



JANUARY 2014

ADS Florida Insider

BUYING, SELLING AND TRANSITIONS MADE PERFECT



Embrace 2014: Make a Plan



New Feature!



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Tips to Get Ahead of the New Year

With a new year comes new fees (see our article on page two) and, just as important, a new budget. If you haven't already spent time planning for 2014, it is imperative that you do so now. While only about 10% of doctors nationwide have a written practice budget, their practice profits are dramatically higher than the remaining 90% who do not. Here are a few tips to get you started planning for 2014:

Marketing

For marketing, the amount of time, energy and money devoted to these efforts should be inversely proportional to the level of your optimal capacity. Looking back and ahead, many doctors have reported the previous years' declines in new patients as turning into a positive. Whether your practice has not yet experienced a turnaround, or you're planning to maintain growth, investing in marketing is imperative. It is suggested that if you are operating at 80-90% of optimal capacity, 2-3% of collections should be devoted to marketing. If you are operating at 70-80% capacity, 3-4% of practice collections should be spent. Finally, if you are operating below 70% of optimal capacity, you should be spending 4-6% of collections, if not more, on marketing in order to boost practice production.

Fee Schedule

In addition to finding ways to attract new patients, you must also review your fee schedule and determine what level you will set your fees for 2014, particularly because this drives collections. Our second article of this newsletter addresses this topic in depth.

Overhead

From here, overhead expenses must be reviewed on a line-by-line basis. Your 2013 expenses should be reviewed against 2012 results to determine areas of significant increase. Looking ahead to 2014, expenses in every category should be scrutinized for possible savings. It is also important to monitor expenses to ensure they stay within an acceptable range.

Staffing

You may also consider changes in practice staffing and compensation. In practices that are down, this may involve laying off an employee, or replacing a full-time employee with a part-time employee. In practices that are growing, it is important to grow responsibly and not overstaff. Moreover, you have probably already made modifications in staff compensation (the highest portion of your overhead), but if not, or if making considerations later in the year, be sure to consult our recent article on staff compensation at ADSflorida.com/articles.

Procedure Mix

Finally, changes in your production and procedure mix should be reviewed to determine how they may impact 2014 lab and supply expenses. Note that these costs increase every year, which is another justification for an annual increase in your fees.

Once the income forecast has been completed and the overhead expense percentages have been converted into dollars, your practice budget can be finalized. You can then determine the optimum way to distribute the projected practice profits among salary, dividends (S-Corporations), retirement plan contributions, fringe benefits and professional expenses.

Your practice budget is vital for the ongoing success and health of your business. A little time now will save stress, and dollars, throughout the year.



FEES & STRATEGY

Get Your Practice in Sync

In the first edition of our newsletter each year, we include an article about fees, because in survey after survey it is reported that dentists, in Florida and nationwide, do not routinely increase them. Not only is this damaging the long-term future of your fee schedule (by missing the annual compounding of increases), the decision not to raise fees is an inherent resignation to a comparatively higher overhead and lower profits when looking at previous years. This has come about primarily due to the decrease in collections, but also as a consequence of the ever-increasing costs of business, regardless of the state of the country's recession. The problem might be even more acute to practices participating in managed care programs since many of these plans require annual fee submissions. Failing to increase fees annually only reinforces their heavily discounted fee schedules.

When Setting Fees, Consider the Life of Your Practice

Annually, we offer localized NDAS fee reports to allow for a rational basis for setting fees. We often look at practices for valuation and transition data only to find fees far below the area norm. Not only has this cost the practice revenue year after year (on a compounding basis), but also further affects the purchaser of the practice who wants to bring fees in line with the local norms as quickly as possible. Unfortunately, the new practice owner is handicapped in the ability to normalize the fees, and may face patient reluctance in increasing fees immediately after taking over the practice.

