



Thinking of selling your practice?

Regardless of where you are in the selling process, you can never start too early. Consider the following 13 tips to improve your practice now.

1. Get your fees in line. Fees should be evaluated and adjusted annually. Several resources are available to report treatment fees by percentile for a given zip code. Getting your fees in line can add practice value if instituted soon enough.

2. Do a cash-flow analysis. The total value of the practice cannot exceed the ability of the practice to generate enough cash flow to make payments on the debt required to obtain the practice and provide a reasonable profit to the purchasing dentist. The net income of the practice is adjusted to add back all income to the dentist/owner and benefits paid on his or her behalf. Owner benefits include deductions for expenses not necessarily related to the operation of the practice, but which were paid out on behalf of the selling dentist.

3. Maintain your production. Sometimes owner/doctors will start to slow down before actual retirement. This results in an exponential decline in profit and practice value. It is important to maintain the historic growth rate of the practice until the sale closes.

4. Keep new patient numbers up. Purchasers focus on this number and consider it an indication of practice vitality.

5. Get your financial records in order. Most practice profit and loss statements or income statements fail to give a true practice overhead and profit picture. Ask your accountant to group related expenses together for the purpose of determining actual overhead and profit, and to include expenses benefiting the doctor. If you own two practices, avoid a co-mingled tax return or financial statement.

6. Reinvalidate your recall system. Hygiene income usually comprises 22 to 25 percent of the total income in a typical general practice. This percentage can climb to 30 percent or more in practices aggressively utilizing soft-tissue management procedures. Generally, the higher the hygiene percentage, the better ... unless a situation occurs where the doctor is underproducing, which artificially raises the hygiene percentage

7. Review the condition of the patient records. In the due diligence process, a purchaser usually will review a representative portion of the patient records. The practice owner should maintain files with complete treatment entries, current patient information, and easily discernable treatment plans.

8. Clean up clutter and spruce up the decor. First impressions matter. Most prospective purchasers will be looking at multiple practices. Every attempt should be made to make your office stand out in the crowd. Continually invest in what it takes to maintain a fresh, updated office appearance.

9. Tune up the dental office equipment. Most purchasers expect to see modern equipment in the office. If they purchase a practice completely absent of modern equipment, they may adjust their offer to account for replacement of outdated equipment. The practice owner should keep equipment updated, both functionally and esthetically. Beware of substantial replacement of the equipment just for the purpose of selling the practice. This rarely warrants the investment.

10. Do not let the lease lapse. If you expect to sell your practice using third-party financing, be aware that the lender will require the purchaser to acquire a lease (inclusive of renewal options) for at least the length of the note (typically 72 to 84 months). Talk with a lease broker whenever you renew your lease to help you negotiate terms allowing you to transfer the lease without unreasonably locking you in.

11. Review your treatment mix. Performance of specialized dental care in a general practice that cannot be easily duplicated by a purchaser can be a major obstacle in an otherwise routine practice transition. If specialized treatment (orthodontic, TMJ, implants, etc.) comprises a significant portion of your income, be prepared to be flexible regarding practice transition requirements.

12. Emphasize fee-for-service. Purchasers generally place a significant importance on the fee-for-service component of practice income. Practice owners should attempt to keep the majority of their practice fee-for-service and carefully evaluate insurance plans they participate in. Make sure these plans may be transferred to another provider following a sale.

13. Check with your advisors. Consult with your practice transition consultant about a preliminary practice evaluation. Your advisor should be able to point out any weak spots and recommendations for correcting them. **DE**

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