

The Dental Transition

N E W S L E T T E R

In this issue

Page 1

Debunking Common Myths About
Dental Practice Transitions

Page 2

Maximizing Practice Value Through
Improved Profitability

Debunking Common Myths About Dental Practice Transitions

Transitioning out of your dental practice is no small task, and you will inevitably encounter plenty of advice along the way. However, not all of that advice is rooted in fact. Over the years, we've helped hundreds of dentists successfully sell their practices, and we've repeatedly heard the same misconceptions that can cause unnecessary stress—or worse, financial loss. To help you make informed decisions about your transition, we're here to set the record straight about these myths.

Myth: The practice will lose 30% of patients after the sale.

Fact: Some patient attrition is expected, but it's far lower than 30%. Typically, practices lose just 5%-10% of their patients post-transition. This number can increase if the seller and buyer have mismatched treatment philosophies or if the buyer struggles with business operations. However, with careful planning and alignment between seller and buyer, patient retention can remain strong.

Myth: Sellers must stay and work in the practice for at least one year.

Fact: Every transition is unique. While it's true that sellers staying on temporarily can help with

patient and staff retention, this isn't a one-size-fits-all rule. We've worked on transitions where sellers left immediately after closing, and others where sellers stayed for a year (or more). The most common arrangement is for the seller to remain for 1-3 months to help ease the handover process.

Myth: My associate can buy my practice.

Fact: While this seems like a logical solution, statistics suggest otherwise. The American Dental Association (ADA) estimates that 75% of associate buy-ins fail before closing. Challenges often arise due to personality clashes, differences in practice philosophy, or disagreements over assigned procedures. Setting clear expectations and seeking experienced guidance early can help mitigate these risks, but many alternatives typically provide a smoother transition.

Myth: My landlord will release me from all liability in the lease.

Fact: Most of the time, landlords will not fully release sellers from lease liability. Instead, they might require the seller to remain a guarantor for the total lease term or a negotiated period, such as 2-3 years. While some landlords may agree to a total release, this is the exception, not the rule. Before finalizing a lease

Continued on Page 2

PRACTICE SALES + APPRAISALS + TRANSITION CONSULTING + ASSOCIATE PLACEMENT



HUDSON TRANSITION PARTNERS INC
Transitions are personal ... so are we!

Debunking Common Myths About Dental Practice Transitions

Continued from page 1

agreement, consult a professional to explore your options.

Myth: Sellers will need to finance the purchase price.

Fact: This is uncommon. Buyers typically secure financing through banks, often with little to no down payment required. Seller financing generally only comes into play in specific situations, such as when a buyer has low credit or when a practice has insufficient cash flow. Even in these cases, sellers usually finance only a small portion—typically around 10%-20% of the purchase price.

Myth: It's better to keep and collect my accounts receivable (A/R) rather than sell them.

Fact: While holding onto accounts receivable may work in some cases, we often recommend selling them to the buyer. This approach ensures a cleaner transition, avoids potential disputes over payments, and simplifies the overall process. Most buyers value A/R at around 85% of "collectible" value—accounts under 90 days old, after insurance adjustments. Selling A/R provides convenience for both parties and minimizes legal and financial conflicts.

Myth: Slowing down your practice before selling is a smart transition strategy.

Fact: Slowing down your practice before selling can significantly devalue it. Many dentists fall into this trap, reducing collections from above \$1 million to \$600,000 or less, ultimately costing themselves hundreds of thousands of dollars in equity. Instead, consider hiring an associate to take on some of your workload or sell your practice while continuing to work part-time under the new owner.

Myth: Practices are always valued and sold for 100% of collections.

Fact: While some practices sell for 100% of collections, they are often the exception. Valuations typically range between 50% and 100%, depending on factors like net income, location, overhead, updated technology, and local market demand. A proper valuation should go beyond collections and encompass all aspects of the practice, including goodwill and the book value of assets. Sellers' market conditions may push valuations higher, but not all practices qualify for top-dollar sales.

The Importance of Dispelling Myths

Making decisions based on myths or bad advice can cost you valuable time, money, and peace of mind. By relying on facts and seeking guidance from experienced professionals, you can ensure the transition of your dental practice is as smooth and successful as possible.

We're here to guide and support you through every stage of your transition. Whether you're planning the next steps or just starting to explore your options, having accurate information can make all the difference. Remember, selling your dental practice isn't just a transaction—it's the culmination of years of hard work and dedication.

Connect with our team of experts today, and ensure your transition is grounded in knowledge, not misperceptions.

What Our Clients Have To Say About Us Matters

"Hudson Transition Partners could not have been more helpful when I was selling my Dental Practice. Their excellent professional practice evaluation was extremely detailed and invaluable when presenting my practice to potential buyers." – Timothy Holloway, DMD

Maximizing Practice Value Through Improved Profitability

Profitability, also known as Net Cash Flow, is the primary factor influencing the value of a dental practice. Enhancing productivity and strengthening your financial position not only increases personal income but also boosts the marketability and overall value of your practice when the time comes to sell. Below are key strategies to improve efficiency, optimize revenue, and enhance practice profitability.

