Gary Kadi & Kelly Dahmer

THE 90-DAY PRACTICE SALE

HOW TO COMMAND TOP DOLLAR FOR YOUR DENTAL PRACTICE

The 90-Day Practice Sale

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Here's What's Inside…

Introduction

May this book be more than a guide; may it be a transformative framework designed to empower dentists, especially those who feel intimidated by the daunting financial landscape surrounding the sale of their practices.

The essence of this book is distilled from real-world experiences, rigorous analysis, and the strategic application of tested and proven principles—principles that revolve around understanding your value, your market, and how to communicate the worth of your practice to potential buyers effectively.

As we know, dentistry is a profession deeply rooted in the principles of care, precision, and excellence. However, the journey through dental school, while arming practitioners with unparalleled clinical skills, often leaves a gaping void in one crucial area: business acumen.

Only 4% of dentists retire financially free, a staggering reality that indicates that providing clinical care is but one piece of the puzzle. The other, often overlooked piece revolves around the strategic sale of one's practice—a venture that can significantly influence one's financial legacy.

Why This Book Matters Now

The dental industry is at a crossroads, with the rise of Dental Support Organizations (DSO) roll-ups and the increasing trend towards consolidation presenting challenges and opportunities for practice owners. These changes have made the landscape more competitive and rewarding for those who know how to navigate it. This book aims to bridge the gap between clinical excellence and financial acumen, offering insight for dentists seeking to secure their financial future in an evolving industry.

Our goal is to demystify the process of selling your dental practice. We aim to move you from a position of uncertainty and stress to one of informed confidence. In the pages that follow, we will guide you through the essential steps of packaging your practice for sale, optimizing its value, and achieving a successful transition—whether that be to a DSO or through a private sale.

Empowering You Through Insight and Action

At its core, this book is about empowerment. It is about transforming the introverted or overwhelmed dentist into a savvy businessperson ready to make strategic decisions for their financial future. We provide actionable steps that are clear and concise, designed to be comprehended and implemented quickly.

Taking Control of Your Financial Destiny

Our "90-day fast track" process is built on the promise of control. Control over your practice's sale, your financial destiny, and, ultimately, the legacy you choose to leave behind. This book perfectly blends methodology and a deep understanding of the nuances of the dental practice marketplace. You allow us to present a unique, analytical, and empathetic guide to your challenges.

As you turn these pages, consider this book your companion in carving out a financial future that reflects your hard work, dedication, and the value you've created in your dental practice. We invite you to journey with us, harness the power of strategic planning and market understanding, and take definitive steps toward securing a successful sale and a legacy that endures.

Chapter One

The Untapped Potential of Your Dental Practice

Dentists often overlook the untapped potential within their existing practices. Many believe that growth and increased value come solely from attracting new patients. However, our experience shows there is usually ample opportunity for expansion within their current patient base.

The misconception that increased marketing is central to success can lead dentists to allocate resources inefficiently. In reality, focusing on streamlining internal systems and processes is more beneficial than investing in external marketing efforts. This approach not only maximizes the potential of the existing patient base but also creates a solid foundation for sustainable growth.

Observing how frequently dentists underestimate the latent possibilities within their practices is fascinating. When we reveal the true potential of their existing operations, many are genuinely surprised. This revelation serves as a wake-up call, prompting them to reassess their strategies and focus on optimizing their current resources.

Dentists can unlock momentous growth opportunities by shifting their perspective from constantly seeking new patients to nurturing and fully serving their existing ones. This approach not only proves more cost-effective but also enhances patient satisfaction and loyalty, creating a virtuous cycle of practice improvement and organic growth.

A Shifting Mindset

To keep pace with the evolution of dental practice management and sales, we have observed that the most profitable strategies often require a shift in mindset. The traditional strategy has been focused on attracting new patients as a primary growth strategy. However, a more nuanced approach involves analyzing internal metrics to unlock the potential within their existing patient base.

This shift encourages practitioners to examine their current patient schedules, insurance arrangements, and overall practice data. By doing so, they may discover that the key to increased profitability lies not in constantly seeking new patients but in maximizing the value of their current clientele.

Another crucial aspect of this mindset shift relates to the valuation and sale of dental practices. Historically, the focus has been on top-line collections, specifically when selling to individual doctors or partnering with associates. Banks and prospective buyers have used this metric as an indicator of a practice's worth.

However, the landscape is changing. In the current market, the emphasis has shifted from top-line revenue to bottom-line profitability. This new paradigm extends beyond the dental industry, affecting many businesses across various sectors. The buzzword that has emerged in this context is EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization).

This shift means that a practice's value is no longer solely determined by its ability to generate and collect revenue. Instead, the focus is on how efficiently the business operates after accounting for all expenses. In essence, a dental practice's true value now lies in its profitability and operational efficiency rather than its gross income.

For dentists considering the sale or valuation of their practice, adopting this new perspective is necessary. It underscores the importance of maintaining a strong patient base and revenue stream, optimizing operational costs, and maximizing profitability. This holistic approach to practice management and valuation reflects the evolving nature of the dental industry and the broader business landscape.

Getting to Know Your P&L

Financial management is an important aspect of running a successful dental practice. The first step in becoming financially aware is obtaining up-to-date profit and loss (P&L) statements that have been reconciled by a certified public accountant (CPA). Many dentists we work with do not have this essential information readily available. By regularly reviewing these statements, you gain a clear picture of your practice's financial health and understand what is coming in and what is going out.

Once you have your P&Ls in hand, it is time to dive deeper into the numbers. Analyze where you are efficiently generating income and where you are spending money wisely. It is equally important to identify areas where your spending is less judicious. This comprehensive review creates a foundation for making informed financial decisions.

Our approach to financial management is not shrouded in mystery. We believe in keeping things simple and straightforward. The two areas to focus on are top-line revenue and bottom-line revenue. While increasing the overall value of your dental practice often involves boosting top-line revenue, it is not about doing more in less time. The goal is to enhance efficiency within your current timetable.

When I ask dentists how they are doing, they often say they are busy. However, there is a distinct difference between being busy and being productive. The first step to increasing top-line revenue is to determine how you and your team can work more efficiently within your current processes while maintaining ethical patient care standards.

The second step is to develop a keen awareness of your spending habits. Understanding where your money is going is vital for maintaining a healthy bottom line. By optimizing both your revenue generation and your expenditures, you can noticeably improve the overall financial health and value of your dental practice.

Remember, financial management is an ongoing process. Regularly reviewing your P&Ls, analyzing your efficiency, and adjusting your strategies accordingly will help ensure the long-term success and profitability of your dental practice.

Destructive, Consumptive, and Productive Expenses

To optimize your expenditures, you first need to understand them. Understanding the nature of your expenses is important, especially when considering the long-term value of your practice. There are three primary categories of expenses: destructive, consumptive, and productive. Each of these plays a distinct role in shaping your company's financial health and prospects.

To maximize profit and enhance the value of your practice, it is crucial to carefully analyze your P&Ls. By categorizing your expenses into these three types, you can gain valuable insights into how your spending impacts your bottom line. This process allows you to identify areas to optimize your expenditures and potentially increase profitability.

The importance of this analysis becomes even more apparent when you consider the sale of your practice. Typically, practices are valued based on their EBITDA or overall profit. The sale price is often calculated as a multiple of this figure. This means every dollar you spend reduces your EBITDA, which could translate to a much larger impact on your practice's sale value.

To put this into perspective, consider that a single dollar reduction in your EBITDA could possibly decrease your practice's sale value by $10 or more, depending on the multiple used in the valuation. When viewed through this lens, it becomes clear that managing expenses is not exclusively about day-to-day operations but about preserving and enhancing the long-term value of your business.

