



Thinking of adding an associate? Be prepared!

The success of anything built or created, depends on a **SOLID FOUNDATION**. The success of anything built or created depends on a solid foundation. It only follows that before adding an associate to your practice, you must set the stage for a positive outcome by planning carefully from the beginning. Too often, the owner dentist and prospective associate leave their first meeting with a long list of unanswered questions, frustrations, and a feeling of dwindling confidence that is difficult to overcome.

An old adage applies here - "If you fail to plan, you are planning to fail." This is the time to set the course for success. Prior to the first interview, do your homework. Three simple but critical steps will help prepare you to discuss the structure of your association with confidence:

1. Complete a practice assessment.

- ➔ *Is your facility adequate for two dentists? Consider both short- and long-term demand for space, and be prepared to expand or move if space is inadequate.*
- ➔ *Does your practice have the capacity or potential to meet the income expectations for an additional provider within a reasonable time?*
- ➔ *Are effective management systems in place and running efficiently?*
- ➔ *Is the practice overhead within a normal range?*
- ➔ *Are you collecting at least 95 percent of production?*
- ➔ *Is your entire staff open to change and completely committed to supporting an associate?*
- ➔ *Is your appointment schedule completely booked for a sufficient period?*

2. Quantify the financial aspects of an association.

- ➔ *Identify all fixed and variable costs related to adding an associate including staff, new equipment, instruments, laboratory, dental supplies, office supplies, expansion expense, legal, consulting, marketing, and associate compensation.*
- ➔ *Calculate break-even numbers for the identified associate costs with and without owner profit.*
- ➔ *Prepare short-, intermediate-, and long-term cash flow projections.*
- ➔ *Have the practice appraised if a future buy-in or buy-out is anticipated.*

3. Define the basic business points.

- ➔ **Relationship of the parties.** *Will the association be an employer-employee relationship or an independent contractor relationship?*
- ➔ **Termination.** *Delineate causes for involuntary termination and notice period for voluntary termination.*
- ➔ **Compensation.** *Compensation should be clearly defined. If compensation is based on a formula, it is typically a perc-*

entage of production or collections that may include a draft against future earning, or compensation may be set up as a base payment plus incentive bonuses. Be prepared to offer an illustration.

➔ **Exclusive service.** *It should be determined whether the associate will devote all professional time to the practice, and whether he or she will work full time or only be available for a limited number of days or hours.*

➔ **Records.** *All patient files are typically owned by the practice and remain with the practice if an associate leaves, although access may be granted under specific circumstances. Identify any exceptions to the general ownership and access provisions.*

➔ **Expenses.** *Outline who will be responsible for the cost of professional licenses, dues, continuing-education seminars, health insurance, malpractice insurance, benefit plans, dental and office supplies, laboratory expenses, and staff salaries.*

➔ **Time off.** *How many days will be allowed for vacation, personal time, or attendance at continuing-education seminars. How much advance notice will be required for time off?*

➔ **Covenants.** *Restrictive covenants, such as nondisclosure of confidential information and noncompete clauses (with reasonable time and geographic limitations), are typically included in associate agreements. Noncompete covenants may have an effective date different from the effective date of the agreement.*

➔ **Future purchase agreements.** *Perhaps you are looking to build a relationship with the associate with a view toward the associate eventually acquiring an ownership interest. Consider an agreement to negotiate toward a possible agreement in the future with specific dates and performance requirements. Specify how the buy-out or buy-in price will be determined in the future and be prepared to offer a current practice appraisal and business points for a future purchase and partnership, if applicable.*

An associateship is a lasting relationship that can be either mutually beneficial or disastrous. It is not a move you can afford to make haphazardly. Edison once observed, "Good fortune is what happens when opportunity meets with planning." There is no substitute for being prepared. **DE**

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