



DENTAL PRACTICE TRANSITION GUIDE

Purchasing a practice can be a daunting venture.
Choose a team of specialists and use this general guide
to the key steps to a successful purchase and transition.

This brochure is intended as a starting point for your practice transition. Each transition is unique and may include more or fewer steps and in different order depending on your and the seller's particular situation.



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DENTAL PRACTICE TRANSITION GUIDE

Establish your Team of Advisors

Surround yourself with a team of experts in your industry from the very beginning. If you don't know dental-specific experts, ask for references.

Professional	Name	Phone
Banker		
CPA		
Attorney		
Insurance (Life/Disability)		
Insurance (Malpractice)		
Insurance (Business Property & Hazard)		

1. Lender Application for Pre-Qualification - Obtain Forms/Obtain Applicable Checklists/Complete Personal Financial Statement/Provide CV OR Resume to the bank.

Don't have a practice in mind? That's ok! It's never too early to engage in the preliminary paperwork with your banker, CPA and/or attorney. They might be able to advise you on the size of practice you should be looking for, connect you with a seller/broker, and provide guidance on what to look for when vetting purchase opportunities.

2. Contact Broker to Review Practice Appraisal/Valuation Initial Questions for the Seller

- Will a warranty be provided by the seller for treatment completed prior to the transition?
- Are there any groups (ethnic, religious, communities, social, political) of which the seller is an active member or affiliate that new patients historically come from?
- What are the seller's plans after the purchase is complete?
- What non-compete/non-solicitation agreement will be offered (timeframe and radius)? Check with your attorney on appropriate language and enforceability.

- Can an observation day be scheduled to observe patient and staff interaction?
- How will the seller introduce the buyer to referral sources and patients (email, letter, website, open house, in the office, etc.)?
- Will the seller mentor the buyer (if needed) post-transition to reduce patient attrition, learn specific procedures, review ongoing treatment plans and train on current dental equipment/software?
- Will the seller conduct a staff meeting with the buyer prior to the sale?
- Will the seller actively promote the buyer's clinical proficiency with patients and stand behind the buyer's treatment planning with patients, referral sources and staff?

3. Perform your initial evaluation of the practice with a visit or review of the appraisal (see attached chart audit and practice evaluation worksheet).

A physical visit is best and typically done after hours with our without the broker present. The evaluation of the practice will be ongoing during your due diligence period. The majority of the due diligence will likely take place after you sign the letter of intent to purchase.

4. Provide your lender with practice information, lease and financials.

- 2-3 years of tax returns
- recent quarter-end profit loss and balance sheet reports
- valuation/prospectus if applicable
- any accounts receivable reports

Helpful tip: the bank and a dental-proficient CPA will look at your cash flow needs and marry them with the cash flow of the practice to ensure you can repay your personal and new practice loan after taxes. The more complete your evaluation of the practice is, the better the CPA and bank can advise you on your purchase.

5. Review and submit purchase letter of intent with attorney, CPA and bank for negotiation and finally acceptance.

6. Determine the purchase price allocation, accounts receivable and tax implications.

7. Establish an ongoing communication plan with the seller.

Solicit the help of your peers. It could help to bring an unbiased, experienced, reputable and successful peer dentist with you as you navigate through these steps.



TRANSITION TIMELINE OF TASKS

Most acquisitions happen within 60-90 days of signing a letter of intent. Below is a general order of operations and which partner you can lean on to assist with that operation. Some items may overlap or parallel one another in the timeline. This is meant as a general guide.