This realization should prompt a change in how you approach spending within your practice. It is not just about cutting costs indiscriminately but about making strategic decisions that balance immediate needs with long-term value creation. By categorizing your expenses and realizing their impact on your EBITDA, you can make better choices about where to allocate your resources.

This more meticulous approach to expense management can help you build a more valuable practice. It encourages you to think beyond the immediate impact of each expense and consider its long-term implications on your business's worth. This perspective can be a powerful tool in guiding your financial decisions and steering your practice toward greater profitability and value.

Seeing Your Team as an Investment

Another perspective guidepost on your journey is altering the way in which you view your team. One of the most underutilized assets in many dental practices is the team itself. This oversight can markedly impact the overall success and efficacy of the practice. It is a necessity to recognize that your team members can be either a cost or an investment, depending on how you approach their role within the organization.

When evaluating your practice's financial health, it is important to consider where your team members' salaries fall within your P&L. Ideally, this range should be between 30% to 45% of your overall income, including doctor compensation. If your team member compensation is disproportionately high compared to your overall income, it does not necessarily mean you need to start letting people go. Instead, it signals that you need to focus on increasing your top-line revenue.

The key is to shift your perspective and view your team as an investment rather than a cost. This mindset change can lead to significant improvements in your practice's operations. By focusing on efficiencies and optimizing current systems and processes, you can maximize the value your team brings to the practice.

When you invest in your team, you are investing in the overall success of your practice. This approach can lead to improved patient care, increased productivity, and higher revenue. By nurturing and developing your team's skills and capabilities, you create a more engaged and effective workforce that can drive your practice forward.

Remember, a well-trained and motivated team can be your greatest asset in providing exceptional patient care and growing your practice. By focusing on efficiency and continuous improvement, you can ensure that your team remains a valuable investment rather than a financial burden.

Scooping Marbles

The efficiency of your team and practice can dramatically increase if you recognize one thing. There is a fundamental distinction between being busy and being productive. Picture yourself attempting to clear a room full of marbles using only a spoon. You would be busy, expending a great deal of effort and time, but your progress would be painfully slow. Imagine tackling the same task with a bulldozer. The job would be completed quickly and efficiently, showcasing true productivity.

This apt analogy applies to how dental practices manage their time and resources. When your team simply fills the calendar with any available appointments, they might appear busy, but they are not necessarily being productive in a way that benefits the practice most. It is akin to using that spoon to collect marbles – a lot of motion but limited results.

On the other hand, if your team focuses on identifying and scheduling patients who require specific, high-value procedures – like crown placements – they are operating more like the bulldozer. They are maximizing the practice's time and resources, leading to greater productivity and increased revenue.

This change in mindset from "being busy" to "being productive" can greatly impact your practice's output. It is about working smarter, not harder. By prioritizing the right kind of appointments and procedures, your team can make the most of each day, benefiting both the practice and its patients.

You Do Not Have to Do More to Realize Your Potential

To fully counteract the misconception faced by dentists, we have to return to it often. The prevalent misconception that to achieve their full potential, dentists are required to do more is incorrect. The truth is quite different. It is not about increasing the quantity of work but rather about enhancing the quality of what is already being done. The focus should be on doing better, not necessarily doing more.

Another prevailing misunderstanding is the belief that the dental team will resist any changes or improvements. This assumption often proves to be unfounded. When we take the time to survey team members and inquire about their desires—what they want more of and what they would like to see less of—we frequently discover that their aspirations align closely with the doctor's vision. More often than not, the team is also interested in implementing better systems and processes.

Consider, for instance, the approach to bonuses. Instead of relying solely on group bonuses, practices might benefit from exploring individual performance-based incentives. These could be tied to the practice achieving certain benchmarks as a whole, creating a win-win situation for both the individual and the practice.

To summarize, two misconceptions need addressing. First, success is not about increasing workload but about improving efficiency and quality. Second, contrary to what many dentists believe, their teams are often eager for growth and positive change. They are typically receptive to new ideas that can enhance the practice's performance and their professional development.

By recognizing and addressing these misconceptions, dental practices can open new avenues for growth and improvement. It is about working smarter, not harder, and involving the entire team in the journey toward excellence.

Running on All 8 Cylinders

Involving your entire team is a critical part of the journey toward excellence. Many dental professionals feel overwhelmed by the pressure to manage finances, grow their business, and provide excellent patient care simultaneously. This is an enormous responsibility for one person to shoulder alone.

We encourage our doctors to involve their team in their goals. If the doctor represents one cylinder in the business engine, their team is the other seven cylinders. Your practice will grow much faster when you allow your team to help power through challenges and opportunities. We view the synergy between you and your team as the most effective way to decentralize a doctor-owned practice.

When we talk about decentralization, we are referring to the doctor's dual role as both CEO and clinical provider. We aim to reduce the doctor's involvement in managing the administrative side of the practice. They can maintain control without being controlling by providing direction to a team leader or office manager. This approach allows doctors to focus on their role as clinical providers and concentrate on production.

This shift in focus enables doctors to elevate the type of dentistry they perform, perhaps taking on more specialized cases. Alternatively, it could allow them to scale back slightly and have their associates take on more responsibilities. The overall concept is to support the practice in becoming more organized, with the team driving the numbers while keeping the doctors where they should be – focused on patient care.

Many people do not achieve their goals simply because they do not ask for what they want. If you are not having regular conversations with your team and dedicating time to work on your business rather than just in it, you will likely find yourself repeating the same patterns. It is crucial to set aside time to intentionally work on your business.

Start with discovery – figure out where you are starting from and involve your team in the process. Find out what they want more of and what they want less of in their roles. An anonymous culture survey can be an excellent way to gather honest feedback from your team.

By embracing this collaborative approach, you can create a more productive, fulfilling, and thriving dental practice that benefits everyone involved – you, your team, and your patients.

Chapter Two

Demystifying the Dental Practice Sale Process

Dentists often grapple with two major fears when considering the sale of their practice. The first concern revolves around their team's reaction to news of a transition. Many dentists worry that their staff will panic upon hearing words like "sale" or "transition," potentially disrupting the conscientiously cultivated workplace culture they have invested years in building.

The second apprehension relates to the loss of clinical autonomy. This fear can manifest differently depending on whether the practice is sold to an individual buyer or a Dental Service Organization (DSO). Dentists worry about becoming just another number on a spreadsheet, losing the ability to make independent decisions about patient care and treatment approaches.

These concerns stem from a deep-seated desire to maintain the practice's identity and values, even after a change in ownership. Dentists have spent years honing their clinical skills, building relationships with patients, and creating a unique practice environment. The thought of losing control over these aspects can be daunting.

For many dental professionals, the ability to practice dentistry on their terms is a cornerstone of job satisfaction. They fear that new ownership might impose standardized protocols or treatment plans that do not align with their philosophy of care. This potential loss of independence in clinical decision-making is a significant source of anxiety for dentists contemplating a practice sale.

In essence, these two fears – the potential disruption of team dynamics and workplace culture, and the possible loss of clinical autonomy – represent the core concerns for dentists considering selling their practices. Addressing these issues head-on is crucial for those facilitating practice transitions, as it can help alleviate anxieties and ensure a smoother handover process for all parties involved.

Overcoming the Fear of "The Sale"

The dental industry has undergone considerable changes in recent years, particularly regarding consolidation and the role of DSOs. A decade ago, joining a DSO often meant selling to a corporate entity, which frequently led to negative outcomes for both dental teams and patient care. At NextLevel, we initially shared this skepticism towards DSOs, having witnessed firsthand the detrimental effects on our clients who had transacted with corporate DSOs.

