



AUGUST 2013

ADS Florida BuyLine

OPPORTUNITIES FOR DENTAL PRACTICE BUYERS & ASSOCIATES



Pre-payment Predicament



Hide & Seek:
Hidden Practice Value



Pre-payment Predicament: Sorting Out Practice Accounts

The value of a practice is determined, in part, by calculating the available income for a purchaser after the practice expenses are considered. Usually, practice financial statements and tax returns are adequate to break down the financial condition of the business, providing a purchaser with a good representation of practice income and expenses. By examining the day sheets, deposit slips and bank statements, a purchaser should find a direct correlation between the services provided to patients and the actual practice income.

New Patient Payment Vehicles Effect Transitions

Recently, though, we have seen some new trends in practices, propagated by the use of healthcare-specific credit cards and financing plans for dental treatment. These credit vehicles have been welcomed by practices, since once the patient is approved, the entire estimated treatment cost is advanced and paid immediately to the practice (less a pre-arranged percentage withheld by the bank).

So what's the problem? When a dentist deposits the money received as prepayment for future patient services into the practice's general bank account, that money becomes commingled with money deposited for services already performed.

While there is nothing illegal or wrong with this practice, if the money has gone into the general account, the due diligence review may not discover the credits. Without full disclosure by the seller, the purchaser may be walking into a practice where many of the returning patients expect their continuing treatment will be provided at no additional cost. Patients will expect that their money has been properly transferred to the new practice owner.

Outstanding Credit as Important as Receivables

When evaluating a practice for purchase, it's important to take a look at the receivables report for not only the amount due, but how much is out as a credit. From there, within a transition, the credits should then either be paid back to the patient from the seller just before closing or transferred to the purchaser in conjunction with the sale. Generally speaking, the latter is preferable, to maintain the continuity of the practice with the patient.

After purchasing, the purchaser may consider using a separate bank account solely for prepayments, much as escrow accounts are utilized by brokers and attorneys. As treatment is provided, money can then be transferred to the operating account. This separation allows the owner to more accurately track the practice collections and profitability. Further, this separation protects the practice in the event that a patient decides not to complete treatment and requests a refund; the money is readily available and has not been already spent or taken by the owner.

ADS Florida *Congratulates*

Bruce Bartos, DDS to
C. Nick Deture, DMD
Fort Lauderdale

Paul DeCarlo, DDS to
Jared Ford, DDS
Fort Myers

John Randolph, DDS to
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Winter Park

Jon Wilkins, DDS to
Ramzi Matar, DMD
Winter Park



Discovering Practice Uniqueness: The Hidden Value

Adapted from Article Published by Tim Brown and Ann Wright of ROI Corp – Toronto, Ontario, Canada

In a past issue of Ontario Dentist, (“The New Patient Obsession”, January/February 2007) Brown and Wright discussed buyer’s concerns about new patient numbers when purchasing an existing practice (also search “Measuring the Meaning of New Patients” at ADSflorida.com). A similar logic — being short-sighted — holds true for office equipment, layout, aesthetics and overall visual appeal.

The listing/selling dentist typically falls into one of three categories:

- 1. Decided to set up practice soon after graduation, possibly 30 to 50 years ago.** He or she equipped and outfitted their premises when dental office sizes, styles and needs were much different than today. In most cases, other than some minor cosmetic upgrades such as new paint and carpeting, the facility looks pretty much as it did way back then.
- 2. A mismatch of both old and new equipment as some outdated technologies were replaced on a random, year-to-year basis** without a master plan. The hygiene rooms often contain the older dental units, while the dentists’ operatories are the only rooms that have been upgraded. Neither of the first two offices may have much to offer in the way of modern appeal, especially when none of the colors match.
- 3.** The smallest group, includes those who are **attracted to the newest and sleekest equipment**, and have an additional penchant for high-tech gear. These offices are often state of the art.

Don’t Lose Sight of What’s Truly Valuable

In Florida transitions, a dollar amount is allocated to the dental equipment and supplies that is consistent with the idea that the market value in place is higher than the value “on the street”. Essentially, if you are using a dental chair to generate revenue on an ongoing basis, then this chair has a higher dollar value than if it was sitting in storage, unused. Even though it may be an older chair, it still works, it’s well maintained and generates income.

The purchasers we speak with often agonize about the additional expense they may incur to completely modernize the office, but in many instances they have lost sight of the greatest asset of the practice — the patients. This group of loyal patients has attended the practice, regularly, for many years. It is highly probable that most will continue to attend the practice, regardless of whether it is modernized or not. These patients rarely complain about the older décor, or the unsightly chair in one of the operatories. They chose to attend the practice because of many reasons, including the staff, the friendly welcome they receive when they arrive, and yes, even the ambiance.

