

The Original
Dental CPAs
a division of Naden/Lean LLC

Purchasing a dental practice offers many opportunities for success, but unfortunately the business side sometimes takes a back seat to the emotional side. For over fifty years we've helped dental practitioners assess and purchase practices in an efficient business manner.

We've developed a list of items that should be reviewed closely with those trusted advisors who can best understand the relative issues (i.e. CPAs, lawyers, investment advisors, insurance providers, bankers and others).

Although many of the points noted on these checklists should be expanded, they offer a starting point to understand if an opportunity is the correct one. The first list will enable the dental professional to gather a global understanding of the practice in order to assess if the conversation should go to a deeper level. That secondary step is the second checklist. For further information, please visit www.dentalcpas.com

Practice Ownership

1. Management

- Personnel
- Supplies & Equipment
- Financial
- Marketing
- Decision Maker

2. Financial

- Borrowing Money
- Capital Improvements
- Provider Compensation
- Employee raises\bonuses

3. Insurance

- Malpractice (same carrier) & Limits
- Office contents & Overhead Insurance
- Disability Insurance
- Life Insurance
- Health Insurance
- Long Term Care

4. Retirement

- Planning for Retirement
- Qualified Plans
- Participation of Others

5. Associates & Specialists

- Why, When
- Compensation, Bonuses
- What to pay for (Perks, etc)
- Continuing Education and Practice Development
- Legal Agreements
- Buy-in Timeframe
- Practice Value

6. Non-Compete Issues

- Employees & Owners
- Number of Years & Miles
- Penalties - Legal Recourse

7. Practice Transitions

- Immediate Sale, Deferred sale
- Engagement Period
- Funding Vehicles
- Value, Stock vs. Management Compensation or Comp Differential

Multi-Owner Issues

8. New Partners\Shareholders

- Criteria
- Valuation
- Management Duties (see #1 & 2 above)

9. Legal Agreements

- See #5, 6, 7 above
- Purchase Agreement
- Shareholders Agreement
- Employment Agreements
- Compensation Methods

10. Disability of Partner

- Definition
- Compensation - How Long
- Triggering Event - Timing

11. Termination of a Partner\Shareholder

- Triggering Events - Retire, Cause, Death, Disability

- Value & Terms
- Penalties for Cause, Early Retirement
- Normal Retirement Age

DENTAL PRACTICE PURCHASE CHECKLIST

Existing Practice review

Initial Review:

- Location: accessibility, visibility, population to dentist ratio, patient demographics
- Facilities: Sqr footage, # of operatories, lease expiration date, layout, age of building, décor, room for expansion, signage, waiting room
- Office operations: hours, fee schedule, scheduling
- Furniture, equipment and systems: their age, how well are they maintained, description, make & model (if needed) by room, current or dated technology, computerization, patient billing software...
- Information to review: Annual gross production and collections for immediate past 3 years, Profit & Loss report (preferably income tax returns) for the immediate past 3 years,
- Insurance participation: which payors, PPO's, HMO's
- Procedures: does the seller do any that you don't or do you do any that the seller does not? Production report by procedure for the immediate past year
- Employees: list of employees, their positions, years with practice, hours worked per week

Additional Detailed Information:

- Annual gross Production, adjustments, collections by provider for past 3 years
- Annual gross Production collections by payor for past 3 years
- For the past 3 years, a listing of procedures and their frequency
- A/R aging report as of the end of the prior month, practice valuation,
- Patient chart audit, note demographic information, zip code report
- Supply inventory, additional fixed asset information, maintenance contracts
- Accounts payable list
- List of notes and other loans and the supporting documentation
- Space and equipment lease agreements
- Names of employees, date of hire, date of birth, avg annual hours worked, hourly rate, paid benefits, vacation, sick leave, insurance, other fringe benefits and pension plans
- Identify family members on payroll
- Review billing/collection policies, review A/R credit balances and inquire
- Review appointment scheduling policies
- Review office forms
- Begin to consider and create your business plan

The Deal

- Letter of Intent
- Sales price, Terms of payment
- Price allocation, sales tax, personal property tax and income tax issues, professional fees
- Securing financing
- Covenants of both buyer & seller
- Employment agreement for seller, how long do they stay
- Patient transition planning, patient letter, who signs, what's it say, when does it go out
- Pre-Closing and Post-Closing expenses and who is responsible
- A/R, who owns, who collects, collection fee, how long, etc.
- Employee benefits, pro-rating, keeping them current, benefit hours
- Practice name, Sellers name use
- Continue developing your business plan, fine tuning

New Practice Considerations

- Business plan MUST be complete
- Initial capital loan requirements, LOC or other accessible short term funds for first 90 days
- Entity name, type of entity, entity ID #'s
- Practice insurances, health, malpractice, office overhead, office contents
- Personal insurance, life, disability, long term care
- Develop marketing strategy, marketing budget
- Future Capital needs for new equipment, furniture, computerization
- Office hours
- Telephone number
- Practice advisors: CPA, attorney, insurance, banking, lending
- Other operational issues