Optimize Your Fee Schedule

- Annually increase your Usual, Customary, and Reasonable (UCR) fee schedule by 3–5%.
- If you participate in PPO insurance plans, routinely review and update your fee schedule to negotiate higher reimbursement rates.
- Consider hiring a professional service (e.g., Dental Credential) to assess PPO participation and negotiate more favorable fee structures.

Flexible Payment Solutions

- Offer patients extended payment plans through third-party financing providers like CareCredit.
- Implement an in-house payment system that allows patients to set up recurring credit card payments.

Expense Management & Overhead Reduction

Conduct a financial analysis of your practice to identify areas where costs can be reduced. Compare your major expenses against industry benchmarks and make necessary adjustments:

- **Staff salaries** (including benefits & payroll taxes): 27–30% of revenue
- **Rent & utilities:** 5–10% of revenue
- **Lab expenses:** 5–8% of revenue
- **Dental supplies:** 6–8% of revenue
- **Office supplies:** 2–3% of revenue
- **Advertising & marketing:** 1–2% of revenue
- **Total practice overhead:** Aim for 60% or lower

Enhance Your Online Presence & Patient Communication

- Upgrade your website by incorporating patient testimonials and highlighting unique aspects of your practice.
- Implement an automated patient communication system for recall notices and newsletters via email and text messaging.

Boost New Patient Acquisition

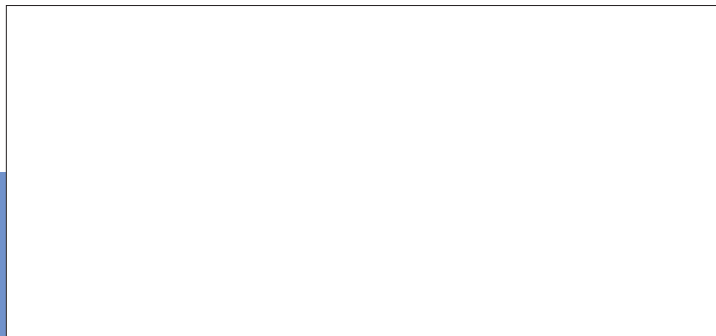
- Train your team to ask for patient referrals: *"We appreciate having you as a patient. How can we encourage more patients like you to visit us?"*
- Send thank-you notes or offer small tokens of appreciation to patients who refer friends and family.
- Strengthen your online reputation by encouraging satisfied patients to leave positive reviews on Google and Yelp. Consider utilizing marketing services to streamline this process.
- Provide staff members with business cards and incentivize them to bring in new patient referrals.
- Track referral sources and eliminate marketing efforts that do not yield a strong return on investment (ROI).

Strategic Financial & Operational Adjustments

- If your practice carries debt, explore loan consolidation options at lower interest rates to free up cash flow for marketing and equipment upgrades.
- Lower disability and health insurance costs by adjusting elimination periods and deductibles.
- Renegotiate lease terms as your agreement nears expiration. Landlords may offer lower rates or improvement allowances in exchange for a lease extension. Make sure the lease is transferable.

Team Engagement & Performance Optimization

- Hold regular team meetings to brainstorm strategies for increasing patient flow, enhancing efficiency, and reducing overhead.
- Set daily, weekly, or monthly production and collection goals, and implement an incentive program to reward staff for meeting targets.
- Evaluate staff performance to ensure that each team member contributes positively to practice growth. Consider replacing underperformers with high-achieving employees.



A Member of



Scan this with your
phone's camera for
more information
on HTP

ARTICLES INSIDE:

Debunking Common Myths About Dental Practice Transitions

Maximizing Practice Value Through Improved Profitability

WWW.HUDSONTRANSITIONS.COM

PRACTICE SALES + APPRAISALS + TRANSITION CONSULTING + ASSOCIATE PLACEMENT

Maximizing Practice Value Through Improved Profitability

Continued from page 1

Patient Experience & Retention

- Follow up with patients post-appointment to check on their well-being. A personal phone call or handwritten note for new patients can leave a lasting impression.
- Conduct patient satisfaction surveys to assess and improve upon key areas such as:
 - Staff friendliness and attentiveness
 - Appointment scheduling efficiency
 - Clarity in explaining treatment options and costs
 - Comfort and ambiance of the office environment
 - Availability of insurance and financing options
 - Convenience of office hours

Preparing for a Future Sale

- Maintain accurate financial records and report all cash collections.
- Minimize discretionary expenses through the practice's financials in the 2–3 years leading up to a potential sale.

By implementing these strategies and maintaining a strong focus on profitability, you can ensure the long-term success of your practice while positioning it for maximum value when it's time to transition.

Contact us TODAY to schedule a free consultation!
