NEW DENTIST PROGRAM:
START SMART/STAY SMART

PRESENTED BY:
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NEW DENTIST: START SMART/STAY SMART

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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

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

EIGHT OPPORTUNITIES (CONT.)
- Solo purchase (clean)
- Fractional interest in partnership (complex)
- Practice share (2 DDS)
- Cold start

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

MILITARY/PUBLIC HEALTH
- Crown and bridge opportunity?
- Concentrate on speed/practice management/visit offices
- Pre-specialty
- Loan Forgiveness/Tuition
**SPECIALIZE?**
- Make 50% more on average
- Need good personality/communication with GPs (except pediatric and endo?)

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

**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

**EVALUATING HYGIENE PERIO**
<table>
<thead>
<tr>
<th>Procedure</th>
<th>Revenue</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adult prophy</td>
<td>$95,000</td>
<td>95%</td>
</tr>
<tr>
<td>Perio (D0141, D0142, D0143, D0144)</td>
<td>$5,000</td>
<td>5%</td>
</tr>
<tr>
<td>Perio (D4910)</td>
<td>$100,000</td>
<td>100%</td>
</tr>
</tbody>
</table>

**HYGIENE TO DOCTOR DAY RATIO**
\[
\text{DDS Collection} = \frac{690,000}{115,000} = 6 + 1 = 7 \text{ Days RDH Needed}^* \\
^*\text{Add "1" to computed count.}
\]

**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)
$900,000
$4,500 = 200 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

\[
\begin{align*}
\text{Collections} & = \$31,000 \\
\text{Lab @ 100\%} & = \$30,000 \\
\text{X 34\%} & = \$9,600 \text{ W-2 Available}
\end{align*}
\]

W-2 CALCULATION

\[
\begin{align*}
\text{Earned Compensation} & = \$9,600 \\
\text{Reimbursement} & = 1,000 \\
\text{W-2 Paid} & = \$8,600
\end{align*}
\]

*Medical, Disability, CE, etc.
**Restrictive Covenant**
- Time (1 - 2 Years)
- Distance (5 - 15 Miles)

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

**Cold Start vs. Buy Decision**
- Opportunity cost
  - Production
  - Procedure mix
  - Circumstances drive decision-making, not logic

**Cold Start vs. Buy Decision (cont.)**
- Advisor bias
  - Supply dealer
  - Broker
    - Dual representation
  - CPA (least bias)

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

**Cold Start Plus Acquisition?**
- Records available?
  - Letter
  - Phone #
- Which is better? 300K or 400K debt?
- May eliminate competitor
- Rarely done
BUYING A SOLO PRACTICE

SOLO LEAST RISK

BUYING A SOLO PRACTICE (CONT.)

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

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?

BUYING A SOLO PRACTICE (CONT.)

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

BUYING A SOLO PRACTICE (CONT.)

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

BUYING A SOLO PRACTICE (CONT.)

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

### What are you buying?

- Pricing
  - % of gross formula
  - Earnings multiple formula
  - Earnings plus assets formula
  - Size discount
  - Existing overhead (important)

### Percent of Gross Valuation

| $500,000 Collections | x 65% Multiplier | $325,000 Selling Price |

### Earnings Multiple Valuation

| $200,000 Net Income | x 1.5 Multiplier | $300,000 Selling Price |

Note: $500,000 Collections

### 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

### Size Discount?

$1,000,000 Gross

Vs.

$400,000 Gross
### Buyer’s Debt Impact

<table>
<thead>
<tr>
<th>Owner</th>
<th>Buyer</th>
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<tbody>
<tr>
<td>40% Net</td>
<td>40% Net</td>
</tr>
<tr>
<td>&lt; 15% Debt*</td>
<td>25% Buyer Net</td>
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*Includes new equipment debt.

### Buying into a Partnership

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

### Buying into a Partnership (cont.)

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

### Associateship – 2 Years

- Compensation
- Restrictive Covenant
- Down payment

### Buy-In

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

### Practice Share (2DDS)

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