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Practice Management Articles



Corporate Dentistry: Question and Answer Work Sheet - Lisa Philp, TGNA

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1. Which model of the three is the buying entity?

2. Who are the principals involved in ownership?

3. What is their understanding of dentistry as a health care niche?

4. What changes if I sell and stay on?

5. What is the right buyer model?

6. What is their understanding of dentistry as a health care niche?

7. Who are the owner dentists?

8. What is their written vision and purpose?

9. What formula do they use to assess purchasing price?

10. What type of pay out model do they provide?

11. What requirements or expectations are there for the selling DDS?

12. What management structure do they have for the future?

13. How will they manage the "change" process?

14. What happens if production goes up or down?

Ten Critical considerations:

1. STATUS OF THE MARKET—Know it!!

Canadian small business economics which includes the profession of dentistry shows Canada having 60 % of business owners aged 55 to 64, have yet to start discussing their exit plans with their family, business partners and professional trusted advisors, according to a 2012 CIBC report authored by CIBC deputy, Chief Economist, Benjamin Tal.

According to, trust and estate practitioner and expert, Peter J. Merrick, BA, FMA, CFP,TEP, FCSI, president of Merrick-Wealth.com, an exit planning firm in Toronto:

“The stakes are too high from these findings for us to bury our heads in the sand. If these businesses don’t receive the proper leadership and stewardship in their succession planning, we could witness as much as a 25 per cent contraction in our economy”

This is relevant to the present and future of dentistry because of the 16,000 practicing Canadian dentists 50 % are over the age of 50, and all predicted they would want to retire and sell their practices by now. This hasn’t turned out to be the case as the number of dentists in the country has grown by almost 40% due to boomer dentists prolonging career spans, delaying retirement, and working harder than ever, due to not being financially prepared for retirement or other generational or emotional reasons. This has caused an under supply of practices for sale, oversupply of dentists, decrease dentist to patient ratio, saturation of urban area’s which all lead to a seller’s market of selling at high valuations oversupply of buyers, interest from outside business professionals which leads to many more choices in consolidation and “alternative ownership” models.

2. Current financial situation—Figure it out

Many dentists may want to retire or work by choice, however they can’t afford to due to: personal issues, family changes, asset division, or lack of any plan for wealth accumulation and retirement at the right time. Questions to ask before you decide to sell or not in conjunction with your team of experts are:

1. What would be the benefit of receiving a lump sum now for the value of my practice?

2. What are your current financial needs for cash flow personally and for your family obligations?

3. How much do you need to earn to maintain your current lifestyle?

4. How much debt do you owe now and what is the plan to pay it off?

5. What plans are in place for retirement if any?

6. What is your Net Worth today?

7. What cost will be involved in losing the "Perks of Ownership" being written off of the practice?

3. Ready to give up Power, control and authority as BOSS and OWNER

What type of leader and boss are you now will tell you if you are ready to give up the reins or let go of decades of habit, control and power.

Are you ready to let go of being the boss?

- ✓ Are you tired of the burden of accountability?
- ✓ What is the spousal input?
- ✓ Has staff or family members suggested that it is time?
- ✓ Are you fed up with dealing with third party input of insurance companies, privacy pipipda and compliance?
- ✓ Is dentistry no longer enjoyable, rewarding, or easy for you?
- ✓ Do you have health related issue that could impact your future?
- ✓ Are you seeking a more balanced quality of life?

4. STAGE OF CAREER –be real

The career span of a dentist over 40 years shows the dental earning time when growth should be above average is between 15-25 years. The two times when dentists earn the least is at the beginning and the end of their career. What stage are you at and can you maintain or grow your earnings. We know the most common time to peak or plateau is between 18-12 years into practice and the time of life when the practice should be growing at above average growth.

5. Current practice VALUE \$\$

The value of your practice is based on the profit after all has been adjusted as well as assets, liabilities of what you owe and the goodwill of the patient base.

6. What is the new role for the seller and prior owner?

- What is it you will you no longer do?
- Who will be taking over management of operations?

7. Impact on the Dental TEAM

We know that dentistry is a team sport and the success of patient retention, case acceptance and patient loyalty is dependent on the dental auxiliary influence.

- ✓ What will be the new management model?
- ✓ Who will the team report to?
- ✓ Will they stay on?
- ✓ Will they leave?

8. Impact on PATIENTS

- ✓ Practice Hours
- ✓ Patients care
- ✓ Patient Volume
- ✓ Patient retention
- ✓ Patient relationship