



ADS Florida Insider

EXPERIENCE, INFORMATION AND CONSULTANTS YOU CAN TRUST

IN THIS ISSUE

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Practice Transitions Made Perfect™

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The Cost of Negotiating

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Over the past 35 years, it's amazed me at how often a buyer or seller loses focus on what's really happening in a transition.

Recently, I completed a transaction that totaled over one million dollars. The practice is in a rural community and the deal almost fell apart because the seller would not pay the purchaser to collect the seller's receivables after closing. If collected as anticipated there would be about \$40,000 to forward. The seller was about to walk away from \$1,000,000 for \$4,000!

It's worse for buyers, specifically those negotiating with a lender over an interest rate. The buyer spends months shopping to sometimes get a half-point lower rate. In one instance the savings equaled \$2,100 over the loan's

seven years. Throughout this process, though, he is losing \$50,000 of production a month. With an overhead of 60% the monthly net loss is \$20,000!

This may look exaggerated, but we see much worse. Perhaps it is that dentists work in a 3mm space and sometimes don't see the big picture. As one client said, "You're right, I am not seeing the big picture, but a 10% error in a 3mm space can be disastrous." And he's right! We want to help keep both buyers and sellers focused on the important issues so they don't lose sight of the forest for the trees.

Hy Smith, MBA | President, ADS Florida



Partnership Peril

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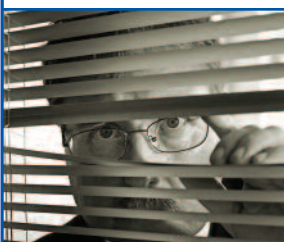
Recent graduates often look to partnership as entry into private practice, citing the opportunity for mentorship. When recent graduates partner though, they usually have other thoughts in mind. Most commonly, they come together as the culmination of their time spent together in dental school, believing that a partnership is less risky than practicing alone.

In each case, the parties both believe that all costs of the office will be equally shared. The lease and the bank loan will both be signed by both partners and therefore each will incur one-half of the financial responsibility. What they don't understand is that belief is usually far from reality.

So what is a partnership? A partnership is a legal relationship between at least two parties, creating a legal responsibility to share liability. It is an agreement to share responsibility, expenses and income.

Agreements to share expenses and income can be negotiated between the parties, but the legal responsibility for the bank loan and lease are not normally negotiable. In order to secure a loan, all parties in the partnership will usually be required to sign and personally guarantee the loan.

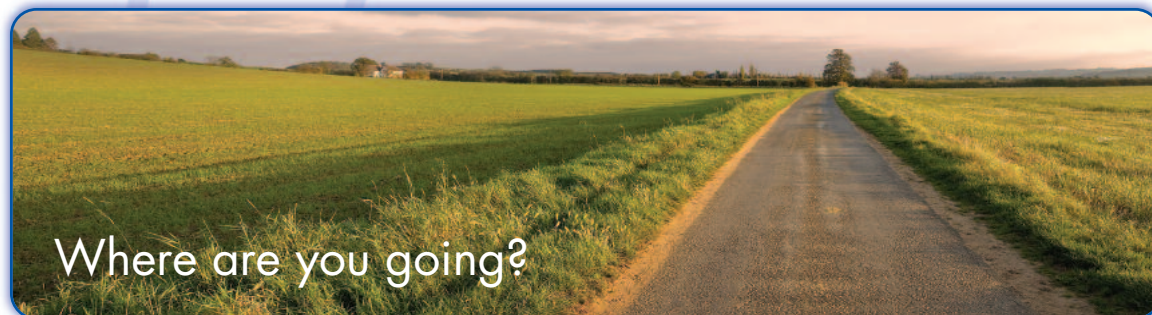
What happens when a partnership goes bad? Here's a look at one case:



Prevent Embezzlement



Practice Purchase Opportunities



Where are you going?

I started up my own practice in May of 2006. Two months before opening, a friend from dental school asked if I wanted to do a partnership. I thought it was a good idea, I trusted him, so I said yes.

The practice is still barely breaking even, most months negative, some positive. We have a patient base of about 550, (total, not just active). The practice is 100% financed and we are paying on a ten year loan.

We each control 50% of the practice shares. He is ready to give me his 50% stake in the corporation, but he is trying to determine a fair value. I don't think they're worth anything so I told him that I would assume his 50% of the loan liability and he can walk. He says I can go ahead and do that AND he wants compensation on top of that. I am trying to explain that our practice is worth nothing since our liabilities are so high and our assets are so low. I thought that assuming his portion of the loan was a more than generous offer.

This is just a glimpse of what can go wrong — but one of the many challenges of partnerships.

