



ADS Florida BuyLine

OPPORTUNITIES FOR DENTAL PRACTICE BUYERS & ASSOCIATES

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A Hard Look at Software



Numbers That Count

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Make Sure Practice Management Software Is Up to Speed

by Bryan Currier, Advantage Tech



When purchasing or selling a practice, one of the areas you can easily overlook is the computer and network technology within. Proper utilization of practice management software, imaging technologies, and the core computer system can make a world of difference in your transition. Each of these is very important to the operational efficiency of any practice. Today, let's look at practice management software.

1. Run with the group

Most practices run one of the following practice management systems (for GP): Dentrix, SoftDent, EagleSoft, or PracticeWorks. There are some outliers, but for the most part these are the systems you see in the vast majority of practices. This is actually great for dentistry. The money that goes into research and development on software is quite substantial, and the software is constantly coming out with new improvements.

Contrast that to older pieces of software (such as Computer Age Dentist, QSI UNIX, etc.), and you'll find they are way behind. Items such as paperless patient entry, registration at home, even simple things like procedure codes, can be outdated on older systems. If you're not using an industry-leading software, this would be an excellent time to think about making a move. As a seller, this is an important piece of the practice that a prospective buyer is going to look at, so make it easy for them. As a buyer, carefully consider the cost (particularly in staff time and frustration) of trying to change practice management systems at the same time as having a change in leadership.

2. Stay current

There are plenty of practices that have an industry-leading practice management software but are running a version that is three or four years old. If you're not running the latest version, you're missing out on bug fixes, stability enhancements, and new features that enhance the productivity that is continually built into these packages. Stay current and stay on support with your software provider. It's well worth the minor investment in your practice.

3. Get a second opinion

When looking at a practice and trying to determine the status of the I.T. system, don't go it alone. There are qualified and trained I.T. people who know dental and can help. Your transitions consultant at ADS can recommend a local dental I.T. partner who is qualified to help you in this process. Ask them. They are there to help.

Bryan Currier is president of Advantage Tech, an I.T. company dedicated to serving dental practices. Bryan has 13 years in the industry, and has assisted nearly 1,000 practices with various I.T. needs throughout his career. He has spoken at various events, including the Carestream Users Group and Microsoft Worldwide Partner Conference, and has been published in various trade journals. He resides in Florida with his wife and four children. Bryan can be reached at 877.723.8832.

Dig N2 the Numb3rs

When Evaluating Patient Census and Accounts Receivable



Dental practice management software has become ubiquitous. Most practices today are computerized at some level. How can this assist you in evaluating a purchase opportunity?

When we are asked to value a practice, we look for the reports that are available from most of the commonly used programs. Those statistics are utilized to evaluate the health of a practice and provide important information that purchasers and practice acquisition lenders require when they evaluate their interest in purchasing a practice or financing the business. As the adage says, "garbage in, garbage out," meaning the accuracy of any computer report is limited to the accuracy of the information that is entered and maintained.

As an example, prospective purchasers and lenders both want to know the number of active patients in the practice. But what is the definition of an active patient? Generally, we look at the number of patients treated by the practice in the last 18 months. This time window has been an accepted standard for years; however, practice software reports will not usually show that number anywhere. We can't help but wonder why?

Most offices that still use paper charts do periodic chart reviews and move patient charts to storage when the patients have not been in the office for approximately 3–4 years. However, when the inactive charts are removed, the practice software is often not updated. Patients need to be inactivated in the software or they continue to be counted in the patient register. So we often see practices with 7,000–10,000 patients on patient statistics reports but only 2,000 patient charts in the office. It is unlikely there are 7,000+ active patients in a general practice with only two hygienists seeing patients five days per week. Such ambiguity is not generally favorably received. In most cases, even 2,000 patients is 'too much.'

Another report that is often overlooked is the accounts receivable report. If you want to know how well a practice is doing financially, look at this report. How much dentistry was produced and how much money was collected of that production? Overhead costs are actually a function of the production of the office and not the collections. A practice

overhead may seem to be too high when compared to the collections, but evaluating overhead relative to actual production may reveal a quite different perspective.

We've seen offices where the accounts receivable approach \$500,000 and more. How does this happen? If the practice owner does not regularly review the status of the patient accounts, a continuing error will never be corrected and, over time, that can become an exponential error. Why is that a problem? At the time of the sale, the seller will be required to disclose the amount of money owed to the practice.

The accounts receivable is money owed to the practice by patients and insurance companies (if you submit claims for patients) less the amount of patient credits. Credits include patient overpayments (most likely due to duplicated payments by insurance companies) plus patient prepayments for dentistry not yet performed. Longstanding errors are usually going to be seen in the aged collection report, probably in the "over 90 days" or "over 120 days" columns.

If a practice does not regularly review this report, a seller could find him/herself at the closing of the sale of the practice writing a lot of checks to patients refunding their overpayments (credits) or transferring money to the purchasing doctor, as that money will be held for the patients to return to the office. In either situation, it can be a real problem, as sellers have had to return tens of thousands of dollars in order to sell their practices.

