

# DENTAL PRACTICE TRANSITIONS:

## Four Ways to Add to Your Practice's Value

By Bill Rossi

Just like realtors “stage” a house, there are things you can do to fairly quickly add to practice value and desirability in the eyes of a potential purchaser.

1. Keep your fee schedule up to date including balancing your PPO participation: Low fees and a low collection percentage can turn off buyers. If you are collecting less than 80%, it's well worth checking into whether you are participating with too many PPOs. Our research shows that at a certain point, additional PPOs doesn't mean that you get or keep more patients, they just essentially, in effect, bring your fees down.
2. Keep the Hygiene Department Pumped Up: Most appraisers and buyers take a look at the “Excess Income” a practice earns. That is, assuming the owner dentist became a worker and was paid about one third of their production, how much profit is “left over” after paying the doctor(s). The biggest factor in how much of this income there is, is hygiene productivity.

Although the range of hygiene pay in our area runs from about \$27 to \$37 per hour typically, the range of hygiene productivity is from \$110 to \$200! If a full-time hygienist increases their production by just \$10 per hour, practice revenues go up about \$20,000/year, mostly profit. Practice value then may go up by \$80,000!

Having good patient flow and up to date hygiene protocols can add more to your profits and practice value than almost anything else. So, if you have not updated or refreshed your hygiene protocols lately, now is the time.

3. Keep Things Fresh, Including Your Head: The longer you practice, the more you are likely to be “house blind” to pending patients' needs. The patient and you get into a groove and then one day you retire, and the **next doctor** gets to do all of the crown and bridge that you've been “watching.” More to the point, the crown and bridge you don't do when you are practicing, affects your practice gross, profitability **and** value.

The #1 determinant of how good your case acceptance will be, is how excited **you** are. So, keep up with your Continuing Ed. Lead your team in closing the gap between what you can do for patients and what they choose to have done.

4. Timing: If you are going to be selling out right and you are leasing your practice in a professional space, timing is going to be important. Ideally, you put the practice up for sale one year before the renewable lease ends. This gives the buyer(s) the option of renegotiating the lease and signing on or moving the practice. Many practice sales nowadays involve a “merger” and those buyers do not necessarily want your facility. They are most interested in the patient flow.

If you have an associate on board that's buying, the timing here is important too. You want to make sure that the associate is a partner “in reality” before they are a partner legally. In other words, don't rush the buy in but give the associate a definite future and help them ramp up. This also ramps up the value of the practice.

### FOUR THINGS NOT TO DO:

- Don't buy a lot of expensive equipment within two years of trying to sell the practice. Your investment in high ticket, high tech items such as Cerec, Lasers, Cone Beam will not likely be recovered. Here the analogy is adding a swimming pool to your home. It doesn't necessarily add to the value and for some buyers, it will actually detract from it.
- Don't let the practice become run down and threadbare. Keep the paint, carpet, countertops, etc. fresh.
- Don't sign a 10-year lease when you plan on selling in 3 to 5 years! (see above)
- Don't hang on to underperforming staff members. It's very common to see Doctors late in their career, out of compassion and general mellowness to keep too many staff people around or inefficient team members. I often see overstaffing by at least one member in a solo practice. This can bring down the practice value by multiples of the staff costs because the #1 determinant of practice appraised value is net income. \$25,000 in "excess" wages can decrease your sale price by \$100,000. Overstaffing or underperforming staff is the #1 cause of high overhead as a percentage of collections.
- Don't let your website get out of date. This has to be up to snuff too. Any buyer nowadays is going to go to the website first thing. If it's out of date, they are going to think that your practice is out of date.

Avoid Clip Art and pictures of empty operatories. Show the rooms and patients in the rooms with your team. This is good for your website in any case and helps add to the curb appeal of your practice.

- Don't place blind ads. If you're looking for an associate with potential buy in or you are putting a practice for sale DYI, don't be vague, "Southern MN practice seeking associate." Who wants to apply to something that general? The candidate would not know if they are applying to a corporate dental or even to a friend of their current employer. So, make sure that you say, "Confidentiality Assured", who you are and where you are. If you're in a small town and don't want word to get out that you're thinking of selling, then you can leave your name out but you still want to get more specific in the space. "Small town outside of Rochester", etc.