



ADS Florida Insider

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JANUARY 2009

Practice Transitions Made Perfect™

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Forging Onward



Profitable Plays in Unprofitable Times

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Homosassa Springs

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Anne Reid, DDS, and
Michael Salazar, DDS
Orlando

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Firas Marouf, DMD
Orlando



Forging Onward

Surviving Economically Rough Terrain

2009! This will be a year to remember for very significant reasons. We will enter into a new era politically and socially, but more importantly we will be facing a very difficult economy. The recession that has developed is impacting all sectors of the economy, including dentistry. In some areas, it is a very deep impact, where in others it is less severe. But, it is affecting all of dentistry including the financing sector which supports the acquisition and refinance of dental loans, and also the financing of expansion of practices including new equipment purchases and lines of credit.

One of the major finance companies, General Electric Healthcare Services, a division of GE, as of January 9, 2009, has eliminated its dental acquisition financing department and will no longer be providing dental purchaser or start-up financing. Several years ago GE bought HPSC which was the original dental acquisition and equipment financing company in the country and GE initially proposed a very aggressive entry into the financing market. The loss of GE is a big blow to our industry as GE was one of the big three or four lenders. Fortunately, GE sold its portfolio to Wells Fargo Bank which owns MATSCO Financial, a very reputable company, with whom we have been working for many years.

As of now, Bank of America, MATSCO Financial and Professional Practice Capital are the main players in the market place. There are other broker lenders that acquire their money from various sources, including the Small Business Administration. Hopefully, this economic fall-out will not further reduce dentists' ability to secure reasonably priced financing.

As we face this critical time, now more than ever before, it is important to get your practice running fiscally responsibly with proper fee structure, cost structure (expenses) and management. As I've stated before, dentistry will continue to be needed, but now is the time to "get back to basics" and be pro-active in controlling overhead, including staff expenses, adjusting fees, working on internal marketing for new patients and controlling accounts receivable, especially with the insurance companies. It's probably a time to have a "State of the Practice" meeting with your staff and lay out specific plans to assure your profitable survival in economically rough terrain.

We, at ADS Florida, wish you all a very happy and prosperous New Year and remind you that you can call on us for any assistance or advice related to your practice. Our team consists of two formerly practicing dentists one of whom is an attorney and two MBAs. I think we can honestly say we **ARE THE BEST**, and we are very proud of it.

Very respectfully,

Hy Smith

Are You Charging Enough?

Request Your Localized Fee Report Today

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

This report is free to ADS Florida newsletter subscribers. Visit FeeSurvey.ADSflorida.com to request your localized report.



Profitable Plays in Unprofitable Times



In the first edition of our newsletter each year we include an article about fees. This year as we all know, the economic calamity has hit Florida especially hard. With the recession adversely affecting every segment of our economy, a reduction in patient flow, treatment acceptance and income in doctors' offices has been seen everywhere. In general, we've seen anywhere from a 10% to 30% decline in practice revenues in 2008. So, where does this leave you for 2009 and, specifically, what should you do about your practice and fees?

In a recent survey by John McGill & Company, Inc.¹ dentists surveyed throughout the country reported that they continued to raise fees during 2008. For those doctors who did not increase fees however, there 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 (recession or not). 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.

ADS Florida, LLC has annually offered to our readers localized NDAS fee report to allow for a rational basis for setting fees. We have often looked at practices for valuation and transition 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 it 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.

It is our recommendation that each practice select a fee schedule that accurately reflects the quality of care provided in their 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. For 2009, many of those surveyed are still planning up to a five percent (5%) increase. Our recommendation is that an increase of at least three percent (3%) should be instituted. If that seems drastic, note that the majority of survey respondents reported fee increases of five percent (5%) or lower. As a point of reference, the CPI increase was approximately 4.9% for the period ending on September 30, 2008. 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 that the doctor wants to do. In addition to conservative fee increases this year, extending more liberal credit terms to patients may be necessary with the goal to help increase treatment acceptance and build goodwill with your patients.

Communications Strategy

You should further take this opportunity to examine your communications 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 more important as doctors constantly look for ways to get more patients in to their practice. Most however, spend virtually all of their marketing efforts on new patients 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 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 that have been reset as of January 1st.

Treatment Presentation

Many of our successful offices have also revised their treatment presentations to reflect the recession. As we have always advocated for comprehensive treatment planning and presentation, many offices are now offering a deferral of the "complete" treatment plan in favor of a segmented plan. While a comprehensive plan should be presented, if it is not accepted for economic reasons, consider offering to complete the treatment in segments over a defined timeline. Normally this will result in quadrant treatment that can be accomplished in only a few appointments with a minimum of time lost from work. Patients will be able to see immediate results of the treated area and will probably be more inclined to want to complete treatment.

In-Office Experience

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 just because they perceived that they were being "over-treated" and did not want nor did they think that they 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 as they turn down they will also turn back up. Now is the time to comprehensively evaluate how your practice is positioned and make plans for this New Year.

¹The McGill Advisory – Volume 23 Issue 11, November 2008.

