIP

- Complexity vs. simplicity
- Evaluating busyness for future for partnership

drcharlesblair

BUYING INTO A PARTNERSHIP (CONT.)

- Deal evaluation (4 phases)
 - Associateship
 - Buy-in valuation
 - Price
 - Imputed interest
 - Tax aspects
 - Income distribution formula
 - Buy-sell provisions

drcharlesblair

ASSOCIATESHIP – 2 YEARS

- Compensation
- Restrictive Covenant
- Down payment

drcharlesblair

BUY-IN

- Stock – non-deductible (Small \$)
- Salary reduction - deductible (Large \$)
- Tax/imputed interest issues

drcharlesblair

PRACTICE SHARE (2DDS)

- Ownership
 - Practice
 - Real Estate
- Partnership
 - Income distribution formula
- Staffing
- Work Schedule

drcharlesblair

