In 1978, photographer Mark Gubin took a tub of white paint and wrote "Welcome to Cleveland" on his roof-top in block letters large enough to be read by airplane passengers about to land at the nearby airport. Gubin lived in Milwaukee.

Happy April Fool's Day, 1978!

DENTAL BUSINESS ADVISORS

Advanced Practice Growth Concepts For Dentists

https://www.dba-usa.com/uda

Introduction

- Glen Jensen
- Andrew Ranes

- This presentation is the tip of the iceberg!

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Dental Business Advisors

- Transitions - Broker
- Mentoring - Consulting/Practice Management
- Open Monthly Study Clubs

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Dental Business Advisors

- Our Mission:
  - Educate Doctors in the Business of Dentistry
    - Career Development/Options
  - Facilitate Personal and Business Growth
  - Improve Quality of Life and Financial Security

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5 MORE YEARS

- When the time comes for your exit strategy
  Always say:

“5 more years!”

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"Dentists spend more time and effort making plans to get into dentistry than they do making a plan to get out of it alive."
-Alan F. Thornberg

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Practice Values

- Revenue*
- Profitability*
- Patient Count/Flow*
- Transition Method
- Facility/Equipment
- Location/Lease
- Signage
- Production Mix
- Stable Team
- Reputation
- Online Presence
- Market Demand
- Acceptable Financing
- Strong Systems in Place
- Etc.

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Practice Values

- When a practice nets about 40%, it can sell for about 80% of its revenues.
  - Collecting $600K is worth about $480K?
- Cash Flow is a key factor!
- Typical walk away reduces value by 10-20%
- Markets are different; Virginia, North Dakota, and Utah
- Banks will typically finance up to 90% of the last years' revenues (including working capital), if it Cash Flows
- Maximize Value, Minimize Tax Consequences. Plan Ahead.

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Practice Values…

- Creating Wealth for your Future Financial Security
  - Building it!
  - Keeping it!

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Practice Values

- Most important number you need to know in your practice?

ACTIVE PATIENT COUNT

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2 Ways to Grow

- Increase
  - Number of Patients (MOST IMPORTANT NUMBER TO KNOW)
  - Revenue per Patient (2ND MOST IMPORTANT)

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Growth Guidelines

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The Five Stages of Growth:

- Survival
- Stability
- Prosperity
- Business
- Independence

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What about your Children?

- Get them launched and into an independent state.
- Your practice should be the same.

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Practice Production Potential Based on Patient Count

($600/patient/year)

Active Patients (seen in last 24 months)	Annual Gross Collections	Monthly	Daily Average to reach potential if office is open: 4 days/week	5 days/week	6 days/week
4167	$2,500,000	$208,333	$12,255	$9,921	$8,333
4000	$2,400,000	$200,000	$11,765	$9,524	$8,000
3833	$2,300,000	$191,667	$11,275	$9,127	$7,667
3667	$2,200,000	$183,333	$10,784	$8,730	$7,333
3500	$2,100,000	$175,000	$10,294	$8,333	$7,000
3333	$2,000,000	$166,667	$9,804	$7,937	$6,667
3167	$1,900,000	$158,333	$9,314	$7,540	$6,333
3000	$1,800,000	$150,000	$8,824	$7,143	$6,000
2833	$1,700,000	$141,667	$8,333	$6,746	$5,667
2667	$1,600,000	$133,333	$7,843	$6,349	$5,333
2500	$1,500,000	$125,000	$7,353	$5,952	$5,000
2333	$1,400,000	$116,667	$6,863	$5,556	$4,667
2167	$1,300,000	$108,333	$6,373	$5,159	$4,333
2000	$1,200,000	$100,000	$5,882	$4,762	$4,000
1833	$1,100,000	$91,667	$5,392	$4,365	$3,667
1667	$1,000,000	$83,333	$4,902	$3,968	$3,333
1500	$900,000	$75,000	$4,412	$3,571	$3,000
1333	$800,000	$66,667	$3,922	$3,175	$2,667
1167	$700,000	$58,333	$3,431	$2,778	$2,333
1000	$600,000	$50,000	$2,941	$2,381	$2,000
833	$500,000	$41,667	$2,451	$1,984	$1,667
667	$400,000	$33,333	$1,961	$1,587	$1,333
500	$300,000	$25,000	$1,471	$1,190	$1,000