These early experiences with DSOs often resulted in unhappy staff members, many of whom left their positions. Dentists found the transition challenging as the focus shifted dramatically from providing quality care to prioritizing top-line revenue and production metrics. This approach conflicted with the standard of care and the commitment to delivering excellent dentistry.

However, the landscape of dentistry and industry consolidation has evolved rapidly over the past five years. Today, joining a DSO does not necessarily mean selling out to a corporate entity. Instead, DSOs truly function as support organizations as they were originally intended. This new model allows dentists to align with like-minded professionals while benefiting from the resources of a larger organization – advantages that were previously unavailable to solo practitioners.

The key difference in this modern DSO model is the dentist's ability to maintain their clinical autonomy and preserve their practice culture. This balance between support and independence is now possible, but it requires careful consideration and research on the part of the dentist considering such a move.

For those contemplating joining a DSO, it is imperative to educate yourself on the current state of the industry and the various options available. Start by learning the different types of buyers in the market and the processes involved in these transactions. When evaluating prospective DSOs, consider their vision, purpose, and values. How do these align with your practice philosophy?

It is also valuable to investigate how these organizations operate on a daily basis. Reach out to doctors who are already members of these groups and ask about their experiences. Their insights can provide a realistic picture of what to expect.

The first step in this journey is to recognize and understand the shifts that have occurred in the industry. By doing so, you will be better equipped to make a decision about whether joining a DSO is the right move for your practice, your team, and your patients.

Smoothing the Transition

As dental practice owners approach the prospect of selling their business, organizing financial aspects becomes critical. This preparation not only streamlines the transaction process but also enhances the practice's appeal to potential buyers. There are three areas to focus on when preparing your dental practice for sale: top-line revenue, profitability, and cash flow.

Firstly, maximizing your top-line revenue is imperative. This involves optimizing every aspect of your practice to generate the highest possible income. By increasing your revenue, you are demonstrating the practice's growth potential and financial health to prospective buyers.

Secondly, profitability is a factor that buyers will scrutinize. It is not solely about how much money comes in but also about how much stays in the business after expenses. Improving your profit margins can boost your practice's value and attractiveness to buyers.

Thirdly, it is important to understand that profit and cash flow are distinct concepts. As a business owner, you may be running personal expenses through the practice. While these can be added back to your profitability during valuation, it is crucial to organize your P&Ls and personal expenses carefully. This organizing strategy will facilitate a smoother process when you undergo quality of earnings assessments and other financial scrutiny during the transaction.

By focusing on these three areas - top-line revenue, profitability, and cash flow - you can effectually clean up, optimize, and organize your practice's finances leading up to a transition. This preparation makes your practice more desirable to buyers and helps ensure a more seamless transaction process when the time comes to sell.

Remember, the process of selling a dental practice involves detailed financial scrutiny. The more organized you are in advance, the better positioned you will be to navigate the complexities of the transaction and achieve a favorable outcome.

Understanding the Motivation of the Buyer

Determining the right partner for selling your dental practice involves carefully considering your personal goals and circumstances as a doctor-seller. There are several factors to weigh, including:

- Your desired timeline for involvement
- How much you want to remain involved in the practice
- Your target selling price
- Your comfort level with retaining equity in the business

Your timeline is pertinent. If you plan to remain chairside for three years or less, this narrows your options for DSO partners. Generally, there are three main types of buyers for dental practices:

1. Individual doctors (doctor-to-doctor sale)
2. Corporate DSOs
3. New DSO models

In a doctor-to-doctor sale, the timeline for your continued involvement tends to be shorter, as your ongoing clinical work would impact the buyer's income. These sales typically focus on top-line collections rather than profitability. While corporate DSOs have evolved, they are often not the most recommended transition strategy. The third option—the new DSO model—allows you to join forces with like-minded practitioners, maintain involvement for as long as you desire, and retain an equity stake in the business. It is important to understand that as a business owner, there are three primary ways to earn money:

4. Salary (based on your direct clinical production)
5. Profit (revenue minus expenses, reflecting business efficiency)
6. Equity (ownership stake in the business)

Many dentists, due to their education focusing on the clinical side, may not have received extensive business training. Understanding these three income streams is crucial when considering transition options. While doctor-to-doctor sales can be ideal for some, they may not always maximize the financial return on your practice. For doctors who have invested years in building their practice and legacy, the new DSO 3.0 transition model can offer greater potential for creating generational wealth through equity multiplication. For example, if you retain a million dollars in equity during the transaction, that investment could potentially grow to $4 million in five years, and then to $16 million five years after that. This approach allows you to receive immediate cash from the sale and still benefit from long-term equity growth, truly reflecting the value of your years of hard work and dedication to your practice.

Our Concern for You

Many dentists hesitate to explore transitions or partnerships with DSOs due to negative stories. However, dental professionals must educate themselves about these opportunities, regardless of their career stage. This knowledge is equally important for those nearing retirement as those in the middle of their careers looking to secure their future and build a lasting legacy.

When considering a transition or partnership, it is essential to look beyond the stereotypes and investigate multiple options. Do not limit yourself to interacting with one group. Instead, explore various DSOs and potential buyers to find the best cultural fit and alignment with your values. This approach ensures you make an informed decision that suits your professional goals and personal preferences.

It is important to recognize that these strategies are not exclusively for dentists in the twilight of their careers. They are equally relevant for practitioners in their prime who have not yet contemplated retirement. These steps can benefit doctors in their middle career by helping them set up promising financial and professional legacies.

The key takeaway is the necessity of education and awareness, regardless of where you are in your career journey. Whether you are a recent graduate, a seasoned professional, or approaching retirement, understanding your options for practice transitions and partnerships is crucial. This knowledge empowers you to make decisions that can positively impact your career trajectory and long-term financial stability.

By staying informed and open-minded, dentists can better navigate the evolving landscape of dental practice ownership and management. This proactive approach allows you to take control of your career path, ensuring that any transitions or partnerships you consider are in line with your professional goals and personal values.

Chapter Three
Strategic Financial Planning for Dentists

This discussion highlights the importance of financial awareness and strategic planning in dental practices, drawing an insightful parallel with personal health management. Just as monitoring one's weight is important for maintaining physical health, keeping track of a practice's financial health is necessary for success and longevity.

Being knowledgeable about the financial standing of your practice needs to be reiterated. This is because many dentists lack awareness of their practice's financial health, which is akin to trying to lose weight without a scale. While there may be some visible indicators of financial well-being, such as increased patient flow or equipment upgrades, without concrete data, it is challenging to gauge the state of the business accurately.

The key principle here is to manage based on facts rather than feelings. When dental professionals have a clear understanding of their financial situation, they are better equipped to make informed decisions and improvements. This knowledge empowers them to enhance various aspects of their practice, including increasing pipeline revenue, maximizing bottom-line profits, and optimizing cash flow.

Implementing strategic financial planning early in one's career can lead to long-term benefits. It helps in creating good business habits and contributes to increasing the practice's value over time. This approach is valuable whether a dentist is considering selling their practice or not.

Interestingly, many experienced dentists in the later stages of their careers often express regret for not having started these financial practices earlier. They recognize the missed opportunities for growth and increased practice value that could have accumulated over the years.

In essence, adopting a proactive approach to financial management in a dental practice is not just about immediate gains. It is about cultivating a mindset and habits that will contribute to sustained success and increased practice value year after year. By starting early and maintaining consistent financial awareness, dentists can set themselves up for a more secure and prosperous professional future.

Which Is It? The Bottom Line or the Top Line

In dental practice management, two critical areas demand attention: top-line revenue growth and profitability. Let's delve into these aspects and explore how they can be optimized for practice success.

