



# ADS Florida BuyLine

OPPORTUNITIES FOR DENTAL PRACTICE BUYERS & ASSOCIATES

JANUARY 2013

## IN THIS ISSUE



Hooked On A Feeling?



2013 Outlook: Look Out! (And Act!)

ADS Florida  
*Congratulates*

Barry Gibberman, DDS to Jeffrey Rhodenbaugh, DDS Cincinnati, OH

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## Buying on Emotion: A Mistake That Can Last a Lifetime

Buying a practice is one of the most important decisions you will make in your professional life. The importance of having a true understanding of the value of the practice in which you are considering making a lifetime investment cannot be overstated. Unfortunately, in today's market, professional performance standards for this process are often not followed. It is not unusual for a broker or their representative to tell the owner of a practice what the owner wants to hear in order to obtain the listing. If a buyer can then be enticed to pay an inflated price for the practice, the buyer may struggle for years to come to achieve adequate cash flow. Often in the excitement of finally realizing the dream of practice ownership, buyers make decisions on feelings rather than facts. Accordingly, practice transition failures are a reality today to an extent we rarely saw in the past.

### Overhead, Schmothead

An example of what often occurs in the industry can be illustrated by a Dentaltown message board post that detailed a conversation between a prospective purchaser and a representative from a well-known brokerage company. When responding to a question from the prospective purchaser about why a practice had a significantly higher asking price than another broker's practice (with similar collections and lower overhead), the representative is quoted as stating that their company "doesn't take into account overhead in its algorithm when determining practice value." When the prospective purchaser responded, "So, according to you, a practice doing a million dollars with 90% overhead and a practice doing a million dollars with 60% overhead have the same value?", there was only silence from the representative.

### Look at the Cash Flow, Not the Furnishings

Keep in mind that as a purchaser, you are primarily buying a stream of revenue, or in other words, cash flow. Sometimes as dentists, we are wooed by the newness of the equipment or the office décor. Of course, these are factors in the value of the practice; however, these tangible assets can be replaced at a small percentage of the total practice value and do not in themselves solely justify a price not supported by cash flow. In the end, value is most often a function of net income.

If you are considering purchasing a practice, we can help you avoid a lifetime mistake by providing a true valuation/appraisal or consulting on your purchase, particularly for those practices listed with no or with another transitions firm. We'll help sort through the "feelings" and provide the facts.



# Try a New Year's Revolution For Your Practice

If you were waiting for the end of the Mayan calendar and the world, that passed on December 21. The rest of us have survived to make it to a New Year! All of us at ADS Florida hope you enjoyed your 2012 holiday season and wish you a very happy, healthy and prosperous 2013.

In the last few years, we have noted that doctors have faced unprecedented uncertainty in the economy, their practices, and investments. Our outlook has certainly brightened due to the general trends of the economy during 2012. (Most signs continue to point towards an ongoing and imminent recovery; visit <http://economy.ADSflorida.com> for indicators.) Economists nationally and worldwide have become more optimistic, but we know we are not out of the woods yet, and there continue to be constant and varying pressures on your practices. Uncertainty in Europe continues to affect our financial system. The "Fiscal Cliff" has been put off for two more months but will only now be packaged within a larger discussion that will now include the nation's debt ceiling. At this point, we can only hope that the politically charged gridlock in Washington can be lessened and our "new" Congress and President can get to work on substantive policies that will enable our economy to continue its recovery.

## Key to Success in 2013: A Practice Budget

To help assure success, it has become most imperative that doctors spend the time and energy to establish a practice budget, in conjunction with a full review of their fee structure. This is particularly important if you will be taking over an established practice in the coming year. 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.

Previously, we have suggested a close examination of overhead expenses, comparing to prior years and then adjusting accordingly. We have also suggested a review of your staffing, as this is the largest single overhead expense item. You should also review your policy on automatic pay raises versus bonus plans.