How to Use This Chart

Knowing how many active patients you have in your practice can help you determine what your expected annual collections, monthly collections, and daily collections should be based on how many doctor/hygiene days you see patients per week. If you are not hitting these numbers, something needs to be corrected in your business operations. At least knowing the answers on why you are not hitting these will provide great insights into how you can improve.

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Practice Production Potential Based on Facility

(48 Weeks/year)

CODE	Provider/Operatories	Daily Potential	2 Days/Wk (96)	3 Days/Wk (144)	4 Days/Wk (192)	5 days/Wk (240)	6 days/Wk (288)
A	1 Dentist using 1 operatory	$1,800	$172,800	$259,200	$345,600	$432,000	$518,400
B	1 Dentist using 2 operatories	$3,200	$307,200	$460,800	$614,400	$768,000	$921,600
C	1 Dentist using 3 otperatories	$4,100	$393,600	$590,400	$787,200	$984,000	$1,180,800
D	1 Hygienist using 1 operatory	$900	$86,400	$129,600	$172,800	$216,000	$259,200
E	1 Hygienist using 2 operatories	$1,350	$129,600	$194,400	$259,200	$324,000	$388,800

Potential Based on Numbers of Operatories/Providers

Ops	Providers by Code (see above)	Daily Potential	2 Days/Wk (96)	3 Days/Wk (144)	4 Days/Wk (192)	5 days/Wk (240)	6 days/Wk (288)
1	A	$1,800	$172,800	$259,200	$345,600	$432,000	$518,400
2	A, D	$2,700	$259,200	$388,800	$518,400	$648,000	$777,600
3	B, D	$4,100	$393,600	$590,400	$787,200	$984,000	$1,180,800
4	B, D, D	$5,400	$518,400	$777,600	$1,036,800	$1,296,000	$1,555,200
5	C, D, D	$7,200	$691,200	$1,036,800	$1,382,400	$1,728,000	$2,073,600
6	B, B, D, D	$8,200	$787,200	$1,180,800	$1,574,400	$1,968,000	$2,361,600
7	B, B, D, D, D	$9,900	$950,400	$1,425,600	$1,900,800	$2,376,000	$2,851,200
8	B, C, D, E	$11,700	$1,123,200	$1,684,800	$2,246,400	$2,808,000	$3,369,600
9	B, B, B, D, E	$13,500	$1,296,000	$1,944,00	$2,592,000	$3,240,000	$3,888,000

Stages of Growth

For General Dentistry

Stage	Level		
Survival	**I**	**II**	**III**
Patients	500	600	700
Monthly	$25,000	$30,000	$35,000
Yearly	$300,000	$360,000	$420,000
Stability	**I**	**II**	**III**
Patients	800	900	1,000
Monthly	$40,000	$45,000	$50,000
Yearly	$480,000	$540,000	$600,000
Prosperity	**I**	**II**	**III**
Patients	1,200	1,400	1,600
Monthly	$60,000	$70,000	$80,000
Yearly	$720,000	$840,000	$960,000
Business	**I**	**II**	**III**
Patients	1,800	2,400	3,200
Monthly	$90,000	$120,000	$160,000
Yearly	$1,080,000	$1,440,000	$1,920,000
Independence	**I**	**II**	**III**
Patients	4,000	5,000	6,000
Monthly	$200,000	$250,000	$300,000
Yearly	$2,400,000	$3,000,000	$3,600,000