Top-line revenue growth is not just about increasing patient numbers; it is about maximizing effectiveness within your existing practice. Key metrics to focus on include case acceptance rates, accounts receivable management, and daily production targets. Ideally, case acceptance should be at 67% or higher, indicating that patients are understanding and agreeing to recommended treatments. Accounts receivable should be managed tightly, aiming for 30 days or less to ensure a healthy cash flow. Additionally, meeting daily primary production goals 90% of the time or more is essential for consistent revenue generation.

As we have stated before, many practices have untapped potential within their current operations. For instance, if a practice has a case acceptance rate of 55% and hygiene appointments at 70%, there is room for improvement before investing in external marketing efforts.

The second critical area is profitability, which involves examining where your money is going. The three categories of spending will help you track your expenses. Are there areas where you are overspending? Marketing is often a prime example of where expenses can be optimized. Consider alternative strategies, such as incentivizing your team to support patient retention and referrals. This approach can boost top-line revenue and maximize the value of your team's salaries.

Ultimately, the goal is to scrutinize your expenses and understand how they contribute to your profit and EBITDA over time. By focusing on these two main areas – enhancing top-line revenue through internal efficiencies and optimizing profitability through careful expense management – dental practices can create a solid foundation for sustainable growth and success.

Remember, it is not always about doing more; sometimes, it is about doing better with what you already have. By fine-tuning these aspects of your practice, you can achieve substantial improvements in both revenue and profitability without necessarily increasing your workload or patient base.

Team Members are an Investment NOT an Expense

As we discussed earlier, your team is integral to the functionality of your business engine. As such, they are of indispensable value. Healthcare practice management requires moving beyond the simplistic view of evaluating employees solely based on their financial contribution. Not every team member's role is directly tied to revenue generation, making it vital to adopt a more refined approach to performance evaluation.

Our method involves a collaborative process with the doctor to establish clear goals for the practice. We begin by identifying where they want to be in terms of time, money, and culture one year from now. From there, we work backward, breaking down these objectives into monthly and daily targets, and then assigning specific roles to achieve them.

Each team member is given a key performance indicator (KPI) or metric that aligns with their position and daily responsibilities. By regularly measuring how well each employee meets their KPI, we can accurately assess their value to the practice, regardless of whether their role directly generates revenue. This approach is particularly relevant for staff members who focus more on patient interaction and customer service rather than direct sales or billing.

Contrary to what some doctors might fear, introducing metrics into the practice does not lead to micromanagement. In fact, it often has the opposite effect. When employees have clear KPIs for their positions, they gain the freedom to self-assess their performance throughout the day. They can ask themselves, "Am I meeting my goal today? If not, what can I do differently to achieve it?" This empowers team members to think critically about their roles and prioritize productivity over mere busyness.

Our philosophy extends to incentivizing performance by offering bonuses based on consistently meeting daily KPIs. This approach encourages employees to be more strategic in managing their time and efforts, focusing on activities that contribute most effectively to their goals and, by extension, the practice's success.

By implementing this system, we create an environment where every team member, regardless of their direct financial impact, can contribute meaningfully to the practice's overall success. It fosters a culture of accountability, self-improvement, and alignment with the practice's broader objectives, leading to a more efficient and effective healthcare operation.

Red Flags to Avoid

In a well-structured dental practice, communication and accountability are key to efficient operations. One clear sign that your practice may be inefficient is when the dentist has to directly instruct individual team members rather than relying on team leaders or the office manager to relay information. This approach can lead to confusion and inconsistency in how tasks are performed.

Another telltale sign of inefficiency is the frustrating experience of feeling like a broken record. If you, as the dentist, find yourself repeatedly addressing the same issues without seeing improvement, it is a strong indication that your practice lacks proper accountability measures. This situation wastes time and creates a sense of stagnation within the team.

These two indicators point to underlying structural problems in your practice. When direct communication bypasses established leadership channels and recurring issues remain unresolved, it becomes evident that your practice is not optimally set up. These inefficiencies can hinder your ability to provide the best possible care for your patients and maintain a smooth-running operation.

Addressing these issues often requires a reassessment of your practice's organizational structure, communication protocols, and accountability systems. By implementing clear lines of communication and establishing robust accountability measures, you can create a more proficient dental practice better equipped to meet its goals and serve patients.

We cannot overstress the importance of knowing the state of your practice's finances. The best place to start is by assessing your P&Ls and getting a clear picture of your EBITDA. This metric is especially important as it provides a more accurate representation of your practice's operational profitability.

Many doctors face a common pitfall when evaluating their financial position. They often rely solely on their CPA's assessment, which may not always provide the full picture. For instance, a CPA might report an EBITDA of $500,000, but this figure could be inaccurate if it does not account for the doctor's salary. It is essential to factor in your compensation as an ongoing expense to get a true understanding of your practice's financial standing.

Given this complexity, the first step we recommend for doctors is to obtain an accurate EBITDA calculation for their practice. While your CPA can provide valuable financial insights, it is advisable to consult with a mergers and acquisitions specialist for a more precise EBITDA figure. These professionals understand how potential buyers evaluate practices and can provide an EBITDA calculation that aligns with industry standards.

It is important to note that this approach does not necessitate changing your CPA's methods or reports. Rather, it is about gaining a different perspective – one that buyers would likely use when assessing your practice's value. This additional insight can be invaluable, especially if you are considering selling your practice or seeking investment opportunities in the future.

A strategic financial plan based on accurate data can greatly impact your practice's trajectory. It allows you to make informed decisions, set realistic goals, and position your practice for long-term success. Without such a plan, you might find yourself operating on assumptions that do not reflect your true financial situation, possibly leading to missed opportunities or misguided investments.

Taking the time to understand your practice's financials thoroughly is an investment in your future. It provides you with the knowledge and tools needed to navigate the complex healthcare business landscape effectively, ensuring that your practice not only survives but thrives in the years to come.

A Surprise Expense

Many physicians are surprised when they discover the true cost of their team's salaries. It is important to note that our goal is not to suggest terminating team members, as this would be counterproductive to maintaining a positive culture. Instead, the issue often lies in inefficient team management, which is typically a result of structural problems rather than individual shortcomings.

The first step in addressing this issue is to conduct a thorough analysis of the practice's expenditure on team member salaries. By comparing these figures to industry standards, we can determine whether the current spending is within an acceptable range. This knowledge serves as a foundation for making informed decisions about the practice's potential for internal growth.

Once we have a clear grasp of the salary expenses, we can identify areas where the practice might be overspending or underutilizing its human resources. This does not necessarily mean reducing staff. Rather, it is about optimizing the existing team's roles and responsibilities to enhance overall efficiency.

By focusing on structural improvements and resource allocation, we can uncover opportunities for growth without compromising the team's integrity or the practice's culture. This approach allows us to address any inefficiencies while still valuing and supporting the team members who contribute to the practice's success.

Ultimately, this process is about creating a more sustainable and streamlined practice environment. By aligning team member roles with the practice's needs and financial realities, we can foster a workplace that supports the staff and the practice's long-term goals.

This balanced approach ensures that we maintain a positive culture while promoting the financial health and growth potential of the medical practice.

A Question to Ask Yourself

Let's explore two elements that form a solid foundation for effective financial planning: reconciled P&Ls and a clear comprehension of your EBITDA.

First, let's consider the importance of having a reconciled P&L through the last full month. This document provides a comprehensive overview of your company's financial performance, showing your revenue, expenses, and profit or loss for a specific period. Having this information current and accurate is vital for making good business decisions.

