Practice transition planning

This is part 2 of a two-part series on this topic

By Eugene Heller, DDS

For most dentists, ownership of their dental practice is the major focus of their energy expenditures, financial situation and professional lives. Years of blood, sweat and tears, coupled with the relationships formed with both staff and patients, have caused dentists to form a deep-seated emotional attachment to their practice. For many, the dollar value of that practice represents a significant portion of their financial assets.

For the new dentist, there is a definite value in acquiring the patient base that has taken the transitioning dentist years to develop and will provide an immediate and substantial cash flow. Patients’ evaluation of the new dentist

Most senior dentists know and understand that the senior dentist’s own patients judge their clinical competence by non-clinical factors, such as personality, gentleness, office appearance, etc. It is generally not possible to assess clinical competence until a year or more of actual clinical procedures performed by the new dentist are reviewed.

Unless the transition is preceded by a period of employment prior to the actual ownership change, senior dentists must understand they will not be able to address the clinical competence issue.

Senior dentists must accept the fact that the only control they have over this subject is the fact that the new dentist has been tested and licensed.

Determining the transition plan

The first step in formulating a transition plan involves an appraisal of the practice. The information gathered and evaluated during the appraisal process will aid in determining available transition options. These options may include: (1) an outright sale, (2) role reversal sale, (3) partnership, (4) merger or (5) production acquisition transaction.

In addition, the appraisal will typically provide a comparison with other practices involved in transitions, thereby allowing an understanding as to how salable this particular opportunity might be.

Finally, the appraisal should also provide ideas regarding enhancing the value of the practice and its desirability as a transition candidate.

Locating a competent transition consultant

The next step is locating a competent transition consultant. A transition consultant is one who understands the entire transaction, the various types of transitions, contractual matters, the operational issues of running a dental practice and the need to have the relationships of the buyer, seller, staff and patients intact after the deal is done.

The best source for these individuals is word of mouth referrals and/or a recognized reputation. He or she may be a national or regional “transition guru,” the dentist’s personal accountant or another accountant who restricts his or her practice to health care providers and is familiar with the health care transition field; or an experienced local dental practice broker.

Some of the dental supply companies also have knowledgeable consultants who have been assisting in transitions for years.

The transition consultant will help the dentist identify various aspects of his or her transition. Questions that need answers include the dentist’s financial ability to retire and his or her personal transition goals.

For example, how long does the dentist wish to stay on as an associate and/or remain available to aid in the transition process? What is