Our recommendation is to select a fee schedule that accurately reflects the quality of care provided in your practice. All fees for services, once set, should be increased at the same rate across the board. Many doctors waste time and energy trying to adjust individual procedure fees based on the perception of patient and insurance company reactions. The increase of at least three percent (3%) each year is recommended. If that seems drastic, note that the majority of survey respondents generally report fee increases of up to five percent (5%). If you only stay in lock-step with Consumer Price Indexes (CPI), which is currently at one percent (1%), this doesn't reflect the specific increases in your expenses which are not tied to CPI, which are most likely much higher than 1%.

It is important to remember that it is usually not possible for doctors who do not increase their fees annually to catch up or make up for years when they did not incrementally increase their fees simply by submitting large fee increases in any one year.

Doctors should consider that their primary business goal is to operate their office at optimal capacity doing the type of dentistry they want

to do. In addition to conservative fee increases this year, extending more liberal credit terms to patients may be necessary to help increase treatment acceptance and build goodwill with patients.

Examine Your Communication Strategy

You should take this opportunity to also examine your communications practices with existing patients. Studies have shown that it is easier and more cost effective to increase business from existing patients than to create new ones. Marketing is becoming increasingly important as doctors constantly look for ways to get new patients. Most however, spend virtually all of their marketing efforts on new patients while forgetting about the existing patient base.

Doctors should be communicating with their existing patients at least every six months. A simple informational letter about changes in your practice or new procedures can be delivered for free via email or for relatively minimal cost using regular mail. Now is an opportune time to reconnect with your patients, talk about the upcoming year and, at least, remind them that their insurance benefits have been reset as of January 1.

Get to Know Your New Patients

Also consider your office strategy concerning new patients. What do your new patients want? Why have they come to your office? Ask them! Traditionally, we've all been taught to do a thorough clinical examination followed by a comprehensive full mouth treatment plan for all new patients. Especially now, your new patients may have left another office because they perceived that they were being "over-treated" and did not they needed or could afford the recommended treatment. Take the time to talk to them and make them feel comfortable with you, your staff and your office.

As we all know, economies are cyclical and just as they have turned down in the past, all indications are that they are now turning back up. Now is the time to comprehensively evaluate how your practice is positioned and make plans for this New Year. Your practice budget is vital for the ongoing success and health of your business. A little time now will save stress, and dollars, throughout the year.

Have more questions about your practice in 2014? Email us at question@ADSflorida.com. For a local overview of fees for 2014, we offer a customized, complimentary report. If you are interested, please visit <http://feereport.ADSflorida.com> and complete the form.

General and Specialty Practice Purchase Opportunities

CENTRAL FLORIDA

Contact: Paul Rang, DMD, JD

		Gross	Buyer Net*
Cocoa - Rockledge	4 ops FFS/PPO	\$625K	\$286K
Port Orange	6 ops FFS Dig X-Ray + Pano RE Avail	SOLD	
Daytona/Ormond Bch	3 ops FFS/PPO Dig X-Ray + Dig Pano	\$589K	\$231K
Gainesville area	5 ops FFS Dig X-Ray + Pano RE Avail	\$688K	\$188K
Ocala	4 ops FFS/PPO Dig X-Ray + Dig Pano	\$400K	\$105K
Orlando	3 ops FFS Pano	UNDER CONTRACT	
Orlando	3+1 ops FFS/PPO	\$450K	\$98K
Orlando	4 ops FFS/PPO	\$506K	\$120K
Orlando	6 ops FFS Laser	\$1M	\$225K
Orlando - Dr. Phillips	4+4 ops FFS/PPO	\$1.1M	\$561K
North Orlando	3 ops FFS Pano RE Avail	\$549K	\$192K
North Orlando	4 ops FFS/PPO Pano Dig X-Ray	\$420K	\$106K
Winter Park	5 ops FFS Pano	\$595K	\$164K

Specialty Practices

Central FL	Endo 2 locations w/ 3 ops	\$505K	\$193K
Central FL	Pedo 5 ops, Pano, Dig X-Ray RE Avail	SOLD	
Central FL	Endo 5 ops Laser	\$608K	\$333K