However, it is not just about having the P&L; it is also about how quickly you can access this information. The time it takes to reconcile your P&Ls is a critical factor. In today's fast-paced business environment, waiting weeks or months for financial data can put you at a disadvantage. Ideally, you should aim to have your P&Ls reconciled within a few days of the month's end. This quick turnaround allows you to respond promptly to financial trends and make timely adjustments to your business strategy.

The second crucial element is understanding your current EBITDA number. EBITDA is a valuable metric that provides insight into your company's operational performance by excluding the effects of financing and accounting decisions, as well as tax environments. It is often used as a proxy for cash flow and can be useful when comparing companies across different industries or with varying capital structures.

Knowing your current EBITDA helps you gauge your company's profitability and operational efficiency. It can also be a key factor in valuation discussions, whether you are seeking investment, considering a sale, or planning for growth. Regular monitoring of your EBITDA can help you identify trends in your business performance and make strategic decisions to improve profitability.

Therefore, the first step is to ask yourself two questions: Am I receiving my reconciled P&Ls promptly? Do I understand my EBITDA? By focusing on these two aspects, you are taking sizable steps toward more effective financial planning. These tools provide you with a clearer picture of your company's financial health, allowing you to make more informed decisions about resource allocation, investment opportunities, and overall business strategy.

Remember that while these are excellent starting points, comprehensive financial planning involves many other factors. As you become more comfortable with these basics, you may want to delve deeper into other financial metrics and forecasting techniques to further refine your planning process.

Chapter Four

Navigating the World of DSOs and Private Sales

When considering a transition strategy for your practice, it is imperative to begin with self-education and introspection. As a doctor-owner, you should first clarify your goals and objectives for the transition before engaging in discussions with partners or team members. This preparatory phase is needed, especially if you are not the sole proprietor of the practice.

It is important to recognize there is still a stigma or stereotype surrounding business transactions in the healthcare industry. With this in mind, it is advisable to exercise discretion when broaching the subject with your team. The timing and method of disclosure will vary for each doctor, and it is a decision that should be made carefully. We can provide support and guidance to help you navigate these sensitive conversations when the time is right.

While maintaining a transparent relationship with your team is commendable, there is no harm in ensuring you have a clear vision and plan before involving them in the discussion. Being able to provide certainty and address their concerns will be vital when the time comes to share your intentions.

Before initiating any conversations about selling your practice, it is essential to establish a timeline and determine your financial expectations. Consider factors such as existing practice debt that may need to be paid down to avoid bringing cash to the table during the transaction. These considerations are pressing whether you are contemplating selling to a DSO or an individual practitioner.

By taking the time to thoroughly prepare and plan, you will be better equipped to navigate the complexities of selling your practice. This approach will help ensure a smoother transition process and likely lead to more favorable outcomes for all parties involved.

Mid-Career Transitions vs. Late-Career Transitions

The dental industry is experiencing significant consolidation, mirroring trends seen in other healthcare sectors. This shift is making it increasingly challenging for private practitioners to compete. Currently, the dental industry is approximately 40% consolidated, with projections suggesting it could reach 60% within the next five years.

There are several advantages to joining a group practice earlier in one's career. Firstly, group practices offer benefits such as bulk purchasing discounts on supplies and stronger negotiating power with insurance companies. These advantages are becoming essential as insurance companies become less willing to negotiate fees with individual private practices.

Secondly, joining a group practice earlier allows dentists to establish their equity stakes sooner. This can lead to substantial financial benefits, especially during recapitalization events. For instance, if a dentist sells 60% of their practice for cash and retains 40% equity, each recapitalization event can potentially quadruple the value of the remaining equity. Younger dentists who join group practices early in their careers may have the opportunity to participate in multiple recapitalization events, potentially leading to substantial wealth accumulation over time.

Younger dentists need to understand that selling to or joining a group practice does not mean giving up their ability to generate income. While their salary and direct profits may change, the real potential for building generational wealth lies in the equity they retain in the business. This equity can grow substantially over time, especially through multiple recapitalization events.

The decision between joining a DSO and selling to an individual doctor comes down to personal preference. Both options have their merits, and the choice should align with the dentist's long-term goals, desired level of autonomy, and financial objectives.

As the dental industry continues to consolidate, joining a group practice early in one's career can offer significant advantages. These include operational benefits, stronger market positioning, and the potential for substantial long-term financial gains through equity growth. However, each dentist should carefully consider their circumstances and aspirations when making this important career decision.

A Private Sale to an Individual

As the consolidation trend continues, private sales to individual doctors are becoming less common, perhaps leading to a future where retiring dentists may struggle to find buyers for their practices. This shift raises important questions about financing and the career aspirations of younger dentists.

One concern is whether banks will continue to provide adequate loans for practice acquisitions or if they will limit funding to a percentage of the practice's collections. Additionally, there is uncertainty about whether newer generations of dentists are as interested in business ownership as their predecessors or if they will gravitate towards joining DSOs upon graduation. While we do not have definitive answers to these questions, we can look to similar trends in other consolidated industries for insights.

For dentists considering selling their practices, individual transactions still offer certain advantages.

Many sellers find comfort in the traditional sale process, believing their legacy may be in better hands with a single, dedicated buyer rather than a larger organization. This approach also typically allows for a quicker transition, with sellers often able to step away from chairside duties within six months, as opposed to the longer commitments required in DSO transactions.

In terms of financial considerations, individual practice sales generally fetch between 80% to 100% of the practice's total annual collections. This can be an attractive option for those seeking a straightforward valuation and sale process.

On the other hand, selling to a DSO presents other benefits. DSO transactions often value practices at around seven times their EBITDA. Furthermore, these arrangements usually offer sellers the flexibility to continue working in the practice for as long as they desire after the sale.

Each dentist must weigh the financial considerations against their desired timeline for transition, their comfort with different business models, and their long-term goals for involvement in the practice post-sale. As the dental industry continues evolving, understanding these options and their implications will be crucial for dentists planning their exit strategies.

Keeping Autonomy and Control

Recently, businesses have evolved their approach to acquisitions and consolidations, moving away from the outdated model of cost-cutting and treating employees like machines. This shift reflects a growing understanding that sustainable growth relies on preserving and nurturing company culture.

The old approach often led to short-term financial gains followed by significant declines as employee morale and productivity suffered. Today's workforce, specifically younger generations, prioritizes work-life balance and values a positive workplace culture. Companies have recognized that maintaining a strong culture is pivotal for attracting and retaining talent and driving business success.

Modern businesses have learned the importance of preserving what works well within acquired companies. When considering joining a larger group or practice, find an organization that aligns with your culture and goals. Whether you are looking to expand, acquire more practices, or specialize in areas like airway treatment or TMJ, seek out a partner that supports your vision and values.

This new approach emphasizes culture and autonomy as key factors in growth and scaling. Smart businesses understand that maintaining these elements is vital for long-term success. They have learned to respect and preserve the unique aspects of each practice they acquire rather than imposing a one-size-fits-all model.

A prime example of this evolved mindset comes from one of our doctors, a founding member of our DSO. During the onboarding process with a larger group, it was discovered that the doctor's practice offered better employee benefits than the acquiring group. Instead of forcing a transition to their standard benefits package, the group allowed the practice to grandfather in their existing, superior benefits plan.

This decision demonstrated a commitment to preserving employee satisfaction and avoiding negative impacts on the team. It showcases a people-first approach, where the acquiring group acts as a true partner rather than merely executing a transaction.

In today's business landscape, it is crucial to seek out partners who understand the value of your unique culture and are willing to work with you to maintain it. The focus has moved from rigid, top-down implementations to flexible, collaborative partnerships that prioritize the well-being of all stakeholders involved.

