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Associate: To Hire or Not to Hire

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Are you just too busy? Are you planning an exit from your practice? The reasons for adding an associate should be clearly defined prior to bringing one to your office and should provide clear benefits to you and your practice. We are often asked by practice owners to find associate dentists. Most of the time, the reasons and the rationale for the addition of the associate have not been clearly defined or evaluated.

Do you have a healthy single doctor practice?
To determine the viability of an associate for your office, you will first need to determine the number of active patients in your practice. Go to your patient files and count the number of patients who regularly have come to the office over the last 18 months. Generally, a healthy single doctor general practice will have 1500 to 1800 active patients. Practices that specialize in larger cases will have less, probably 1200-1500 active patients. Additionally, we usually find that practices with gross production of less than about $750,000 will not produce enough net income for all of the producers (doctors). Therefore, the senior doctor will be experiencing a loss of net income for any period of time that it takes to build the practice to support more doctors.

Do you have enough patients of record to support a second doctor's production?
Next, count the number of inactive patients, those that have not been in the office in the last 18 months. You will need to have somewhere in the range of 200-250 patients on the inactive list per day of planned associate employment to keep that associate busy. For example, for two days per week of an associate, you should look for between 400 and 500 inactive patients. Overall, if you can identify 500 to 1000 patients who can be reactivated, in excess of your normal schedule, you might be able to hire an associate for 2-5 days per week. Please note, with this portion of your diligence, we emphasize that you are looking for patients who are not regularly seen in your practice now. If you include patients that you are seeing, you are only cannibalizing your own production.

Do you have control over your staff expenses and can you afford to add more?
Associates are generally paid 30%-40% of their collections, and many are now demanding salary guarantees. Beyond what you are investing in them, for their services, you must be able to further support them with staff. You must ask yourself if you are paying staff that will be available to accommodate the new associate. If you are not, consider that the highest single expense of any office is staff cost. Hiring another assistant or more administrative staff will result in increased overhead expense which will not translate into a break-even or higher bottom line if the associate is not going to be a source of additional income. Despite what the rumors may say, usually, associates do not build practices. They do not go out into the community to promote themselves or the practice, even if it is a stipulation in the associate employment agreement.

Do you plan to have the associate as your exit strategy?
If bringing an associate to your office is a transition or exit strategy, you need to carefully evaluate the true economic benefit. If you intend to work for 1-2 years with a defined exit date, then the transaction can be defined with the associate. If the timeframe for exit is 3-5 years, the cost of the associate may not result in any economic benefit at all.

The expectations of associates (to be partners) and senior doctors are often very divergent. Associates are reluctant to build a larger practice for the senior doctor only to find that they have increased their purchase or buy-in prices. Senior doctors anticipate that they will be able to concentrate on the 'larger' cases in the practice and that the associate will treat the 'routine' procedures. The associate will get the emergencies, 'simple' restorations and generally the procedures that the senior doctor chooses not to do, possibly even keep the office open during hours that are not currently serviced (evenings or Saturdays). Generally, we find that this does not work well. Further, the senior doctor must decide how the associate will be 'given' patients. Are all patients of the practice open to the associate? Is the associate expected to do only specialty treatment that the senior doctor normally refers out of the office? Is the associate expected to find or bring in patients to work on?

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When an associate does specialty work that is normally referred out of the office to specialists, the practice will indeed keep part of those revenues. However, when the associate treats patients of the practice that the senior doctor normally treats, the practice only keeps the difference between the actual net income of the practice and the total cost of the associate. This percentage may approximate 5% to 10% of gross associate collections!

Many doctors are under the impression that associates are 'money-makers' for the practice. Unfortunately, in most cases, an associate will either be a break-even or losing proposition for an office and unless a longer range strategy is meant to be implemented, the drain will only cost you, the senior doctor, money.

If you are considering the addition of an associate to your practice or planning your exit strategy, please call ADS Florida, LLC and our local representative will schedule an appointment with you to assist you in preparing for your transition.