Practice Ready Facilities

Ormond Beach	2,000 sf condo, 5 ops, specialty prac	Ask \$307K	
Orlando - Lake Mary	2,000 sf condo, 2+3 ops w/ equip	LEASE OR BUY	

WEST FLORIDA

Contact: Greg Auerbach, MBA

		Gross	Buyer Net*
Bradenton	3 ops FFS Shopping Center	Ask \$100K	
Bradenton	3 ops (large) PPO/FFS RE Avail	Ask \$115K	
Clearwater	6 ops FFS/PPO Strong Practice	\$775K	\$205K
New Port Richey	11 ops FFS/PPO	\$1.87M	\$641K
Punta Gorda	4 ops FFE RE Avail	\$550K	\$212K
Punta Gorda	4 ops FFS	\$545K	\$182K
Punta Gorda	4 ops FFS RE Avail	\$1.1M	\$443K
Tampa (Northeast)	5 ops FFS/PPO/Cap Paperless upgraded	SOLD	
Venice	3 ops 2,000 sf FFS Digital X-Ray	\$525K	\$150K

Practice for Merger

Sarasota	FFS Patients C&B - Staff Avail	\$300K	—
Tampa	FFS/PPO C&B Dale Mabry/North 275	\$285K	—

Specialty Practices

Punta Gorda/ Port Charlotte	Orthodontic	\$350K	\$50K
Sarasota	Orthodontic	SOLD	

"Paul Rang was very helpful and knowledgeable about the whole process. He took the time to explain the details and the unknowns. It was a great experience!"

— Jeremy Ledger, DMD

NORTH FLORIDA

Contact: Paul Rang, DMD, JD

		Gross	Buyer Net*
Panama City	5 ops FFS Pano, RE Avail	\$756K	\$292K
Pensacola	3 ops FFS/PPO Dig X-Ray, Pano, RE Avail	SOLD	

Specialty Practices

NE Florida	Pediatric: 7ops, RE Avail	\$1.25M	\$486K
NE Florida	Ortho 5+1 ops, 3 days/wk, RE Avail		
NW Florida	Endo 3 ops Dig X-Ray microscopes, RE Avail	\$694K	\$385K
NW Florida	Endo 3 ops Dig X-Ray microscope RE Avail	\$706K	\$424K
NW Florida	Perio 5 ops FFS/PPO Dig X-Ray	Ask \$475K	

SOUTHWEST FLORIDA

Contact: Greg Auerbach, MBA or Philip LoGrippe, DMD

		Gross	Buyer Net*
Fort Myers	5 ops FFS Paperless RE Avail	SOLD	
Punta Gorda	4 ops FFE RE Avail	\$550K	\$212K
Punta Gorda	4 ops FFS	\$545K	\$182K
Punta Gorda	4 ops FFS RE Avail	\$1.1M	\$443K

Specialty Practices

Punta Gorda/ Port Charlotte	Orthodontic	\$350K	\$50K
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SOUTHEAST FLORIDA

Contact: Stuart M. Auerbach, DDS

		Gross	Buyer Net*
Boca Raton	6 ops FFS/PPO Dig X-Ray	SOLD	
Coral Springs	5 ops FFS/PPO Dig X-Ray and Dig Pan	Ask \$130K	
Ft. Lauderdale	3 ops FFS/PPO paperless/adult practice	SOLD	
Miami Gardens	3 ops PPO/HMO	\$490K	\$130K
Parkland	5 ops FFS/PPO satellite ofc 1.5 days/wk	UNDER CONTRACT	
Pembroke Pines	3+1 ops FFS/PPO Dig X-Ray 3 days/wk	\$375K	\$124K
Pembroke Pines	6 ops FFS/PPO w/ 1,800 sf condo	Ask \$600K	

Specialty Practices

Miami	Orthodontic, 2 ops busy shopping ctr	Ask \$65K	
Miami Shores	Orthodontic, 1,700 sf condo, dig pan/ceph	Ask \$385K	
W. Broward County	Oral Surgery, dental alveolar/implant	FOR SALE	
W. Broward County	Perio, 5+1 ops, 2,500 sf condo	Ask \$550K	
W. Broward County	Perio, 6 ops w/CT scan, all digital, condo	\$1M	\$375K