Don’t Change for the Sake of Change

Patients find comfort in the many “trophies” of the dental environment. In an article in Ontario Dentist several years ago, (“Trophy Marketing,” September 1998), Wright described dental offices that have old family and pet photos on the wall, outdated magazines in the waiting room, a display of the owner’s fishing or curling awards or many other things that make a practice unique, given the owner’s personal style. Try to identify this element of the practice you are buying and make certain it matches your particular style.

The best advice we can give buyers is this: don’t make any changes that are not absolutely necessary in the first year after the sale. Go ahead and purchase new software, an intraoral camera and transmit dental claims electronically. Try not to shock or intimidate your patients, and make your changes gradually.

The patients want the opportunity to meet and develop trust in you and they need time to make this adjustment. You also need some time to adapt to the new challenges of running your own practice.

When purchasing an older practice, look for the real hidden value: the staff, systems, and most important — the loyal patients.

Timothy A. Brown is the President & CEO of ROI Corporation & ROI Capital, companies that specialize in dental practice appraisals, brokerage, consulting, locum placements, associateships and practice financing across Canada.

Ann Wright is Senior Associate for ROI Corporation, Eastern Ontario and Ottawa region.

General and Specialty Practice Purchase Opportunities

CENTRAL FLORIDA

Contact: Paul Rang, DMD, JD

		Gross	Buyer Net*
Clermont	6 ops FFS/PPO Dig X-Ray + Pano		SOLD
Clermont	5+2 ops FFS/PPO Dig X-Ray RE avail		UNDER CONTRACT
Cocoa - Rockledge	4 ops FFS/PPO	\$625K	\$286K
Port Orange	6 ops FFS Dig X-Ray + Pano RE avail	\$577K	\$144K
Daytona/Ormond Bch	3 ops FFS/PPO Dig X-Ray + Pano	\$589K	\$231K
Levy County	7 ops 3 days/wk	\$362K	\$145K
Ocala	5 ops FFS Dig X-Ray + Pano		UNDER CONTRACT
Orlando	3+3 ops FFS/PPO Pano		UNDER CONTRACT
Orlando	2 locations w/3 ops FFS	\$525K	\$170K
Orlando	3+1 ops FFS/PPO	\$450K	\$98K
Orlando	4 ops FFS/PPO	\$506K	\$120K
North Orlando	3 ops FFS Pano RE Avail	\$549K	\$192K
North Orlando	4 ops FFS/PPO Pano Dig X-Ray	\$420K	\$106K
Winter Park	4+1 ops FFS/PPO		SOLD
Winter Park	5 ops FFS Pano, Dig X-Ray		SOLD
Winter Park	3+1 ops Pano		UNDER CONTRACT
Winter Park	5 ops FFS Pano	\$595K	\$164K
Winter Park	4 ops FFS Cerec		SOLD

Specialty Practices

Central FL	Prosth 5 ops FFS Pano		SOLD
Central FL	Endo 2 locations w/ 3 ops	\$505K	\$193K
Central FL	Pedo 5 ops Pano-Ceph		UNDER CONTRACT
Central FL	Pedo 5 ops, Pano, Dig X-Ray RE avail	\$1.27M	\$492K

Practice Ready Facilities

Ormond Beach	2,000 sf condo, 5 ops, specialty prac	Ask \$307K	
Orlando - Lake Mary	2,000 sf condo, 2+3 ops w/ equip	LEASE OR BUY	

WEST FLORIDA

Contact: Greg Auerbach, MBA

		Gross	Buyer Net*
Anna Maria Island	5 ops FFS Dig X-Ray, Cerec & Laser		UNDER CONTRACT
Bradenton	3 ops FFS Shopping Center	Ask \$95K	
Bradenton	3 ops (large) PPO/FFS RE Avail	Ask \$115K	
Bradenton	5+1 ops FFS/PPO		SOLD
New Port Richey	11 ops FFS/PPO	\$1.9M	\$654K
Riverview	6 ops Digital Pan Paperless		SOLD
Sarasota	5 ops FFS Digital X-Ray Cerec		SOLD
Sarasota (South)	4 ops FFS Only C&B/Rest Ready to Grow		SOLD
Sarasota	6 ops FFS/PPO Dig X-Ray Major Rd RE		UNDER CONTRACT
Sarasota	3+1 ops FFS/PPO Dig X-Ray Pan	\$715K	\$238K
Punta Gorda	4 ops FFE RE Avail	\$550K	\$212K
Punta Gorda	4 ops FFS	\$579K	\$158K
Punta Gorda	4 ops FFS RE Avail	\$1.1M	\$443K
Tampa	6 ops FFS/PPO Pan Ready to Grow	\$435K	\$75K
Tampa (Northeast)	5 ops FFS/PPO/Cap Paperless		UNDER CONTRACT
Tampa (Northeast)	5 ops FFS Major Road		UNDER CONTRACT
Venice	3 ops/2,000 sf FFS Digital X-ray	\$650K	\$243K