As a purchaser, you should look at the accounts receivable report and if the balance or amount of credits is excessive, you may find that the office software has not been properly closed at the end of each month for many years. The only way to rectify this is to have the practice go back and close each month individually until you are up to date. The seller will also need to either write off very old accounts or send them to collection and remove them from the practice software.

As a purchaser you should consult with your transition expert to discuss the relevance of the subject practice reports.

General and Specialty Practice Purchase Opportunities

NORTH FLORIDA

Contact: Paul Rang, DMD, JD

			Gross	Buyer Net
Jacksonville	6 ops FFS/PPO Pano, Dig X-ray		\$683K	\$191K
Lake City Area	5 ops FFS Pano 3 days/wk RE Avail		\$348K	\$107K
Lake City Area	3 ops FFS/PPO Pano, Dig X-ray RE Avail	SOLD		
Pensacola	4 ops FFS/PPO Pano 3 days/wk RE Avail		\$469K	\$128K

Specialty Practices

Jacksonville	Perio 3 ops FFS Pano Dig X-ray RE Avail	\$532K	\$177K
NE Florida	Perio 6 ops FFS Pano	SOLD	
NE Florida	Pedo 7ops Real Estate Available	\$1.25M	\$485K
NE Florida	Ortho - multiple locations 3 days/wk	\$462K	\$111K
NE Florida	Endo 2+2 ops	SOLD	
NW Florida	Endo 3 ops	\$648K	\$330K
NW Florida	Perio 5 ops FFS/PPO D X-ray	Ask \$475K	

SOUTHEAST FLORIDA

Contact: Stuart M. Auerbach, DDS or Olga Rodriguez, RDH (Miami)

		Gross	Buyer Net
Davie	3+1 ops FFS PPO		SOLD
Miami (Kendall)	3 ops FFS PPO w/condo		SOLD
Miami	3 ops DXray Dpan	Ask \$149K	

Specialty Practices

NE Brow. County	Periodontics 4+1 ops FFS w/condo	\$350K	\$140K
SE Brow. County	Periodontics 6 ops FFS/PPO		SOLD
SE Florida	Orthodontics 4 open bay+1 ops FFS	\$400K	\$135K

Practice Ready Facilities

Boca Raton	Office Share in Fully Equipped Office		
Miami	4+1 ops equipped Shopping Center	Ask \$195K	

WEST FLORIDA

Contact: Greg Auerbach, MBA

		Gross	Buyer Net
Sarasota	4 ops FFS Cerec, Laser		UNDER CONTRACT
Tarpon Springs Area	4+2 ops PPO/FFS Pan, RE Avail		SOLD

Specialty Practices

West Florida	Pediatric 4 chairs FFS	\$250K	\$55K
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SOUTHWEST FLORIDA

Contact: Greg Auerbach, MBA or Hy Smith, MBA

		Gross	Buyer Net
Fort Myers (SW)	3 large ops FFS Paperless Laser	\$350K	\$100K

Practice Ready Facility

Naples	3 ops	Ask \$200K	
Naples	5+1 ops 1980sf Equipped Condo	Ask \$299K	

Specialty Practices

Naples	Endo	Ask \$200K	
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CENTRAL FLORIDA

Contact: Paul Rang, DMD, JD

		Gross	Buyer Net
Cocoa Beach	4 ops FFS/PPO 3 days/wk	\$374K	\$112K
Daytona Beach	8 ops FFS/PPO Pano		SOLD
Gainesville	4 ops FFS/PPO Pano		SOLD
Levy County	7 ops 3 days/wk	\$362K	\$145K
Orlando	4+1 ops FFS/PPO Dig X-ray 1day/wk		SOLD
Orlando	4+1 ops FFS PANO	\$772K	\$193K

Specialty Practices

E. Coast - Cen	Perio 4 ops FFS Pano 3 days/wk	\$380K	\$139K
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Practice Ready Facilities

Ormond Beach	2,000 SF condo, 5 ops, specialty prac.	Ask \$425K	
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For the most recently updated listings visit listings.ADSflorida.com

Q&A

Q: I have read that dental practices are worth 70% of their gross receipts averaged over the past three years. Is that true?

A: While three years of financial information is important to determine the value of a practice, rules of thumbs are simplistic and don't usually provide the correct value. To find out the true value of a dental office, an expert in transitions should be consulted to conduct an evaluation or full appraisal of the practice.

For answers to more Frequently Asked Questions, go to FREQ.ADSflorida.com

What Our Clients Say

"Stuart Auerbach was an absolute gentleman and professional. He facilitated a smooth transition for both the seller and myself. I would have no hesitation recommending him to anyone looking to buy or sell a practice!"

- Dr. Brandon Alegre
Purchased Practice

Meet the ADS Florida Team



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