Practice Ready Facilities

Port St. Lucie	2+2 ops Dig X-Ray 1250 sf, Pelton Crane	Ask \$200K	
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*Buyer net includes the debt service on 100% financing of the asking price



For the most recently updated listings, visit listings.ADSflorida.com

ADS FLORIDA



[PROFile]

Stuart M. Auerbach, DDS
Southeast Florida

Stuart lives in Pembroke Pines, Florida and manages ADS Florida, LLC on Florida's East Coast. Stuart has been associated with ADS Florida, LLC and Professional Transitions, Inc. since 1994. He is a graduate of the University of Maryland Baltimore College of Dental Surgery, and practiced general dentistry for 18 years. Stuart has been a speaker at study clubs and participated with ACDDA and SFDDA programs. He is married to Marcella, is an avid road biker and has a French bulldog named Cyrus.

[Contact Stuart]

954.431.3624 or stuart@ADSflorida.com

ASK OUR EXPERTS

Q. Once I list my practice, how long will it take to sell it?

A. The old adage, "location, location, location" does have an impact on a sale/transition. In a good area, the transaction can happen in as few as 6 to 12 weeks from the time the valuation is completed. In a rural area, or one that is in less demand, it typically takes longer. In that type of situation, it is realistic to assume 2 to 5 years, if indeed it does sell. However, the length of time depends not only on the practice location, but on many other variables.

Want to learn more about factors that can impact your sale? Call us today at (800) 262-4119.

Meet the ADS Florida Team



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MATCHMADE

Scott Ebner, DDS • Winter Park
Practice sold 8/1/13

“The first dentist to look at my practice ended up buying it”



Dr. Scott Ebner and his wife, Linda, enjoy retired life in Niagara Falls last year.
Photo courtesy of Dr. Ebner.

When Dr. Scott Ebner of Winter Park, Fl. started to think about transitioning into retirement, he wasn't sure where to start.

He decided to call an old friend from dental school, who recently sold his practice, for some advice. “He said the first thing I should do was call ADS Florida,” said Dr. Ebner, “After almost 30 years in practice I was nervous about all the things that could go wrong. I had heard so many horror stories.”

Dr. Ebner's fears were quickly assuaged when he met Dr. Paul Rang, his ADS Florida broker. “As a skittish seller, Paul had the difficult task of putting my mind at ease. Paul is a dentist and an attorney, so he was really able to answer all of my questions thoroughly. **The whole process was magnificent. He earned every dime of his commission.**”

After the sale of his practice to Carla Arias, DMD, Dr. Ebner and his wife, Linda, who served as the longtime receptionist of the practice, were able to quickly transition into their life as retirees. “During the three months of transition, I expected there to be a lot of problems, but the transition was really seamless. Carla was absolutely the right person to continue what I started, I know she'll do well.”

WHAT OUR CLIENTS SAY

“My experience with ADS Florida, LLC in the sale of my specialty practice was exceptional in fulfilling both my timing and financial requirements. Paul Rang, DMD, JD was invaluable in facilitating a successful conclusion to the practice sale.”

— Jon Wilkins, DDS

“Established a fair value, produced several potential buyers, evaluated each potential buyer accurately. When I was injured and could not return to my practice, Greg (Auerbach) got the job done. Greg was there at a pivotal point with great guidance and effectiveness.”

— Jay D. Krasne, DDS

ARE YOU CHARGING ENOUGH?

Treatment fees directly impact your annual income, overhead and practice value. There's no better time to review what you're charging for services.

This report is free to ADS Florida newsletter subscribers. Visit feesurvey.ADSFlorida.com to request your localized report.



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New Feature! Match Made: Testimonial tales from ADS Florida clients

Register online at seminar.ADSFlorida.com

Participants have been raving about Fride's groundbreaking CE course. See our website for complete details and a course overview.



February 7–8, 2014
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