Another change to be aware of for 2013 is the treatment of health insurance. Health care reform does not require practices with fewer than 50 employees to provide health care insurance coverage for the staff. However, if you do provide health care insurance, there is a provision requiring that eligibility and benefits no longer discriminate in favor of the doctor and/or his family once the plan loses its "grandfathered" status. Policies already in effect on March 23, 2010, may not be affected, but the new regulations will be triggered if "significant" modifications are made. Fines and penalties for non-compliance are severe, so you will need to keep up to date with the implementation of this new provision. Other new taxes will be decided—or not—after the first of the year. We have already anticipated increases in capital gains tax, Medicare tax, and Federal income tax.

## Another New Tax?

Of recent interest to dentists, a Medical Device Excise Tax is set to be imposed. The ADA has recently sent an advisory as follows:

1. Dentists will not be responsible for collecting, reporting, or paying the new 2.3 percent tax.
2. The tax on "devices" specific to dentistry will in many cases be applied to the materials from which dental devices are manufactured rather than to the customized items supplied by a dental laboratory, whether or not a device is ultimately adjusted and adapted by the dentist for a patient. "Device" is used as a term-of-art since many "devices" would be more commonly described as "products," "materials," or "substances."
3. The tax will result in some increased costs for dentists and dental patients.
4. Dentists should be alert in reviewing manufacturer and vendor price lists and invoices to make sure that the 2.3% tax is not being applied as a general cost increase with respect to all items, but is only being applied in cases where the law so requires.

This tax survived the New Year's votes, so is currently in effect.

## Review Fees to Offset Loss of Income

All of these tax increases mean only one thing for you: less take-home income, unless you are able to offset them with higher gross income or an increase in the profitability of your services. As a supplement to budgeting, you should also review your fee schedule and consider the timing and amount of a fee increase for this year. We recommend that doctors select a fee percentile that accurately reflects their quality of care, and then increase all fees below that percentile up to it. (Request a localized ADA code report at <http://feereport.ADSflorida.com>.) Once your fees are at the desired percentile, you should raise every fee by the same percentage across the board, **every year**.

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

Do you have more questions about your practice for 2013? Email us at [question@ADSflorida.com](mailto:question@ADSflorida.com). For a local overview of fees by zip code, ADS Florida is offering you a free customized report. If you are interested in receiving one, please visit <http://feereport.ADSflorida.com> and complete the form.

# General and Specialty Practice Purchase Opportunities

## NORTH FLORIDA

Contact: Paul Rang, DMD, JD

		Gross	Buyer Net*
Jacksonville	5 ops FFS/PPO Pano	UNDER CONTRACT	
Pensacola	3 ops FFS/PPO Dig X-ray & Pano RE Avail	Reduced to \$225K	

### Specialty Practices

NE Florida	Pediatric 7ops RE Avail	\$1.25M	\$485K
NE Florida	Ortho 5+1 ops		
NE Florida	Endo 3 ops Dig X-ray microscopes	\$703K	\$263K
NW Florida	Endo 3 ops Dig X-ray microscopes	\$648K	\$330K
NW Florida	Perio 5 ops FFS/PPO Dig X-ray	Ask \$475K	

### Practice Ready Facilities

Jacksonville	2,200 sq ft 4 ops, Dig X-ray		
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## SOUTHEAST FLORIDA

Contact: Stuart M. Auerbach, DDS

		Gross	Buyer Net*
Coral Springs	5 ops FFS PPO Dig X-ray and Pan	Ask \$150K	
Ft. Lauderdale	2+1 ops FFS	Ask \$165K	
Lauderhill	5 ops PPO/FFS	\$485K	\$130K
Miami Gardens	3 ops PPO HMO	\$475K	\$110K
Tamarac	5 ops FFS/PPO Publix Shopping Ctr	Ask \$150K	

### Specialty Practices

W. Broward Cty	Surgery: Dental Alveolar and Implant	\$750K	\$220K
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### Practice Ready Facilities

Miami Beach	2 ops fully equipped with Pan X-Ray	Ask \$97K	
Port St. Lucie	2+2op Equip, CPUs, Dig X-ray, Near Hospital	Ask \$200K	
Pompano Beach	1800 sq ft Building 6 ops plumbed large lab	Ask \$350K	