Practice Transitions Made Perfect

General and Specialty Practice Purchase Opportunities

NORTH FLORIDA

Contact: Paul Rang, DMD, JD

| | | Gross | Buyer Net |
|-------------------|---|------------|-----------|
| Fort 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 | \$340K | \$107K |
| Pensacola | 6 ops FFS 3 days/wk Real Estate Available | \$361K | \$104K |

Specialty Practices

| | | | |
|------------------|--|--------|--------|
| North Gulf Coast | Oral Surgery 6 ops Real Estate available | \$1.2M | \$541K |
| NE Florida | Pedo 6 ops Real Estate Available | \$1.2M | \$485K |

WEST FLORIDA

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

| | | Gross | Buyer Net |
|---------------|---------------------------------|----------------|-----------|
| Citrus County | 5 ops FFS Pano | SOLD | |
| Clearwater | 3+2 ops PPO Digital Pan | \$370K | \$54K |
| Tampa (South) | 3 ops FFS/PPO Starter/Satellite | UNDER CONTRACT | |
| Venice | 4+1 ops FFS/PPO RE Avail | \$585K | \$142K |
| Venice | 3 ops FFS/PPO | \$735K | \$208K |

Associate Opportunities

General: Bradenton

CENTRAL FLORIDA

Contact: Paul Rang, DMD, JD

| | | Gross | Buyer Net |
|---------------|--|------------|-----------|
| Citrus County | 5 ops FFS Pano | SOLD | |
| Clermont | 5 ops FFS/PPO Pano 3 days/wk | \$495K | \$81K |
| Gainesville | 4 ops FFS/PPO Pano | \$1.1M | \$333K |
| Mt. Dora | 8+1 ops FFS/PPO/HMO Pano | \$677 | \$125K |
| Ocala | 4+2 ops FFS Pano | \$552K | \$171K |
| Orlando | 5 ops FFS/PPO/HMO Pano digital x-ray RE | \$914 | \$266K |
| Orlando | 4 ops FFS/PPO digital x-ray, Pano, Cerec | \$803K | \$217K |
| Orlando | 3 ops FFS/PPO 3 days/wk RE Avail | SOLD | |
| Orlando | 5 ops FFS/PPO digital x-ray, Pano, Cerec | SOLD | |
| The Villages | 7 ops FFS/PPO digital x-ray, Pano, Cerec | \$1.4M | \$387K |
| Vero Beach | 3 ops Equipped Condo | Ask \$460K | |

Specialty Practices

| | | | |
|------------|--------------------------------|--------|--------|
| Central FL | Perio - 2 locations FFS | \$1.1M | \$508K |
| Orlando | Orthodontics 1 day/wk RE Avail | \$300K | \$77K |
| Orlando | Prosthodontics 2 ops FFS Pano | \$595K | \$314K |

SOUTHEAST FLORIDA

Contact: Stuart M. Auerbach, DDS

| | | Gross | Buyer Net |
|-----------------|----------------------------------|----------------|-----------|
| Boynton Beach | 3 ops FFS Publix Shopping Center | UNDER CONTRACT | |
| Deerfield Beach | 5+1 ops FFS PPO with building | \$475K | \$104K |
| Hialeah | 4 ops FFS PPO computer and pan | Ask \$200K | |
| Lauderhill | 4+1 ops FFS PPO | \$465K | \$122K |
| Lake Worth | 4 ops FFS PPO newly decorated | Ask \$125K | |
| Miami | 7 ops PPO/FFS/HMO | \$502K | \$140K |
| N. Miami | 5+1 ops FFS/PPO | Ask \$ 97K | |
| N. Palm Beach | 5+1 ops FFS/PPO digital x-ray | \$550K | \$178K |

Specialty Practices

| | | | |
|-------------------|-----------------------------------|--------|--------|
| Indian River Cnty | Perio 5 ops new equipment w/Condo | \$770K | \$160K |
| Palm Beach Cnty | Oral Surgery 5 ops FFS/PPO | \$700K | \$232K |

Practice Ready Facilities

| | | | |
|-------------|--|------------|--|
| Miami Beach | 3 ops Equipped surgical office w/pan/ceph/tomo | Ask \$125K | |
| Lake Worth | 3400 sq ft. bldg dntwn 4+1 ops 1800 sq ft. | Ask \$750K | |
| Vero Beach | 3 ops Condo w/equipment | Ask \$375K | |

SOUTHWEST FLORIDA

Contact: Greg Auerbach, MBA or Hy Smith, MBA

| | | Gross | Buyer Net |
|-------------|--------------------------------------|----------------|-----------|
| Naples | 6 ops FFS - High End C&B RE Avail | UNDER CONTRACT | |
| Punta Gorda | 4 ops FFS - 1400 SF Long Established | \$1.4M | \$380K |

Specialty Practices

| | | | |
|--------|----------------------------------|--------|--------|
| Naples | Proths - 6 ops FFS Only RE Avail | \$1.4M | \$380K |
|--------|----------------------------------|--------|--------|



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, Pinellas, Sarasota

PEDODONTIST

Broward, Dade, Palm Beach

ORTHODONTIST

Broward, Dade

PERIODONTIST

Broward, Palm Beach



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Practice Transitions Made Perfect

There is no need to worry with the right expertise to guide you. ADS Florida can provide that "no worry experience" for your entire transition process. Whether for practice sales, associate buy-ins/buy-outs, partnerships/multi-doctor arrangements, appraisal services or other customized consulting, work with the experts who provide not just results but peace of mind.

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