

Eight Steps to Making Your Practice the Most Profitable, Valuable, and Marketable it Can Be – and Enjoying It until the Sale

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The 8 Step Program

- Who doesn't want to have the most profitable, valuable, and desirable practice when the time comes to sell?
- Who doesn't want higher profits and lower stress starting today until your retirement?
- What's it worth to you to make these goals a reality?
- Are you willing to make a reasonable effort to achieve those goals?
- If you are, here's 8 simple first steps to get closer to those goals.

Step 1: Get an Initial Exam

- The most important first step you can take is having a practice analysis.
- This doesn't mean an appraisal – believe it or not, your practice price is the least important metric in the mix at this point.
- Consider this as a cone beam scan of your practice – learning everything about it imaginable.
- You know that your patients should have a regular thorough exam of their mouth – shouldn't you get one for your practice - your whole career?
- You can't fix what you don't know is broken. Now is the time to find out while there is time to get things in order.

Step 2: Interview Coaches and Management Consultants

- The role of my company's management consultant was to increase the client's net income and to lower their stress.
- She said that was easy, and it was.
- A current client in his first year in practice used coaches and consultants in his first twelve months in practice and grew from \$1.25MM practice into a \$3MM machine.
- Good consultants will give you a 60 – 90 day payback of their cost – then that money goes straight into your pocket.
- And then there's Dr. Robert Hogan.
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Step 3: Start Filing Clean Tax Returns

- Don't stop taking reasonable deductions for personal benefits, but do stop writing off *unreasonable* ones.
- Store your fat in your appendix, not your heart.
- Cut out the most clever foils you've been using for years. They are going to hurt you more than they are going to help you.
- Tax returns should be professionally prepared, not in pencil and should be simple, direct, and easy to follow the money in and the money out.
- If the buyer, his accountant, and the bank can't believe or understand your tax returns and financials, they won't want your practice.
- Remember, pigs get fed, hogs get slaughtered.
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Step 4: Get your Staff expense under control

- If your staff expense including all taxes, insurance, pension, and other benefits is greater than 28%, you are out of control on salary expense.
- Your front office and assistant salaries and benefits should be no more than 15% of your gross income.
- Your hygienist salaries, depending on what percentage of the gross they produce, should be about 9% of your gross income.
- Payroll taxes – the additional tax you pay, not the tax you withhold from employees' paychecks- will be ~3% of your gross and ~10% of your salaries.
- Out of control salaries are your problem and should not be passed on to purchasers. It will cost you to try.

Step 5: Get your Supply cost under control

- Tell your accountant to make a line item for equipment that you buy and expense out in Section 179, rather than putting it in your clinical supply expense.
- Supplies should be no more than 7% of your gross income unless you're buying lots of Cerec blocks or lots of implants.
- I have seen supply expense as low as 4% in a well-run quality practice.
- Keep in mind you're not starting a mall, so watch the size of your inventory.
- Don't buy everything that sparkles and shop around.

Step 6: Get control of Accounts Receivable and Patient Credits

- Collect your money! Tony Bonifacic at [Money Quest](#) can be a big help in collecting fees and not running patients off.
- Write off your uncollectable receivables – they make you look bad and are worthless anyway.
- It's possible to get them off your books but still try to collect them.
- Start refunding patients credits or start completing the treatment patients have already paid for.
- Dealing with patient credits is always a difficult matter and invariably painful to sellers who let it get out of control.

Step 7: Get your Fees in Line

- Purchasers do not want to start practicing with low fees and look greedy to the patients because the new dentist had to raise them to reasonable levels.
- Buy the [National Dental Advisory Service 2018 Fee Report Book – Wasserman](#). It's \$129 and you'll probably make that back in your first hour of charging reasonable fees.
- We have clients billing under the 50 percentile level- they believe their patients can't afford any more while the dentist takes a pay cut every year.
- Buy Dr. Charles Blair's [Coding With Confidence](#) book. It's only \$120 and will pay for itself every time you fill out a claim.

Step 8: Analyze your Managed Care Plans

- The insurance plans you accept need to be carefully evaluated – make smart choices on which plans are helping you and which plans are not.
- Pat O'Rourke of **Practice Quotient** previously worked for the insurance industry. Now he works for dentists and is an excellent resource for negotiating the best fee schedules and choosing which plans to participate in.
- *Delta Dental Premier* is not accepting new dentists in many markets and the revenue that a seller receives from that plan is being discounted by buyers.

That's It? Just 8 tips?

- Actually, there are more than eight, but if you only did these eight, your practice would be light years more improved.
- Abe Lincoln said that if you gave him six hours to cut down a tree, he'd spend the first four hours sharpening his axe.
- Abe was a pretty smart man and if he thought that preparation were that important, I'd tend to believe it too.

Okay, Some Lagniappe

- Make your office look clean, up to date, and attractive. An inexpensive fluff job can do a lot to improve that everlasting first impression.
- Only buy new equipment that you would buy if you were not selling. Be prepared to offer buyers a credit for updating equipment. You would have bought the wrong equipment anyway.
- If there is a critical member of your staff who you expect to retire when you do, find a replacement for them now.
- Increase your gross. An increase of just \$50K in gross will add \$75K to most dentists' bottom line.
- Don't let your dominoes touch.

Guess What?

- The best part is that you can enjoy all these benefits yourself until you sell.
- It's not unusual for a dentist to arrive all rolled up in a train wreck of a practice when the time to sell comes, and then expect an instant sale at top dollar. That is very unlikely to happen.
- Consider implementing these steps – maybe just do one a month for eight months, and see the difference they make.
- Remember Dr. Robert Hogan?

Let's Talk

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