Practice for Merger

Sarasota (South)	FFS Patients C&B - Dr. Avail for Transition		SOLD
Sarasota (Hospital)	FFS Patients C&B - Staff Avail		SOLD
Sarasota	FFS Patients C&B - Staff Avail	\$300K	

Specialty Practices

Punta Gorda/ Port Charlotte	Orthodontic	\$350K	\$50K
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NORTH FLORIDA

Contact: Paul Rang, DMD, JD

		Gross	Buyer Net*
Panama City	5 ops FFS Pano Real Estate Available	\$756K	\$292K
Pensacola	3 ops FFS/PPO Dig X-Ray, Pano, RE		Reduced to \$225K

Specialty Practices

NE Florida	Pediatric: 7ops, Real Estate Avail	\$1.25M	\$486K
NE Florida	Ortho 5+1 ops, 3 days/wk		
NE Florida	Endo 3 ops Dig X-Ray microscopes		SOLD
NW Florida	Endo 3 ops Dig X-Ray microscopes, RE avail	\$694K	\$385K
NW Florida	Endo 3 ops Dig X-Ray microscope RE avail	\$706K	\$424K
NW Florida	Perio 5 ops FFS/PPO Dig X-Ray		Ask \$475K

SOUTHWEST FLORIDA

Contact: Greg Auerbach, MBA or Philip LoGrippe, DMD

		Gross	Buyer Net*
Cape Coral	7+1 ops, 95% FFS, Ideal Location		UNDER CONTRACT
Fort Myers	5ops FFS Well Established Practice		SOLD
Fort Myers	3ops FFS/PPO Long Standing Practice		UNDER CONTRACT
Fort Myers	5 ops FFS Paperless RE Avail	\$948K	\$307K
Naples	4ops FFS Great Location		SOLD
Naples	6 ops, 100% FFS, Paperless		UNDER CONTRACT
Punta Gorda	4 ops FFE RE Avail	\$550K	\$212K
Punta Gorda	4 ops FFS	\$579K	\$158K
Punta Gorda	4 ops FFS RE Avail	\$1.1M	\$443K
Sanibel Island	2 ops, Expandable, FFS, 3 days/wk		UNDER CONTRACT

Specialty Practices

Punta Gorda/ Port Charlotte	Orthodontic	\$350K	\$50K
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Associateship

Naples	Endodontic Practice		FILLED
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SOUTHEAST FLORIDA

Contact: Stuart M. Auerbach, DDS

		Gross	Buyer Net*
Coral Springs	5 ops FFS/PPO Dig X-Ray and Plan		Ask \$109K
Delray Beach	4 ops FFS/PPO with condo		UNDER CONTRACT
Ft. Lauderdale	2+1 ops FFS		SOLD
Lauderhill	5 ops PPO/FFS/HMO	\$411K	\$91K
Miami Gardens	3 ops PPO/HMO	\$445K	\$97K
North Miami	4 ops PPO/FFS		UNDER CONTRACT
Pembroke Pines	6 ops FFS/PPO w/1,800 sf condo		Ask \$600K

Miami	2 Orthodontic ops busy shopping ctr		Ask \$65K
W. Broward County	Oral Surgery: Dental alveolar/implant		FOR SALE
W. Broward County	Perio, 5+1 ops, 2,500 sf condo		Ask \$550K
W. Broward County	Perio, 6 ops w/CT scan, all digital, condo	\$1M	\$375K

Practice Ready Facilities

Ft. Lauderdale	4 ops fully equipped, newly reno rental	Ask \$60K	
East Boca Raton	3 ops located in shopping center	Ask \$29K	
Miami Beach	2 ops fully equipped w/ Pan	Ask \$50K	
Port St. Lucie	2+2 ops Dig X-Ray 1250 sf, Pelton Crane	Ask \$200K	
Pompano Beach	1,800 sf building, 6 ops, plumbed lab	Ask \$350K	



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