

Transitions roundtable

We ask two experts the same question
to give you two different answers on a complex issue

Question: As a result of the economy, I put my retirement plans on hold and now have heard practice values are falling. Is there anything I can do to increase the value of my practice?

By Sean Hudson

Two ways to increase the value of your dental practice are to increase revenue and increase profitability. Increasing revenue may seem like a daunting task in this economy, and yes, you must put forth the effort to do so. There are several ways to approach it — make sure you have effective internal and external marketing, set production goals and offer incentives to your staff, reward patient referrals, accept new insurance plans, and more.

It is very important to at least maintain your current collections until a sale is final. A simple way to do this is to keep your current work schedule. Too often I see dentists reach retirement age and cut back to two or three days per week in the office. Just like the stock market, you want to sell at the peak and you can work part-time later. Declining revenue is a major factor in attracting buyers, and a factor in whether or not a lender will fund your transactions.

Profitability is very important. Be sure to regularly review your practice expenses. Talk to your lab about a discount if you give the lab several cases. Talk with other dental suppliers to see if you're overpaying the company you're currently using. The bottom line is that net income is a major factor in the value of a dental practice.

In addition to increasing revenue and improving profitability, make some physical improvements to the practice, if necessary. Paint the walls, have the carpets cleaned, and reupholster your chairs. Get computerized! Consider purchasing digital radiography if you plan on practicing for at least two more years.

All these changes will separate your practice from the others and make your practice more desirable to a buyer. After all, a value on paper means nothing if no one is interested in buying your practice. **DE**

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By Tom Snyder, DMD, MBA

As more doctors have been deferring their retirement plans, there potentially will be an oversupply of sellers in the next few years, which could create the possibility of lower future practice values in certain markets. So if you want to retain or enhance your current value, here are a few things to consider.

1. Do not reduce your marketing activities. A gradually decreasing rate of new patients will have a negative impact on value, so keep up your new patient flow and continue to ask for referrals. Develop a Web site if you don't have one, and do not reduce other marketing strategies.

2. Consider raising your fees. Since we assume you have an established practice with a solid reservoir of goodwill, raising fees for selected procedures may be worthwhile to not only increase your current net, but potentially increase your value as gross revenues should increase as well.

3. Upgrade your facility. Take a critical look and consider some cosmetic enhancements to increase your practice's curb appeal. However, purchasing new equipment or technology if you plan to practice only one or two more years may create negative tax consequences at the time of sale. Also, substantially enhancing your practice value by purchasing new equipment is not a guarantee.

4. Try to reduce overhead. Typically, profitable practices usually command a higher practice value, so critically review your practice expenses. Are your overhead ratios in line with national averages? If not, reduce where feasible. Again, you will help yourself immediately by increasing your net profit and make your practice more attractive with a higher profit margin, which could possibly lead to a higher practice value.

There are no absolutes to increase practice values, but paying attention to managing your practice and not letting things slide will at least put you in a more competitive position when it's time to sell. **DE**

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