

## Ten Tips for Preparing Your Practice for Sale

Kevin Shea, J.D. Shea Practice-Transitions, P.A.

I am often asked, “How can I make my practice more saleable or more valuable?” Most doctors do not have complete control over the ultimate value of their practice since there are so many variables beyond their control; (e.g. location, active patients). Nevertheless, there are some factors within the doctor’s control that can certainly enhance the salability and the value of a dental practice.

Hence, here are our “Top Ten Tips To Prepare Your Practice For Sale”:

1. Plan ahead. Whether it’s finances, a vacation, or your practice sale, planning ahead is beneficial. Likewise, allowing an ample amount of time to sell your practice is usually preferable. Unlike the sale of homes and automobiles, the sale of a practice may, at times, be very unpredictable. You should allow yourself six to twelve months if you are in an urban/suburban area, and at least twelve to twenty-four months for rural areas.
2. Clean up the clutter. Most practices we encounter have accumulated nefarious items over the years. Be it the 1983 dental journals that you are going to get to someday, the hand instrument cabinet that you inherited from your great uncle, the old dental equipment in storage, records that haven’t been touched in twenty years – we recommend you go through and dispose of these items before you show the practice.
3. Spruce up the décor. Like the sale of residential real estate, the sale of a practice needs a “certain curb appeal”. When a potential buyer looks at a practice, if the practice does not look fresh, clean and sanitary, they may immediately lose interest. We recommend that a doctor make low cost improvements to the practice; for example, replacing carpet, wall coverings, painting, and recovering dental chairs. We do not recommend wholesale expensive replacement of equipment or furnishings, however with a little sprucing up, the practice’s “curb appeal” can be improved immensely.
4. Get your fees in line. Occasionally the practice’s fee schedule is severely outdated. A poor fee schedule will put a potential buyer in a position of raising fees at the risk of losing a substantial number of patients.
5. Reinvigorate your recall system. Another occurrence in practices is a neglected recall system. Some management consultants refer to these types of practices as “voluntary” practices; (patients “volunteer” to come into the practice without being reminded of their re-care needs). A reinvigorated re-care system can have the double benefit of increasing the practice’s revenue and patient flow.
6. Tune up your equipment. Like some other suggestions, the condition of your equipment can have a negative effect on the practice’s salability. We recommend that a doctor have their equipment examined, make any necessary repairs, and in extreme cases replace certain essential items.

7. Weed out your “bad” accounts receivable. When a practice’s accounts receivable are out of control, it is a reflection of the overall condition of the practice. If the receivables are greater than two months of production, receivables are in collections, and/or a high balance over 90 days in arrearages, it may be a telltale sign that the patients are controlling the practice. Accordingly, we recommend that all such bad accounts receivable be taken off the books and written off, and most importantly that the collection policies and billing systems be reviewed and revised.

8. Don’t let your lease lapse. For those doctors who lease space, it is usually important that a long-term lease is available to a buyer. Obviously a fine dental practice without a facility in which to practice has little or no value. Moreover, financing companies typically require a buyer obtain a long-term lease. One exception to the above rule: if the practice’s facility is beyond improvement and its main asset is its patient records, having no lease may give the selling doctor more flexibility in the sale of the practice.

9. Maintain your production. It is not unusual for a doctor contemplating the sale of the practice to take more time off and otherwise let the practice’s revenue stream decline. Under these circumstances, the seller may say, “but my practice has lots of potential”. Unfortunately most buyers don’t buy potential per se. It is a better policy for a seller to show that the practice’s production has been steady and consistent over at least the previous five years.

10. Check with your advisors. The sale of your practice may not be appropriate because of your overall retirement and/or emotional needs. Furthermore, some disreputable brokers will inflate the value of an appraisal to simply get a listing. Therefore, it is imperative that before you sell your practice, you meet with your trusted, knowledgeable and reputable advisors to be sure if the sale of the practice is right for you.

Naturally the above list is not inclusive; irrespective, the foregoing will give you some aid in preparing your practice for sale. These tips won’t turn an average practice into an outstanding practice, but they may turn a good practice into a great practice and certainly increase its salability.

*Kevin Shea is president of Shea Practice Transitions, P.A. His geographical area includes Minnesota, North Dakota, South Dakota, northern Iowa and western Wisconsin. An attorney, Shea has nearly 25 years of experience in the brokering of practice sales, as well as the representation of buyers for purposes of practice acquisitions. Contact him toll-free at (877)275-2727, locally at (952) 920-9411, or email him at kshea@sheatransitions.com.*

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