STABILITY II
900 ACTIVE PATIENTS

32-42 New patients **seen monthly**
32-41 Patients **seen weekly** in hygiene

Category	Percentage of Collections	Monthly	Annual
Rent	**5-7%**	$2,250-3,150	$27,000-37,800
Dental Supplies	**6%**	$2,700	$32,400
Lab	**8%**	$3,600	$43,200
Miscellaneous	**21.5%**	$9,675	$116,100
Team Compensation	**25%**	$11,250	$135,000
New Patient Generation	**4-6% TOTAL**	$1,800-2,700	$21,600-32,400
SPLIT:			
Internal (50%)	**2-3%**	$900-1,350	$10,800-16,200
External (50%)	**2-3%**	$900-1,350	$10,800-16,200
Dr. Income	**26%**	$11,700	$140,400
Profit	**3.5%**	$1,575	$18,900

$45,000 Monthly
$540,000 Annually

Hygiene Collection Target:
$13,500 Monthly
$162,000 Annually

Team Requirements:
3.5 Doctor days/week
4 Hygiene days/week
4.5 Front Desk days/week
4 Assistant days/week

AR: $43,000-65,000
RESERVES: ~ $60,000

PROSPERITY III
1,600 ACTIVE PATIENTS

72-88 New patients **seen monthly**
56-73 Patients **seen weekly** in hygiene

Category	Percentage of Collections	Monthly	Annual
Rent	**3.5-5.5%**	$2,800-4,400	$33,600-52,800
Dental Supplies	**6%**	$4,800	$57,600
Lab	**8%**	$6,400	$76,800
Miscellaneous	**14%**	$11,200	$134,400
Team Compensation	**25-27%**	$20,000-21,600	$240,000-259,200
New Patient Generation	**3-5% TOTAL**	$2,400-4,000	$28,800-48,000
SPLIT:			
Internal (60%)	**1.8-3%**	$1,440-2,400	$17,280-28,800
External (40%)	**1.2-2%**	$960-1,600	$11,520-19,200
Dr. Income	**30%**	$24,000	$288,000
Profit	**7.5%**	$6,000	$72,000

$80,000 Monthly
$960,000 Annually

Hygiene Collection Target:
$24,000 Monthly
$288,000 Annually

Team Requirements:
6 Doctor days/week
7 Hygiene days/week
3 Hygiene Assistant days/week
9 Front Desk days/week
10 Assistant days/week
3 Rover days/week

AR: $85,000-127,000
RESERVES: ~ $120,000

BUSINESS III
3,200 ACTIVE PATIENTS

145-175 New patients **seen monthly**
112-149 Patients **seen weekly** in hygiene

Category	Percentage of Collections	Monthly	Annual
Rent	**3-5%**	$4,800-8,000	$57,600-96,000
Dental Supplies	**6%**	$9,600	$115,200
Lab	**8%**	$12,800	$153,600
Miscellaneous	**14%**	$22,400	$268,800
Team Compensation	**25-27%**	$40,000-43,200	$480,000-518,400
New Patient Generation	**2-4% TOTAL**	$3,200-6,400	$38,400-76,800
SPLIT:			
Internal (70%)	**1.4-2.8%**	$2,240-4,480	$26,880-53,760
External (30%)	**.6-1.2%**	$960-1,920	$11,520-23,040
Dr. Income	**30%**	$48,000	$576,000
Profit	**9%**	$14,400	$172,800

$160,000 Monthly
$1,920,000 Annually

Hygiene Collection Target:
$48,000 Monthly
$576,000 Annually

Team Requirements:
12 Doctor days/week
1 Full-time Admin.Assist/Team Leader
14 Hygiene days/week
7 Hygiene Assistant days/week
15 Front Desk days/week
1 Part-time Bookkeeper day/ week
21 Assistant days/week

AR: $165,000-245,000
RESERVES: ~ $220,000

35

SURVIVAL
STABILITY
PROSPERITY
BUSINESS
INDEPENDENCE

Growth Guidelines - Summary

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Why is Prosperity Killing You?