Our Encouragement to You

When finding the right partner for your practice, focus on alignment in values and goals. This alignment forms the foundation of a successful long-term relationship.

To ensure you are making the best choice, interview multiple groups. During this process, pay close attention to their communication style and reliability. How quickly do they respond to your inquiries? Do they follow through on their commitments in a timely manner? These seemingly simple aspects of communication and agreement can provide valuable insights into the group's culture and how it operates.

While cultural fit and shared experiences are essential for maintaining what you have built, it is equally important to consider the financial health of potential partners. Look for a group that is likely to have a recapitalization event in the future. Some groups may have acquired too many practices, leading to an unfavorable debt-to-income ratio that could hinder their ability to recapitalize.

Do not hesitate to ask probing questions during your interviews. Inquire about the group's debt-to-income ratio, their vision, purpose, and values. These questions will help you gauge their financial stability and long-term objectives.

Throughout this process, remain observant of how well they communicate and follow through on their promises. These factors are indicative of their professionalism and reliability, traits requisite for a successful partnership.

Remember, choosing the right partner is a serious decision that will impact the future of your practice. Take the time to thoroughly evaluate your options and trust your instincts. The right fit will not only preserve what you have built but also provide opportunities for growth and success in the future.

Chapter Five
Crafting Your Unique Value Proposition

The evolving nature of dental practice transitions necessitates a shift in our perspectives from selling a practice to buying into a partnership. This change in mindset can provide you with an advantage during negotiations and communications. The key is to recognize and articulate your practice's unique value, whether it is your exceptional team, loyal patient base, or successful fee-for-service model.

When approaching potential partnerships, consider yourself as an investor looking to buy into a new opportunity rather than a seller trying to exit. This perspective allows you to highlight your practice's strengths and positions you as a valuable asset to any group you might join.

Two critical elements make a dental practice attractive in today's market. First and foremost is financial health. We discuss it often because of its importance. While it is not the only factor, buyers are undeniably interested in practices that demonstrate strong profitability and potential for long-term success. It is essential to have a heightened focus on your practice's financial performance and be prepared to showcase its fiscal strength.

However, equally important is the cultural fit between the incoming doctor and the existing team. Buyers are increasingly recognizing the value of a collaborative dentist who is committed to continuous growth and can contribute positively to the group dynamic. Your ability to work well with others, mentor colleagues, and drive collective success can be just as appealing as your financial statements.

When presenting your practice to potential buyers or partners, it is crucial to emphasize both these aspects. Highlight your practice's robust financial health, showcasing KPIs and growth trends. At the same time, do not underestimate the importance of demonstrating your personal qualities as a dentist and leader. Emphasize your collaborative nature, your commitment to ongoing education and improvement, and your ability to foster a positive team culture.

Remember, in the eyes of a group practice or DSO, they are not just acquiring a business – they are investing in a professional who will become an integral part of their organization. By positioning yourself as a buyer looking for the right partnership opportunity, you can approach these discussions with confidence and clarity, ultimately securing a transition that aligns with your goals and values.

Highlighting Your Uniqueness

Dr. Chris Henninger's practice in Southern California stands out as a prime example of innovative dental care delivery. His unique approach involves bringing multiple specialists into his practice, creating a comprehensive dental care hub for patients. This model enhances the quality of care and streamlines the patient experience.

What makes Dr. Henninger's case interesting is his strategic expansion. He did not just grow his existing practice; he took the bold step of acquiring a second practice located down the street. This move allowed him to extend his reach and further consolidate dental services in the area.

By incorporating various specialists under one roof, Dr. Henninger's practice offers patients the convenience of accessing a wide range of dental services without the need for multiple referrals or visits to different locations. This integrated approach can lead to more coordinated care, improved communication between specialists, and better outcomes for patients.

The acquisition of the nearby practice demonstrates Dr. Henninger's forward-thinking business acumen. It suggests a vision for growth that goes beyond the traditional single-location model, potentially setting a new standard for dental practice management in the region.

While the specifics of Dr. Henninger's practice structure and the details of his expansion will need to be verified for accuracy, his case serves as a compelling illustration of how dental practices can evolve to meet changing patient needs and market demands. It is a testament to the potential for innovation within the dental industry, showing how practitioners can think outside the box to improve both patient care and business operations.

What You Can Do Today

Understanding and optimizing your P&L is paramount for success. One effective approach to improving your financial health that you can do today is categorizing your expenses into three distinct groups: consumptive, productive, and destructive. This exercise can provide valuable insights into your spending habits and help you make better decisions about resource allocation.

Begin by precisely examining each expense on your P&L. Ask yourself whether the expense contributes positively to your business growth, maintains the status quo, or potentially harms your company's progress. Productive expenses are those that directly contribute to revenue generation or business expansion. Consumptive expenses, while necessary, do not directly lead to growth but help maintain operations. Destructive expenses, on the other hand, are those that drain resources without providing any tangible benefit to your business.

Once you have categorized your expenses, it is time to take action. Focus on eliminating or significantly reducing destructive expenses, as these are actively harming your business's financial health. Next, consider scaling back on consumptive expenses where possible. While some of these may be necessary, there might be opportunities to find more cost-effective alternatives or streamline processes.

By cleaning up your P&L in this manner, you will increase your profitability and make your business more attractive to buyers. A lean financial statement demonstrates good management and fiscal responsibility – qualities that investors and buyers highly value.

Remember, this process is not a one-time exercise. Regularly reviewing and categorizing your expenses can help you maintain financial discipline and ensure your business remains on a path of sustainable growth. By consistently prioritizing productive expenses and minimizing destructive ones, you will be better positioned to achieve long-term success and maximize your company's value in the marketplace.

Is It Constructive, Consumptive, or Destructive?

To help you determine what category an expense might fall into, we will walk through an example. Marketing in dental practices can be a powerful tool, but its effectiveness depends on various factors. Let's explore how marketing expenditures can fall into the different expense categories: productive, consumptive, or destructive.

Consider a practice with the capacity to generate $2 million annually based on its current patient base and fee schedule. If the practice is already meeting this potential, investing in marketing becomes a productive expense. It is an opportunity to expand the patient base and increase revenue beyond the current capacity.

On the other hand, if the practice is only collecting $1.5 million annually despite its $2 million potential, and money is being spent on marketing, this could be seen as a consumptive expense. In simple terms, you are putting a dollar in and getting a dollar back, which does not contribute to growth or address the gap between actual and potential revenue.

Now, let's examine a more complex scenario. Imagine a practice generating $1.5 million with a $2 million capacity, investing in marketing, but struggling with internal inefficiencies. These might include a case acceptance rate of 55%, a hygiene reappointment rate of 50%, and a high rate of cancellations and no-shows at 20%. In this situation, allocating resources to marketing while neglecting these internal issues could be considered a destructive expense.

The takeaway is that marketing should be strategically aligned with the practice's current performance and potential. Before investing heavily in external marketing efforts, it is key to address internal inefficiencies and maximize the value of existing patients. This approach ensures that marketing expenses are truly productive, driving growth and profitability rather than merely maintaining the status quo or, worse, diverting resources from more pressing needs.

By carefully evaluating the practice's position and addressing internal challenges first, dental professionals can ensure that their marketing investments yield the best possible returns and contribute meaningfully to the practice's success.

Key Points to Remember

Educating yourself on all available options is tantamount to financial success. It is necessary to understand that there are three primary ways to generate income: salary, profit, and equity. While many people focus on maximizing their salary and profit potential, they often overlook the opportunities equity can provide.

Salary is the most common form of income for most individuals. It is the regular paycheck you receive for your work as an employee. While it offers stability and predictability, relying solely on salary can limit your earning potential.

