

POINT TO CONSIDER WHEN BUYING A DENTAL PRACTICE

Buying an existing practice is usually the best option

It is important to understand the difference between starting a dental practice and buying an existing dental practice. While starting up from scratch may come with a lower price tag, buying an existing practice will usually end up costing less in the long run. This is because you have the advantage of purchasing an already operational dental practice with an immediate patient base and the revenue that starts from day one.

Recently the business environment has become much more competitive. It is almost foolish to think that a dentist with no business experience will be able to attract sufficient new patients to create a viable practice whilst experienced practitioners cannot even grow their practice and are struggling to maintain their existing patient base.

Starting a practice from scratch will generally mean you get exactly what you want, but the disadvantage is that you will have a huge learning curve in making the practice operational. You will need to set up patient management software, accounting software, employ staff, develop policies and procedure manuals, establish banking arrangements such as credit card/HiCaps and organise your accounts with dental suppliers and labs. An established practice already has these in place.

Buying an existing practice where you are working has some distinct advantages. You know how the practice operates, understand the staff dynamics and the patients are familiar with you.

You can't do it on your own – you need a team

To purchase an existing practice you need to assemble a team of trusted advisors. As a minimum you will need a dental accountant, a dental lawyer, and a dental lender. This team should be assembled before you begin looking at practices;

- **Specialist dental accountant** will be able to evaluate the practice, assist with negotiating the best price, advise and set up the appropriate corporate structures, introduce you to other specialist professionals, advise on accounting systems, tax and other compliance issues.
- **Specialist dental lawyer** will be able to review the sale contract, advise and prepare shareholder, associateship, partnership, practitioner and other agreements, review documents relating to the transfer of lease for the practice premises and assist with the transfer/retention/redundancy of employees.
- **Specialist dental lender** will usually be able to lend more than a non-specialist because of their understanding of the industry, can provide lower cost and more tax efficient borrowings by separating the amount financed into loans, leases and lines of credit as required and can allocate the borrowings to different entities as dictated by the client's corporate structure.

You should also extend your team so that you have contact in these areas:

- **ADAVB** has counsellors who understand your business and can give practical and valuable information on practice management, HR and PI insurance.
- **Dental supply and equipment companies**, as well as labs, should be contacted so that you can build a relationship with one of their representatives.
- **Specialist dental insurance companies** are not easy to find, however it is necessary to get the right advice when it comes to income protection and business insurance.
- **Dental practice brokers** can help with locating practices for sale and you should consider being placed on their buyers list. Compared to any other way of sourcing a potential practice, those practices that are with brokers will at least be able to provide you with reasonable financial information.

What should I ask for?

So that you can properly evaluate the dental practice you should ask for both a dental practice profile and evaluation report so you know the details of the business. Also request the historical financial information for the past two to three years so you can see what the financial results have been for the practice. The historical financial information should be no more than six months old. Further information that you will be looking for includes patients demographic information from the patient management software, fee schedule, listing of furniture and equipment, lease agreement or whether the premises are also available for sale.

It is crucial that you get a second opinion from a qualified professional and prudent to involve a specialist dental accountant before you commit to buying as you do not want to find yourself having made a purchase to then learn that the transaction was not properly structured and you paid too much or that your purchase has become a losing proposition. Equally important is to get a feel for how the dental practice

actually operates and the atmosphere or “personality” of the practice. You want to be comfortable that the environment of the practice fits with your goals, philosophies, abilities and personality.

With a professional team behind you, you should be able to successfully purchase a dental practice. Before you start you should be thinking ahead on things like becoming familiar with the dental patient management software and on choosing the type of bookkeeping software you want to use and get it set up. You want to be prepared to hit the ground running the day you complete the purchase so you can be working at the chair and not spending all your time on administrative set-up issues which should have been completed earlier.

If you are seriously considering starting or buying a practice, contact Albert Gigl at MW Partners and we will assist you in coordinating your specialist dental team. As a member of the ADAVB, there is no charge for your initial consultation and all you need to do is call (03) 8825 5400. For your convenience MW Partners is located on the same floor as the ADAVB at 10 Yarra Street, South Yarra.

Disclaimer: All representations and information contained in this article are made in good faith and are believed to be correct at the time of preparation. Articles are of a general nature and do not purport to be specific taxation advice. Individual needs or other considerations have not been taken into account, thus information contained herein should not be relied upon as a substitute for detailed advice.

Disclosure: ADAVB receives referral fees in recognition of our marketing member service alliance.