Testimonial from Dental Town

ADS Florida
Congratulates

Bruce Kushner, DMD to
Lidia Paz, DDS
Homestead

Kenneth Gibson, DDS
North Miami Beach

Stan Gordon, DDS to
Peter Stickney, DMD
Ocala

Prevent Embezzlement in Your Office



Dishonesty is not a topic that dentists like to openly address but, as business owners, it must be consistently considered when looking at the profitability of the practice. Hiring the right personnel is a good first step. Establishment and monitoring of internal accounting controls are also important. Those are the obvious ones, but here are some other ideas:

- Your employee manual should make clear that embezzlement will be grounds for immediate termination and prosecution. Some will be deterred by knowing that you have a policy to deal with it.
- Create an audit trail by using pre-numbered patient visit slips. Keep track of those containing errors that would normally be discarded to preserve a solid audit trail.
- Segregate billing, mail opening, data entry and bank deposit functions. A single employee controlling all of those functions is much harder to monitor.
- Utilize duplicate bank deposit slips and compare the deposit recorded at the bank with the duplicate held at the office to confirm that all receipts were in fact deposited.
- Make bank deposits daily and consider using a courier service to make bank deposits. Often banks provide this service for free to high volume practices, creating greater labor efficiency for highly paid staff members. Moreover, the courier service uses bonded employees to avoid loss.
- Have all bank statements delivered either to the doctor at the practice address, or better still at his or her home address. Review them to assure that all deposits were made and to eliminate the possibility of unauthorized purchases or withdrawals.
- Authorize only one employee to order medical and office supplies in order to limit unauthorized ordering and keep expenses within budgeted amounts.
- Make sure that checks are used in proper numerical sequence so that a dishonest employee cannot take a check from well-down the numerical sequence, forge the doctor's name, and take money.
- Sign each check personally and do not order or use a signature stamp. Further, determine that it is supported by an invoice for items that were actually ordered and received by the practice, comparing the check to the invoice for the correct amount.
- Maintain a separate petty cash fund of no more than \$100. Each petty cash expenditure should be evidenced by a receipt reflecting the exact amount and purpose of the purchase, so that at all times the total of the receipts and remaining cash equals the total petty cash amount. When the petty cash is exhausted, a check is written for "cash" to replenish the fund and the receipts should be attached to the check stub for proper documentation.
- Utilize an outside payroll service to keep confidential payroll information out of the hands of office staff. Have the doctor, or employed spouse call in payroll each month in order to avoid the possibility that a staff member "award" unauthorized pay, or create a fictitious employee whose check would be deposited into the employee's account.
- Consider direct deposit of all employee payroll checks to keep these out of the office and assure that the checks reach each employee's checking account.
- Obtain fidelity bond insurance for your practice. This insurance can reimburse the practice in the event of embezzlement.
- Keep blank checks, backup patient account data disks, backup accounts payable data disks, employee personnel files and medical records, all sensitive financial data and corporate records in a fireproof practice safe or secured (locked) filing cabinet.
- Keep on-site drugs tightly controlled, and maintain a perpetual inventory, to prevent staff from removing drugs for personal use or giving them or selling them to others. Perform periodic audits of the inventory.
- Perform regular audits of practice financial records at irregular intervals to deter possible embezzlements and help to deter employees from embezzling in the first place.

If the practice uses an accountant:

- Make sure that your CPA firm prepares financial statements for your practice at least quarterly, not later than 30 days following the end of the appropriate time period. Once received, the doctor should review the practice's performance against the same time period for last year, and against last year's year-to-date performance. Question unexplained increases in any expense category, or any reduction in your practice gross collections. At the same time, have the practice's CPA review bank statements to help detect unauthorized purchases or withdrawals.
- Have your CPA firm review financial management systems and provide a written report of his or her analysis, including recommended changes. Since your CPA has training in formal audit procedures, he or she should be able to pinpoint weaknesses and vulnerabilities in your present system and provide written recommendations for corrective actions.

If you track your own income and expenses, you can perform the same procedures and ensure that your office is reaping the financial rewards that it should for you.

Reprinted from the McGill Advisor

Practice Transitions Made Perfect

General and Specialty Practice Purchase Opportunities

NORTH FLORIDA

Contact: Paul Rang, DMD, JD, Don Elsmann, DDS or Melody Elsmann, RDH

		Gross	Buyer Net
Ft. Walton Beach	4 ops FFS pano 3 days/week RE Available	Ask \$100K	
Lake City area	5 ops FFS pano 3 days/week RE Available	\$354K	\$107K
Pensacola	6 ops FFS 3 days/week RE Available	\$374K	\$103K

Specialty Practices

Gulf Coast	Surgery 6 ops 10 days/mo RE Available	\$1.2M	\$464K
NE Florida	Pedo 6 ops	\$1.2M	\$450K

