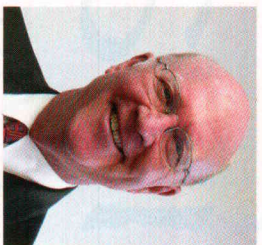


Implement a Successful Practice Transition

TRANSITIONS

By John F. McDonnell

Throughout my 40 years working with transitioning dental practices, I have found practice mergers to be a highly successful transitioning method. This method is a win for both the buyer and seller. Before we examine a few of the successful mergers I've witnessed over the years, let's consider the possibilities and advantages for both parties.



TOP-NOTCH TRANSITIONS
As you probably already know, there are two parties involved in a practice merger: the buyer and seller. Of course, your role in a merger will depend on which part you play. For example, if you're the buyer, you can purchase the dental practice and take over the records only or hire the seller and have them move to your practice location. If you're a buyer who is looking to relocate, you can purchase the practice and move into the seller's location.

Practice mergers are a positive experience for both parties involved. The buyer receives an excellent opportunity to grow their practice and obtain new patients, who are usually open to new services and procedures. And if the seller remains onboard postsale, there is usually excellent patient retention. Seller benefits include a higher selling price, the opportunity to continue working, and the chance to eliminate management without eliminating the job.

SMART PRACTICE MERGERS

As mentioned, I've helped several dentists successfully merge their dental practices. As you

will see, practice mergers come in different shapes and sizes. For example, after falling off a ladder and breaking his leg, 70-year-old Dr. Gregory decided to finally retire. After a buyer purchased his patient records, Dr. Gregory sent letters to his patients announcing the retirement and introducing the new dentist. The patients were receptive to the new owner, and both Dr. Gregory and the buyer are satisfied with the transaction.

Also satisfied with his merger is Dr. James. After practicing dentistry for over 30 years, Dr. James wanted to sell his practice and move to his vacation home. The office condominium was in a growing community.

Dr. James received a fair lump sum for the patients and the buyer earned enough profit in the first year to pay back the investment. A specialist bought the condominium and equipment at fair market value. Dr. James received full value for the practice, in his vacation home.

Of course, not all mergers are cut and dry. For example, if you're a dentist who works out of your home, selling the practice can pose a problem. At age 65, Dr. Kent was looking forward to retirement. *The problem:* Dr. Kent's practice was located in his home, making an outright sale to a buyer difficult. Rather than buying Dr. Kent's practice outright, a large practice purchased and merged his patients. Dr. Kent remained with the buyer for 18 months before retiring, allowing his patients to get acquainted with the new practice.

POSTSALE POSSIBILITIES

Not every practice merger leads to retirement for the seller. After selling his practice to established partners, Dr. Benjamin moved into their large dental facility. He received full value for his practice, and sold the office location and equipment to another local dentist. Dr. Benjamin continued to work as an associate in the practice for 5 years, gradually decreasing his days spent in the office from four to only two.

Dr. Jones, who owned a small practice in a growing community, decided to purchase a larger practice within one mile of his office. After his lease was up, Dr. Jones moved his equipment into the building. The seller eliminated his management and personnel responsibilities, but remained with Dr. Jones and worked a reduced schedule. Both buyer and seller have been working together for 2 years—another win-win situation. ●

SELLERS' CHECKLIST:

- Have the practice valued by a professional.
- Hire professionals to facilitate the transition.
- Encourage staff to remain after the sale.
- Keep patients informed.
- Negotiate a fair employment agreement if you stay with the practice.

BUYERS' CHECKLIST:

- Be prepared to integrate new staff.
- Have cash flow financial models prepared by a transition specialist.
- Include an appropriate restrictive covenant in the sales agreement.
- Send welcoming letters to the new patients.
- Remember to keep the seller's phone number.