Profit, on the other hand, is the financial gain you make from running a business or selling goods and services. This can be a powerful way to increase your income, especially if you are entrepreneurial-minded. However, it often requires more risk and effort than a traditional salary.

Equity, the third and often overlooked avenue for wealth creation, refers to ownership stakes in businesses or assets that can appreciate over time. This could include stock options, real estate investments, or shares in a startup. The potential returns from equity can far exceed those from salary or profit alone.

Many people focus on optimizing their salary and profit positions, which is undoubtedly important. However, if you are not also leveraging your equity position, you could leave a substantial amount of money on the table. Equity can provide long-term wealth accumulation and financial security that salary and profit alone may not match.

To truly maximize your financial potential, it is essential to consider all three income streams. Educate yourself on the various equity opportunities available in your field or industry. Look into stock options if you are working for a company, or consider investing in real estate or other appreciating assets. By diversifying your income sources and including equity in your financial strategy, you can create multiple pathways to wealth and secure a more prosperous future.

Chapter Six

Common Pitfalls in Selling Your Dental Practice and How to Avoid Them

Selling a dental practice can be an overwhelming process, often catching dentists off guard with its complexity. What seems like a straightforward business transaction quickly becomes a full-time endeavor, especially without professional guidance. This complexity is evident when it comes to determining the practice's value.

One of the most common scenarios we encounter involves dentists who have explored joining our group. They often approach us with conflicting information about their practice's EBITDA. It is not unheard of to hear, "My CPA calculated my EBITDA as X, another group said it was Y, and now your calculation shows Z." This variation can be confusing and frustrating for practice owners.

While EBITDA is based on financial data, its calculation is surprisingly subjective. Different methods and interpretations can lead to vastly different results. This subjectivity introduces an element of risk for practice owners navigating the sales process independently.

The primary risk in this situation is the potential for leaving money on the table. Without trusted partners or a reputable mergers and acquisitions group to guide you, you might not secure the best possible deal for your practice. These professionals have the expertise to accurately value your practice and negotiate terms that reflect its true worth.

Moreover, experienced advisors can provide insights into market trends, buyer preferences, and deal structures that can maximize your practice's value. They can also help you understand the implications of different offer types and assist in comparing proposals effectively.

In essence, while selling a dental practice involves numbers and calculations, it is far from a simple mathematical exercise. The process requires a complete understanding of the dental market, financial acumen, and negotiation skills. By partnering with trusted professionals, you increase your chances of getting the best deal and gain peace of mind knowing that your interests are being protected throughout the complex sales process.

Neutral is Best

When selling your practice, working with a trusted, neutral third party is important. This intermediary should be someone who works directly for you and fights to maximize your practice's value. It is crucial to conduct thorough due diligence, which may include speaking with their previous clients. Their primary goal should be to add back every possible dollar to your EBITDA.

One-time expenses, such as renovation costs or personal expenses, should be added back to your EBITDA to present the most favorable financial picture. This process helps ensure you receive the best possible valuation for your practice.

Another critical aspect is finding the right group to partner with. This partnership can greatly impact the multiple applied to your EBITDA when calculating your practice's cash and equity value. The higher the multiple, the greater the potential value of your practice.

However, there are risks to be aware of in this process. The first major risk is not having a competent partner to accurately calculate your practice's EBITDA value. An inexperienced or untrustworthy intermediary could undervalue your practice, resulting in a lower sale price.

The second risk lies in partnering with the wrong group. This could mean aligning yourself with an organization that does not share your values or vision for the practice. Additionally, it is vital to consider the financial health of potential partners.

While selling a practice can be a complex process, focusing on these areas – working with a trusted intermediary, maximizing your EBITDA, and carefully selecting your partners – can help mitigate risks and increase the likelihood of a successful and profitable sale.

Packaging Your Practice

When preparing your practice for sale, we focus on three critical aspects we discussed earlier: top-line revenue, profitability, and cash flow. By organizing these elements, we minimize errors in calculating your EBITDA. This process helps clean up your books, making the financial picture less subjective and more factual. A well-organized P&L reduces discrepancies and provides a clear idea of where your money is going. This clarity puts you in a stronger position when presenting your practice's value to potential buyers.

To assist you in this process, we offer two tools. First, we recommend downloading our Practice Checklist. This comprehensive guide helps you assess your current position in the practice packaging process, ensuring you are on track to maximize your profit from the sale. It covers crucial aspects such as patient acceptance rates and other KPIs.

Second, we provide a Practice Sale Simulator. This powerful tool accounts for several fundamental factors: the time you plan to continue practicing chairside, any existing practice debt (such as equipment loans or renovation costs), your top-line revenue, and your profit margins. By inputting these variables, the simulator generates a projection of what your practice sale might look like.

Think of the Practice Sale Simulator as similar to having your house appraised before listing it on the market. It gives you a solid understanding of your practice's value before entering negotiations with potential buyers. This simulation considers various scenarios and provides you with an estimated total equity value for your practice.

By utilizing these tools and organizing your financial data, you will be well-prepared to engage in meaningful discussions with buyers. You will have a clear, fact-based representation of your practice's worth, putting you in an advantageous position during the sale process.

Two Red Flags to Watch For

Understanding the true value of your practice is essential before considering any significant changes or transitions. This starts with having a clear grasp of your EBITDA, which provides a snapshot of your practice's financial health and operational efficiency. It is equally important to surround yourself with trusted advisors who can offer expert guidance and help you navigate complex decisions.

While knowing your current position is vital, it is also necessary to have a vision for where you want your practice to be in the future. This long-term perspective will help guide your decisions and ensure that any changes align with your ultimate goals.

Once you have a solid understanding of your practice's value and your future aspirations, the next step is to educate yourself about the various groups or opportunities available in the market. This research phase is critical and should not be rushed. Take the time to explore different options, understand their unique offerings, and consider how each might align with your goals and values.

It is crucial to avoid limiting yourself to one option. Instead, engage with multiple groups or potential partners. This approach allows you to compare different opportunities, giving you a broader perspective and increasing the likelihood of finding the best fit for your practice.

Remember, the goal is not to find any solution, but to discover the one that best suits your needs, aligns with your vision, and provides the most value for your practice. By following these steps - understanding your value, setting clear goals, educating yourself on options, and exploring multiple opportunities - you will be well-positioned to make the decision that best benefits you and your practice in the long run.

Chapter Seven

Transcending the Sale, Building a Legacy Beyond the Deal

Regarding healthcare practice ownership, we have come to recognize that the traditional concept of "retirement" does not quite capture the essence of what many doctors experience when they decide to transition out of their practice. Instead, we prefer to use the term "re-wirement," which more accurately reflects the profound shift in mindset and identity that occurs during this process.

For many doctors, owning and operating their practice has been a defining aspect of their lives for decades. It is not just a job; it is a core part of their identity. When the time comes to consider selling or transitioning the practice, it requires much more than simply signing papers and handing over the keys. It demands a deep, introspective journey to understand who you are beyond the role of practice owner and what your life might look like without this central pillar.

This process of re-wirement involves rewiring your brain to see yourself and your worth outside of practice ownership. It is about shifting your focus from being defined by your career to being defined by the legacy you leave behind. This legacy encompasses multiple dimensions: the impact you have had on your patients, the influence you have had on your team, and the broader mark you have left on your community and profession.

As you contemplate transitioning, it is necessary to recognize that this process involves many layers beyond the financial and legal aspects of the transaction. It is about understanding and shaping who you will become after you have sold your practice. This transformation can be both exciting and challenging, as it requires you to envision a new chapter in your life and possibly discover new purposes and passions.

