

COVID – WHAT IT DID, WHAT IT'S DOING, AND WHAT IT WILL DO TO TRANSITIONS

PRESENTED BY

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COVID – WHAT HAPPENED?

- In many ways, you know more about the many effects that Covid had on dental practices than I do.
- You were there, you dealt with it, you got beat up by it, and you ended up beating it.
- I have though observed some Covid transition perspectives and can offer those to you.

COVID – WHAT HAPPENED?

- The first reactions to the pandemic were from organized dentistry – state and national associations – suggesting closing practices for all but urgent emergency care.
- Their advice was advisory as they did not have any legal jurisdiction.
- There was wide diversity in interpreting what constituted an emergency. One of my clients saw every patient's need as an emergency and he saw no slowdown.
- The typical practice was closed for two months during the period March through May.

COVID – WHAT HAPPENED?

- I was very curious as to what would happen when practices reopened.
- I knew that millions of people had lost jobs and their insurance and incomes.
- I expected a huge drop in patient flow such as I saw in 2008.
- I'm an optimistic person, but I was expecting a very dismal outcome.
- I felt certain that practice buyers would totally disappear – who in their right mind would want to buy a practice that was closed with no estimate of when and how it would reopen?

COVID – WHAT HAPPENED?

- Surprisingly there were many inquiries from purchaser prospects.
- These were from associate dentists who got fired or had their schedules slashed.
- Their strategy was that in a Covid type event, they wanted to be the owner, the last man standing, the person doing the firing and not being fired.

COVID – WHAT HAPPENED?

- I heard every conjecture of what would happen – owners would be desperate to sell or even give their practices away, if you listened to buyers.
- Seller had their stories of how it would be a seller's market with practices selling at premium prices.
- It's all perspective, isn't it?
- The smartest dentists didn't know what to expect.
- One of my biggest questions was how the practice acquisition lenders would react to the pandemic.
- The lenders' reactions were quite varied among the individual companies.

COVID – WHAT HAPPENED?

- Some lenders closed for remodeling – they just took time out from the market to see what would happen.
- Other lenders continued granting approvals and lending as if nothing had happened.
- These lenders had great faith that, while things were in terrible disarray, that practices would soon be restored. These lenders kept the transition market going.
- Strangely though, for the most part, what I saw happen last year, with a couple of months exception, was not all that different compared to prior decades of transition experience.

COVID – WHAT DID I DISCOVER?

- I discovered that little changed – dentists who had planned on selling and retiring stayed with their plans.
- I did not see a flood of desperate sellers.
- When practices reopened, they quickly adjusted to new protection protocols and for the most part were very busy.
- I did not see the loss of patients I had expected.
- There was a continuing source of financing for purchasers to buy practices.
- Lenders were at a loss as to how to account for what happened, despite their requesting much more data than usual.

COVID – WHAT DID I DISCOVER?

- The lenders seemed to view the whole experience as a huge one-off that seemed very unlikely to reoccur.
- Even though they requested more detailed 2020 data and comparative 2019 data, I don't think they gained much insight from it.
- From the transitions that I did in the third and fourth quarters of 2020 it appeared that the lenders relied primarily on 2019 data.
- I was quite impressed with how the lenders that I worked with were very quick to offer payment abatements and other relief to their clients with existing loans without even being asked.

COVID – WHAT DID I DISCOVER?

- I needed to develop a way to evaluate 2020 practice performance that was based both on actual statistics and also accounted for the time the practice was closed.
- I did this by annualizing the part of the year the practice was open to calculate what a whole year of production would have collected.
- I was glad to discover that purchasers and lenders alike accepted this approach for an estimated annualized practice revenue.
- My biggest surprise was that nearly every practice I've analyzed since the third quarter of 2020 showed a higher gross revenue than for 2019!

COVID – WHAT DID I DISCOVER?

- I have just experienced the biggest disrupter of my lifetime which affected every aspect of our economy and society.
- I observed every possible response to this insult from rational to irrational.
- At the end of the day, ration and reason, along with good luck and good management, prevailed just enough to turn the tide on Covid.
- We can just hope that the 1918 flu experience which lasted two years does not repeat in our time – after the first year a mutant strain of the flu emerged which was particularly deadly, killing victims within 24 hours of being infected.

COVID – WHAT DID I DISCOVER?

