



Know what you are buying: Hit the ground running with a solid business plan

By Paula Meehl CPA, CMA and Ken Mathys, CPA of Dental Practice Advisors®

In today's market, new dental practice buyers are facing a unique set of challenges. Well-funded corporate marketing budgets, reduced insurance reimbursements, competitive labor market, DSO/private equity inflated practice values and social media-driven consumer purchasing decisions can be intimidating to a new buyer. Add COVID-19 to that mix and today's challenges are formidable indeed. Thus, it is critical to understand not only what you are buying, but also the potential of the practice you are buying. This starts from the moment you begin considering a practice purchase.

When considering a practice, buyers tend to focus on the price and all the transactional details involved. Buyers often do not invest in time and professional resources to examine the long-term potential and how to capitalize on that potential. You can get off to a fast start and lay the groundwork for long-term improvement by using an expanded and well-defined due diligence process. Evaluating the key revenue and cost drivers of a dental practice will help you understand

both past and future potential profitability. While this might not be what you signed up for in dentistry, this is your first step in developing your ability to provide excellent care to your patients in the long run. Optimizing profitability early on provides the opportunity to develop and retain a great team, invest in technology, ensure a memorable patient experience and provide an appropriate return on your investment.

Revenue drivers can be assessed through a trust-but-verify approach. Start the process by verifying the selling doctor's patient care philosophy with a comprehensive chart review and thorough analysis of patient and procedure code data from the practice management system. Often disconnects exist between what the seller "feels" is the case and what is in fact the case. It is important to independently assess the following key areas:

- 1) patient base – true number of active and recare patients;
- 2) the specific nature of care provided by both

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the doctor and hygienists;

3) provider productivity, while patients are in the chair and overall; and

4) fees, discounts and adjustments that reduce net collectible production. This data-driven approach to revenue drivers will shed light on your purchase decision (the price you are willing to pay) and will provide the basis to project future revenue potential.

Cost drivers are analyzed beginning with an operational systems walk-through and verified using data from the financial statements and payroll system. Direct cost drivers impact the productivity and thus the profitability of your operatory activities. These consist of clinical team labor factors resulting from procedure speed, delegated tasks, technology, staff competency, compensation and benefit strategy, as well as lab and supply cost rates. Effective analysis of these metrics will provide insight into business needs and associated investments required to close any training and technology gaps. This analysis is key to unlocking improved operational performance. Indirect overhead costs

are also important to assess carefully.

Despite the challenges facing new buyers, the dental profession still provides a great long-term opportunity for a buyer who commits to mastering the business side of dentistry in addition to excellence in patient care. Get off to a fast start and maximize your long-term return on investment by being proactive – using what you have learned to develop an action-oriented business plan that will help you reach your true potential. A dental practice is a major investment. Protect and get the most out of that investment with solid due diligence, planning and professional support which will pay for itself many times over. For more information, visit www.dentalpracticeadvisors.com.

One of the ways the WDA supports dentistry is by assisting members during some of the most important transitions of their careers. We hope you enjoy this new column focused on navigating the journey of purchasing a practice. In addition, the WDA's Resource Toolbox and Practice Transitions Library has an abundant amount of information to assist with making a successful move whether it be joining, purchasing, expanding or selling a practice. To learn more, visit www.wda.org/dental-professionals/practice-transitions

2020 WDA Leadership Academy class recognized at House of Delegates meeting

The 2020 WDA Leadership Academy came to a close with the class graduation ceremony held at the virtual WDA House of Delegates meeting on Nov. 13 and 14.

The eight participants were honored for their completion of the program which included a February meeting in Green Bay where the group participated in facilitated leadership discussions and exercises, learned more about the inner workings of the association, had dinner with WDA officers and attended the first day of the winter Board of Trustees meeting. Additionally, the participants had a summer assignment of meeting one-on-one with a WDA past-president.

The WDA congratulates the 2020 class for their commitment to organized dentistry and professional excellence, and looks forward to their successes to come.

Leadership Academy is held in even-numbered years, in conjunction with the February Board meeting. If you're interested in participating in 2022, contact Director of Membership & Communications Brenna Sadler (bsadler@wda.org or 414-755-4108).



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