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Newsletter Article Reprint

Measuring the Meaning of New Patients

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One of the first things many prospective dental practice buyers want to know is the number of new patients who enroll in the practice each month. Some purchasers are obsessed with this figure, but how relevant is this statistic?

Many buyers have preconceived ideas as to how many new patients constitute a healthy practice. Whether their information is derived from a practice management seminar or from conversations with their professional advisors or other colleagues, they are often under the mistaken impression that unless a practice has large numbers of new patients, then it is a questionable or bad investment.

One of the major factors in deciding to purchase an existing practice is the value of the revenue stream generated from the existing patient base. The current patients represent the range of dental treatment being provided and the efficacy of the hygiene re-care program. The decision to purchase an existing practice or to construct a new one is complicated. Most advisors recognize that a practice purchase should generate an immediate cash flow sufficient to cover the overhead and to pay down debt.

If purchasing an existing practice is attractive, then the patients who currently attend the practice are the most valuable statistic upon which to focus. Selling dentists typically do very little in the way of advertising or marketing their practices. These dentists established practices at a time when the demand for dental services was very high and a dentist didn't have to advertise to attract new patients. This generation of dentists is uncomfortable with anything more pro-active than listing the practice in the Yellow Pages. They are now in their mid- to late-careers and generally satisfied with a steady income. They want to practice fewer hours and provide treatment for patients who are receptive to their treatment plans. Their patients are generally well-educated, don't miss regular re-care appointments, are familiar with the office policies, like the staff, pay their bills on time and have absolute trust in their dentist. Moreover, these practitioners are not motivated to expand the practice in terms of services or numbers of patients. They want to treat patients who have become friends over the years.

This is completely opposite to the rationale for starting a brand new practice. A young dentist will correctly look at location and the area demographics before building a new practice. We all agree that competition for dental services in the urban areas is high and dentist/population ratios have increased. Practice visibility and new patient numbers are critical if the practice is to get off the ground.

Many dentists may forget that it is not the volume of new patients who walk in the door that is as important, but rather the number of these patients who actually accept treatment and return to the practice over time. A high return rate is not an easy goal to achieve and practice management consultants may command hefty fees to assist practices in developing effective patient management programs. Can you imagine how much easier it is to promote regular re-care visits in an established practice with a committed patient base? Established dentists do not have to resort to promotional gimmicks such as free tooth whitening, free electric toothbrushes, coupons, sports tickets or discount services as a marketing tool.

Purchasing an existing practice is quite different, with an entirely different set of factors to consider. If the practice to be purchased has a healthy cash flow, then the main consideration should be to devote time and attention to the needs of the existing patient base. In the first couple of years, all of a new dentist's focus and energy should be on developing relationships with these loyal patients. As brokers we know that patients will continue to return to a practice, even after the death of the dentist! A sensitive purchaser will spend his or her efforts developing trust with the existing patient base. If the patients are not urged to adapt to huge changes in philosophy, procedures or décor they will be immensely receptive to the new dentist's treatment. Why does this occur? Because, these patients have placed so much trust in their previous dentist and are eager to give his or her successor the opportunity to continue to provide their dental care in a familiar setting. It is not the responsibility of the buyer to do anything but continue to deserve the trust of the returning patients. There is little reason to focus so much attention on the number of new patients. The educated purchaser knows that new patients are generated by referral.

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