## WEST FLORIDA

Contact: Greg Auerbach, MBA

		Gross	Buyer Net*
Bradenton	5 ops FFS Dig X-ray, Cerec & Laser	\$650K	\$196K
Bradenton	5+1 ops FFS/PPO	\$815K	\$273K
Riverview	6 ops Digital Pan Paperless	Ask \$295K	
Tampa	6 ops FFS/PPO Pan Ready to Grow	\$467K	\$72K
Westchase	4 ops PPO/FFS Pan Laser Dig X-ray	SOLD	

## SOUTHWEST FLORIDA

Contact: Greg Auerbach, MBA or Philip LoGrippe, DMD

		Gross	Buyer Net*
Fort Myers	3ops FFS/PPO Long Standing Practice	UNDER CONTRACT	
Fort Myers	5ops FFS Well Established Practice	\$1.3M	\$308K
Naples	4+1ops FFS/PPO Dig X-ray, Pan	\$750K	\$273K

## CENTRAL FLORIDA

Contact: Paul Rang, DMD, JD

		Gross	Buyer Net*
Clermont	6 ops FFS/PPO Dig X-ray + Pano	\$473K	\$167K
Cocoa Beach	4 ops FFS/PPO 3 days/wk	UNDER CONTRACT	
Daytona Beach	4 ops FFS/PPO Dig X-ray + Pano	\$950K	\$414K
Kissimmee, St Cloud	5+2 ops FFS RE Avail	UNDER CONTRACT	
Levy County	7 ops 3 days/wk	\$362K	\$145K
Ocala	5 ops FFS Dig X-ray + Pano	UNDER CONTRACT	
Ocala	4 ops FFS/PPO Dig X-Ray + Pano	Ask \$200K	
Orlando	5 ops FFS Dig X-ray Cerec	UNDER CONTRACT	
Orlando	3+3 ops FFS/PPO Pano	UNDER CONTRACT	
Orlando	2 locations w/ 3 ops FFS	\$525K	\$170K
North Orlando	3 ops FFS Pano	\$549K	\$192K
Winter Park	4+1 ops FFS/PPO	\$521K	\$146K
Winter Park	5 ops FFS Pano Dig X-Ray	\$875K	\$262K

### Specialty Practices

Central FL	Prosth 5 ops FFS Pano	\$798K	\$235K
Central FL	Endo 5 ops	\$587K	\$312K
Central FL	Endo 2 locations w/ 3 ops	\$505K	\$193K
Central FL	Pedo 5 ops Pano-Ceph	\$503K	\$143K
Central FL	Pedo 5 ops, Pano, Dig X-ray	\$1.27M	\$492K

### Practice Ready Facilities

Ormond Beach	2,000 sq ft Condo, 5 ops, specialty prac.	Ask \$307K	
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For the most recently updated listings visit [listings.ADSflorida.com](http://listings.ADSflorida.com)

\*Buyer net includes the debt service on 100% financing of the asking price.

# Q&A

## Q: How is ADS Florida different from other brokers in the state?

A: Experience counts. ADS Florida has been operating in the state longer than any other broker, and is the only one that has met the stringent standards placed upon members of ADS nationally. ADS Florida also serves as the exclusive transition specialist for the Pride Institute.

Our six-member team provides personalized, experienced, professional service that cannot be found in any other dental practice transitions firm operating in the state. We prescribe to the highest of ethical standards and focus on finding the right transition strategy for each doctor and practice. Our transitions methodology and documentation is among the best in the country—creating win-win-win deals for purchaser, seller and patients alike.

## What Our Clients Say

“ Dr. Rang walked me through the entire process. Everything from finding the practice, to funding, to attorneys and CPAs to work with. I could not have done this whole process by myself. ”

— Bryant Anderson, DMD

## Meet the ADS Florida Team



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# Inside This Issue

- | Putting Feelings Ahead of Facts? Don't buy based on emotion.
- | Looking Ahead into 2013: And Looking Out for You.
- | Q&A: Why We Are Different—And Better!
- | Location. Location. Location. Listings from All Around Florida.

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 Buy, Sell or Partner? Understanding the Economics of Your Exit Options  
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