DATE	ASSIGNMENT	ITEM
45-60 days prior to close (assuming 60 day closing window)		
	CPA/Doctor	Finalize practice evaluation and chart audit (see attached)
	Doctor	Review fee schedule
	CPA/Marketing Partner/Doctor	Create practice marketing plan and goals. Will you hire an external advertising agency? External: direct mail, sponsorships, community events, local newsletters, social media, search engine optimization). Internal: patient pamphlets, rewards, employee incentives, patient referrals
	Insurance Agent /Doctor	Contact insurance provider for proper life/disability/overhead/business reducing term
	Attorney	Review/negotiate new lease or assignment/purchase options & renewals
	Bank	Obtain conditional loan approval
	Bank/Doctor	Review loan conditions and post closing requirements
	CPA/Attorney	Select entity type (llc, s-corp, sole prop) Obtain tax ID
	Attorney	Register entity, including by-laws/operating agreement/articles
	Attorney	Register trade name/dba Obtain state employer registration and license as well as any other applicable forms (SS-4, 2553)
	Bank/Doctor	Set up new account, establish merchant processor, remote deposit, log in to online banking *Note: Entity selection and creation along with legal documents and Tax ID to support the entity creation need to be complete before establishing bank accounts
	CPA/Doctor	Purchase and set-up Quickbooks or identify bookkeeper
	CPA/Doctor	Contract with payroll service provider & section
2 Weeks - 30 days to closing		
	Attorney	Review purchase/sales agreement/bill of sale/non-compete and compare to LOI
	Doctor/Seller	Meet and interview the staff (recommended earlier if allowed)
	Office Manager	Obtain training on current practice software/charts/workflow
	Office Manager	Acquire required certifications/OSHA/HIPPA
	Marketing Partner	Implement internal and external marketing plans
	Seller/Doctor/Attorney	Draft and send letter to patients announcing ownership change
	CPA/Office Manager	Provide form W-9 to contracted insurance companies Provide credentialing for PPOs (in-network insurances)
	CPA/Attorney/Doctor	Create employee handbook, job descriptions and offer letters for re-hiring employees
	Attorney/CPA	Review all final agreements for tax/accounting issues, legal risks and effects
Week of closing		
	Doctor	Ensure office supplies and dental supplies are adequate
	Doctor/Office Manager	Ensure computers and software are acceptable (set up new user ID and passwords)
	Escrow/Attorney/Office Manager	Accounts receivable finalization
	Escrow/Office Manager/Seller/CPA	Pro-rates: utilities, phone, rent, personal property taxes, payroll
	Bank/Office Manager	Finalize set-up of bank accounts, merchant processing and remote deposit and work with seller's office manager regarding current accounts receivable procedure

CHART AUDIT EVALUATION

Review at least 10% of the active patient count (100 minimum) and know how the practice categorizes an "active patient."

Treatment Plan & Patient Make-Up

- What is the active patient count?
Look out for emergency-only patients that never return or who have long gaps in their history.
- What are the demographics of the patients?
If you are considering a purchase with currently multiple locations (where the seller is remaining in one of them) determine if the patients are active patient of records at that particular location and they are seen there regularly.
- How do you compare to the selling dentist? Review the charts for:
 - Philosophy in diagnosis and look at the restorative, periodontal and preventative care.
 - Is the seller's treatment planning conservative/moderate/aggressive?
How do you differ? How are you similar?
 - What is the percentage of treatments completed, recommended but not completed and undiagnosed? What treatment remains for you?
 - Case Acceptance
 - Recall for completion of accepted treatment
 - Procedural mix and clinical proficiency in non-referred treatment.
- Can you perform some procedures referred out of the practice?
- What is the legibility and thoroughness of the seller's records?

Active patients are typically those who have been seen by hygiene two to four times per year within the past 12 to 18 months.

For specialty practices, consult with your banker for specific questions you should ask.

Billing and Collection & Financial

- What is the payment policy for co-pays and non-insurance patients?
- Obtain accounts receivable report by aging (30, 60, 90 days).
- Check for consistent and current financial arrangements with patients.
- Which insurance plans are accepted (PPO/HMO/capitated/fee for service)? Obtain the contracts.
- What are the current payment options outside of insurance coverage (cash, check, credit card, internal and external payment arrangements)?
- Obtain a fee schedule.
- Identify embezzlement safeguards.

Review the Schedule

- How far in advance is the doctor booked? (70-80% two weeks out is ideal.)
- How far in advance is the hygienist booked?
- What is the protocol for ensuring recalls are booked at least 3-6 months out?
- Are there gaps in the current schedule?
- Is the pace of the schedule too fast or too slow for you?
- Can the current schedule handle emergencies?

Marketing/New Patient Flow

- What is the average number of new patients per month?
- What are the sources of new patients?
(Internal - staff/patient referral programs, gifting, discounts, giveaways
External - direct mail, print, radio/TV, webpage, social media, community or religious groups)
- What is the patient attrition rate?
- Search for and read online reviews.
- Who and where is the nearest competition?
- What is the population per dentist in the practice area?

Review the Lease

- What is the remaining term?
- Are there options to renew?
- Is the lease transferrable?
- Are there options to purchase the building?
- Will the landlord contribute costs for improvements (tenant allowance) if a new lease is signed?
- Is the current rate within market? Is it negotiable with a new lease?
- Check with city planning regarding pending improvements, projects, etc. that may interfere with your ability to do business.

Staff

- Is the staff aware of the transition? If not, determine the earliest date possible for them to be informed.
- Are there an employee handbook and job descriptions in writing?
- What benefits are being offered (medical, retirement, bonus, vacation, sick leave, etc)?
- Evaluate whether the staff and the selling dentist have a good rapport and working relationship. Determine if the personalities are a good match for you.
- Consider employee retention. Are there staff who likely will not stay on post-transition? What will the impact to patients be?

A stale fee schedule (more than 3 years old) may be a source of additional revenue. PPO insurance fees can be negotiated annually but the same rates aren't always transferrable to new owner.