WEST FLORIDA

Contact: Greg Auerbach, MBA or Paul Rang, DMD, JD

		Gross	Buyer Net
Citrus County	5 ops FFS Pano	\$705K	\$213K
Crystal River	8 ops FFS Pano Real Estate Available		SOLD
Englewood	4 ops FFS/PPO Real Estate Available		PENDING
Tampa	2 + 2 ops - Downtown Tampa	Ask \$500K	
Tampa	3 ops FFS/PPO Real Estate Available	\$550K	\$150K
Tampa	3 + 1 ops FFS/PPO Starter/Satellite	Ask \$159K	
Tarpon South	3 ops FFS/PPO - Starter/Satellite	Ask \$170K	
Tarpon Springs	4 ops FFS/PPO - Starter/Satellite	Ask \$125K	
Venice	4 + 1 ops FFS/PPO RE Available	\$625K	\$125K
Venice	3 ops FFS/PPO	\$650K	\$152K

CENTRAL FLORIDA

Contact: Paul Rang, DMD, JD

		Gross	Buyer Net
Citrus County	5 ops FFS Pano	\$705K	\$213K
Clermont	4 ops FFS/PPO Pano RE Available	\$675K	\$191K
Cocoa	6 ops FFS Pano Real Estate Available	\$1.1M	\$378K
Crystal River	8 ops FFS Pano Real Estate Available		SOLD
Gainesville	4 ops FFS/PPO Pano	\$949M	\$333K
Levy County	7 ops 3 days/week	\$292K	\$58K
Ocala	5 ops FFS		SOLD
Orlando	6 ops FFS/PPO Pano		PENDING
Orlando	4 ops FFS/PPO Pano		SOLD
Titusville	5 ops FFS Real Estate Available	\$701K	\$176K

Specialty Practices

Orlando	Orthodontics 2 days/week	\$350K	
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SOUTHEAST FLORIDA

Contact: Stuart M. Auerbach, DDS

		Gross	Buyer Net
Boynton Beach	4 + ops FFS Computer & Pan	\$725	
Hialeah	4 ops FFS/PPO Computer & Pan	Ask \$225K	
Homestead	2 + 1 ops FFS		SOLD
Miami	2 ops FFS/PPO	\$233K	\$135K
Miami	4 + ops FFS/PPO/HMO *Starter*		PENDING
N. Palm Beach	4 ops FFS/PPO Cosmetic w/RE	\$1.5M	\$382K
Miami Beach	3 + 1 ops FFS/PPO		PENDING
Plantation	5 ops FFS Computers & Digital X-Ray		SOLD
Weston	3 + 3 ops FFS/PPO w/ Condo		PENDING

Specialty Practices

Palm Beach Cnty	Oral Surgery 5 ops - Well Established	\$700K	\$232K
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Practices Ready Facilities

Boca Raton	6 ops Equipped	Ask \$75K	
Cutler Bay	4 ops Equipped with Instruments	Ask \$117K	
N. Miami Beach	5 ops Facility with Some Equipment		SOLD

SOUTHWEST FLORIDA

Contact: Greg Auerbach, MBA or Hy Smith, MBA

		Gross	Buyer Net
Ft. Myers Area	5 ops FFS Pan, RE Available	\$725K	\$237K
Marco Island	5 ops FFS - Upgrades Inside	\$660K	\$190K
Naples	6 ops FFS - C&B RE Available	\$1.8M	\$603K

Associate Opportunities

General Associate Positions: Miramar, Stuart, Tamarac
Orthodontic Associate: Hialeah

Buyer Projected Net Income Assumes 100% Financing



For the most recently updated listings visit ADSflorida.com

We currently have buyers looking for the following opportunities:

GENERAL DENTISTRY

Broward, Collier, Dade, Hillsborough, Manatee, Orange, Sarasota

PEDODONTIST

Broward, Dade, Palm Beach

ORTHODONTIST

Broward, Dade

PERIODONTIST

Broward, Palm Beach



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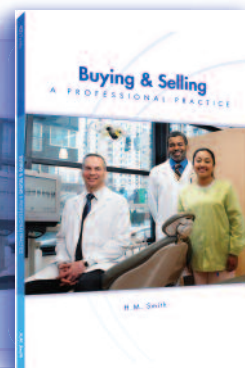


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ARE YOU READY FOR TRANSITION?

"If you now or ever will own, sell, or work in a dental practice this book is a must read. Hy's decades of experience in creating WIN-WIN-WIN (seller-buyer-patients) transactions is yours in a clear, concise and entertaining account. Wherever you are in your career, the tools to create your ideal future lie within these pages."

Gary M. DeWood, DDS, MS
Clinical Director, Director of Business Systems, The Pankey Institute



Contact us today for a **FREE** copy of Hy Smith's Book:

Buying & Selling A Professional Practice

Visit ADSflorida.com/book to order your copy today!