- Only focusing on Clinical Dentistry
  - Only doing Clinical Dentistry All day Every day
- You work hard to make money to pay bills, that's your existence
- Burnout, light at the end of the tunnel, frustration
- Being the limiting reagent
- The goal is to get beyond prosperity so that you don't get burned out

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Why is Prosperity Killing You?

- Overwhelmed by all the issues in the practice
  - You don’t have time to really connect with patients or team members.
- Take time to manage the business
- Take time with that patient

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Next step?

- How do you get beyond the limits of Prosperity?
- Options:
  - Work your Fingers Off
  - Associates
  - Acquisitions
  - Mergers
    - Co-Ownership
  - Long-term Plans/Exit Strategies

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Break the Speed Limit

- Whatever you do, realize that the practice can go beyond what you can do with your own two hands.
  - Otherwise you will always just be the dentist.
- Make time to run your business so it doesn't run you.
  - There is more to owning a successful practice than just doing the dentistry.

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Going Beyond Prosperity

- Necessitates that you have to get into the business stage and the independence stage.
- Too many patients for you alone and you need help!

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Going Beyond Prosperity

- ~~Work your Fingers Off~~
- Associateships
- Acquisitions
- Co-Ownerships
- Mergers

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Adding an Associate

- $100,000 Patient Revenue - $30,000 to Hygiene = $70,000 in Associate Collections
- $70,000 x 30% = $21,000
- $21,000/$100,000 = 21%
- $19,000/$100,000 = 19% Net to Owner/Business
- Increase Value of Business by $80,000

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Associates

- Should you bring on an associate?
  - If so, when?
    - Active Patient Count
    - Before you burnout
    - When you want to break your speed limit
    - As an Exit Strategy
- How?

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Associates

- Obstacles
  - Fear that they will cut into your production
  - Finding the Right Person
  - Failed: I have hired 3 and they all…
  - Foot: One foot in the door and one foot out
  - Finally: And SO MUCH MORE!

Associates

- Keys to Success:
  - Read Our Article @ dba-usa.com and Ask us for Help
  - Advertise/Get the Word Out
  - Hire Appropriately (ABC)
  - Understand and Meet Expectations
  - Use a written contract! (Ask Us!)
  - Qualify Clinical and People Skills
  - Build Trust

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Associates

- Investment in the Business:
  - Time, Money, Energy
  - Huge Return if Done Correctly
    - Financially
    - Quality of Life
- Master the art of developing associates

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Acquisitions

Should you buy another practice?

When?

What will it mean for your quality of life and your income?

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Solo vs. Co-Ownership/Partnership

Solo Ownership

- Pros
  - Autonomy/Control
- Cons
  - Minimal Security
  - Owned by Practice

Co-Ownership

- Pros
  - Security
  - Quality of Life
  - Increased Growth/Profits
- Cons
  - Perceived loss of Autonomy/Control

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Co-Ownership/Partnership

- Keys to Success
  - Do they like each other?
  - Operating Agreement
    - Specific Owner Responsibilities
  - Educated Doctors
  - Win/Win and 50/50
  - Common Goals

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Co-Ownership/Partnership

- Benefits
  - Retaining Patients/Goodwill
  - Security
    - For the Doctors and the Bank
  - Quality of Life
  - Increased Growth Rate & Profits

How do doctors come together equally?

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Fastest Way to Grow

- Mergers/Double Acquisition
  - (New Entity Buys Both Practices)
  - Fastest, and Best Way to Grow
    - Comes with patients, cash flow, and tax benefits
    - Economies of Scale
    - Better Reimbursement Rates
    - Synergy

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DENTAL BUSINESS ADVISORS

Thank you for Attending

Glen Jensen and Andrew Ranes

Please check out our website if you have questions about:

- Transitions
- Business Mentoring
- Study Club
- Growing Your Practice
- Better Patient Outcomes
- In-House Membership Plans
- Successful Marketing
- Equity Conversions

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