While this may seem like a deep and complex concept, it is an essential consideration when discussing the legacy you will leave behind and your life post-sale. The transition is not just about ending one phase of your career; it is about beginning a new one – one that may be equally fulfilling but in entirely different ways.

By approaching this transition as a re-wirement rather than a retirement, you open yourself up to new possibilities and opportunities for growth. It allows you to honor the impact you have had through your practice while embracing the potential for continued contribution and personal development in the next phase of your life.

Maximizing Your Sale

At NextLevel Practice, we are no strangers to facing the crossroads between legacy and future opportunities. NextLevel Practice found itself at a pivotal moment, much like many growing businesses. We were presented with an enticing offer: $2 million from a leading clinical education company in Arizona. On the surface, it seemed like a dream come true - a chance to cash in on years of hard work and dedication.

However, as we looked into the terms, we realized the price of this deal extended far beyond the monetary value. The acquiring company intended to fundamentally alter our business model, dismiss key team members, and essentially dismantle the culture we had painstakingly built. To make matters worse, we would be bound by these conditions for three long years.

Faced with this reality, we made a bold decision. Instead of selling, we chose to invest in ourselves. We embarked on a journey to refine and enhance our business, with an initial target of reaching a $5 million valuation. This process involved a series of strategic changes, chief among them being the decentralization of our main producer and the empowerment of our entire team.

The results of this decision surpassed our wildest expectations. In two years, we did not only meet our $5 million goal - we shattered it. Today, NextLevel

Practice stands at an impressive $12 million valuation. This represents a staggering $5 million increase in value over a mere 24-month period.

The true victory lies beyond the numbers. By choosing this path, we preserved our autonomy, protected our unique culture, and maintained our unwavering commitment to both our team and our clients. Our story serves as a testament to the power of believing in your vision and investing in your own potential, even when faced with tempting short-term gains.

We Have Been Where You Are

Having experienced the challenges firsthand, we understand the importance of making informed decisions when it comes to practice valuation and potential deals. Our journey included a less-than-ideal agreement that taught us valuable lessons. As a result, we have since built a company with a significantly higher valuation by implementing key strategies and developing a robust financial plan.

We are passionate about sharing these insights with other practitioners to help them avoid similar pitfalls and maximize their practice's potential. Our approach focuses on two critical aspects:

First, we emphasize the importance of education. It is imperative to thoroughly understand the various options available in the market. This knowledge empowers practitioners to make well-informed decisions that align with their long-term goals and values.

Second, we stress the significance of implementing strategic measures to enhance practice value. This involves creating and executing a comprehensive financial plan tailored to the specific needs and objectives of the practice. By taking these proactive steps, practitioners can significantly boost their practice's worth and attractiveness to potential buyers or investors.

We aim to guide fellow practitioners through this process, helping them avoid the mistakes we encountered and instead position themselves for optimal success. By focusing on education and strategic planning, we believe practitioners can create more valuable, sustainable practices that better serve their patients and provide long-term financial security.

Our Hope For You

As the dental industry continues to evolve, practitioners must stay informed about the various options available to them. The landscape of practice transitions has undergone significant changes in recent years, and it is important to recognize that these changes can be viewed as positive developments rather than intimidating obstacles.

Understanding the current state of the industry empowers dental professionals to make informed decisions about their practices. By staying educated on the latest trends and opportunities, dentists can take proactive steps to enhance the value of their practices. This knowledge benefits those considering a transition and helps practitioners who want to improve their current operations.

For those contemplating a partnership or sale in the future, being well-informed is key to finding the right fit. Knowing what questions to ask and what factors to consider can make all the difference in securing a beneficial arrangement. Dentists should feel confident in their ability to evaluate potential partners or buyers, ensuring that their practice's legacy and patient care standards are maintained.

It is worth emphasizing that transitions do not have to be daunting experiences. With proper preparation and knowledge, they can be exciting opportunities for growth and development. By understanding the process and being aware of industry best practices, dental professionals can approach transitions with confidence and optimism.

Ultimately, the goal is for dental practitioners to feel empowered in their decision-making. Whether they choose to enhance their current practice or explore partnership opportunities, having a comprehensive understanding of the industry landscape will serve them well. This knowledge allows them to navigate the evolving dental market with confidence, always keeping the best interests of their practice and patients at the forefront. We hope this book has been a guide for you. We hope that it has not only been informative on the mechanics of sales/ transitions but also has been a catalyst for discovering your own ideas about the future and your legacy.

Chapter Eight
Here's How We Can Help You

When we first meet with a dentist, our primary goal is to help them gain clarity on their desired goal. This involves exploring various aspects of their professional future, including their timeline, the type of dentistry they wish to practice, and their ideal work schedule. We delve into the nitty-gritty details to truly understand where they want to end up and the path they envision for themselves.

During this initial conversation, we also aim to uncover any current challenges they are facing or identify potential inefficiencies in their practice. By the end of our discussion, we strive to provide them with a clear understanding of their available options. Our focus is on aligning their aspirations with realistic possibilities based on their specific goals for a potential transition.

Our role is to offer support and guidance. We firmly believe that when people are better informed, they can make better decisions. As advocates for our clients, we are committed to steering them in the right direction. To this end, we offer a complimentary consultation call. This call serves as an opportunity for dentists to gain clarity on their goals, explore their options, and receive tailored education on their unique situation.

We are here to be a supportive resource, providing insights and information that can help dentists navigate their professional journey more effectively. We hope that you will feel inspired to take the next step and schedule this complimentary call with us. It is an opportunity to dive deeper into your specific circumstances and begin charting a course toward your ideal future in dentistry.

If you are ready to explore your options and gain clarity on your professional path, we encourage you to get in touch. You can reach us via email or by calling **212-388-1712**. Alternatively, you can join us directly through the provided link. We look forward to helping you shape the future of your dental practice.

Command Top Dollar for Your Dental Practice

In this, we introduce you to an essential methodology for packaging your practice for sale, aimed at substantially increasing the sale price.

We'll discuss financial planning and strategic business practices in a digestible, step-by-step way so dentists at any stage of their career can see their business potential.

Highlighting the often-missed bridge between clinical excellence and business savvy, this guide uses real-world scenarios to illustrate how a deeper understanding of the market and careful preparation can position your practice advantageously ahead of sale.

We provide clear, actionable strategies for dentists looking to secure a financial legacy, offering insights into navigating DSO roll-ups, private sales and ensuring your practice stands out to potential buyers.

To learn more about the ideas discussed in this book, here's what you do next:

Go to **nextlevelpractice.com/book-offers**

Step 1: Download *10 Things Every Dentist Needs to Know to Transition from a Lifestyle Business to a Source of Generational Wealth.*

Step 2: Get started with our *Practice Readiness Checklist* to put what you've learned into action.

Step 3: Get your questions answered in a free Practice Sale Strategy call. Meet with one of our expert coaches and dig into your practice's specific needs and how to get ready to sell.

Just 90 days of effort can make the difference between breaking even and creating wealth that lasts for generations.

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We provide clear, actionable strategies for dentists looking to secure a financial legacy, offering insights into navigating DSO roll-ups, private sales, and ensuring your practice stands out to potential buyers.

To learn more about the ideas discussed in this book, here's what you do next:.

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Step 1: Download **10 Things Every Dentist Needs to Know to Transition from a Lifestyle Business to a Source of Generational Wealth.**

Step 2: Get started with our **Practice Readiness Checklist** to put what you've learned into action.

Step 3: Get your questions answered in a free Practice Sale Strategy call. Meet with one of our expert coaches and dig into your practice's specific needs, and how to get ready to sell.

Just 90 days of effort can make the difference between breaking even and creating wealth that lasts for generations.

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