- I was extremely impressed with the way the dental profession handled Covid.
- Dentists were creating aerosols in the mouth which is probably the most dangerous scenario imaginable, but by pre-op patient screening, protective equipment, and meticulous protocols, Covid infections among dentists was reported to be less than 1% according to a June, 2020 ADA survey.
- This bodes well for patient concerns of being infected at a dental office.
- Dentists have shown themselves to be resourceful, compliant, and disciplined in all manner of preventing the spread of Covid.

COVID – WHAT DID I DISCOVER?

- For whatever reason, I have seen transition activity increase significantly in the past eight months.
- I have had four sales close in the New Orleans and North Shore area last month alone.
- All four practices sold at their asking price and for cash at closing, so practices have not been given away.
- This is the most concentrated sale activity I have seen in Louisiana since 2006.
- This may be related to Covid but also be the beginning of the breakup of the logjam of practice sales since 2008.

COVID – WHAT DID I DISCOVER?

- Regardless of the reason, this is definitely a good time for anyone considering a sale to seek a consultation to determine if it's a good time for them to sell or not.
- Buyers should be aware that while the supply of practices is increasing, the demand is still quite high.
- Buyers should not be desperate, but if they are serious about buying, they should be quite urgent. The best practices will be spoken for quickly.

COVID – MY TAKEAWAYS

- My takeaway of visiting my own dentists is that I feel safe and I'm confident that every measure is being taken for my protection.
- Surprisingly, many practice schedules are healthy and revenues are above those for the previous year.
- The profession should have pride and confidence in being able to take on such an enormous adversary such as Covid and prevail.
- We don't want to have to cope with anything else as drastic as this pandemic again, but now we should have the confidence that we could overcome whatever came next.

COVID - MY TAKEAWAYS

- I wondered why 2020 annualized practice revenues increased when dentistry reopened.
- I have a theory – there are 1.4 billion Google results that indicate that taking time off actually increases productivity.
- Few dentists take any extended time off voluntarily, and I think this forced vacation with its associated increase in productivity should be a takeaway for all dentists.
- Live longer, live happier, take more time off, and earn more.

WHAT SHOULD YOU TAKE AWAY FROM ALL OF THIS?

- What do you take away from any painful, frightening, expensive event that you survive?
- What did you take away from Katrina? Did you follow up with any actions?
- What general issues did you find most difficult to deal with?
- How did you end up resolving them?
- How could you have prevented them or made dealing with them easier?
- Just know that we're going to hit some N'awlins sized potholes in the future, but that we will come back out of them and we'll be okay.

DON'T FORGET THE BASICS

- You got your smallpox shot, your diphtheria shot, your polio vaccine, and perhaps your Covid vaccine. You've looked out for your body.
- Think about inoculating your practice now.
- A thorough practice analysis is like the new patient exam you do for your patients. It's just as important to do it for your practice.
- You'll need the detail of a 3D Cone Beam CT Scan to be able to examine your practice and be able to diagnose and treatment plan it.
- Such an analysis also provides a life insurance policy for your practice.
- With this information and analysis on hand, a practice can be put on the market in a matter of hours in case of an emergency.

DON'T FORGET THE BASICS

- If you are interested in how to protect yourself, your staff, your patients and your family, just download my **free** kit to gather the information needed to analyze, appraise and market your practice.
- If all you do is put that information in your sock drawer and tell your spouse what to do with it if anything happens to you, you will save them endless stress, frustration and probably hundreds of thousands of dollars.
- The first time you complete it will take some time and effort, but annual updates are quick and easy.
- If you carry an umbrella, it won't rain, so do this for yourself, your family, your staff and your patients.

MY GIFT TO YOU

[adssouth.com/prepared kit/](https://adssouth.com/prepared_kit/)

CONCLUSION

- IT'S A BAD MISFORTUNE THAT DOESN'T LEAVE US WITH A BLESSING.
- Use the pain from the Covid pandemic to prepare yourself to be stronger and face future obstacles that come your way.
- Develop a confidence that whatever comes your way, you will be able to deal with it.
- Try taking time off and enjoy life, realizing that your year will be more productive for it.

Thanks for attending today.

I always look forward to seeing you and hearing from you and I'm happy to provide a resource for you, even if it's just to talk something over.

I appreciate your trust, confidence and opportunity to work with you in your transition needs.

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