

MANAGEMENT & MARKETING

(Editor's Note: This quarterly JCO column is compiled by Contributing Editor Howard Iba. Every three months, Dr. Iba presents a successful approach or strategy for a particular aspect of practice management. Your suggestions for future topics or authors are welcome.)

The third and final installment in our series on practice transition is a roundtable discussion of common questions and potential pitfalls from the perspectives of three key players: the seller (Dr. David Drake), the buyer (Dr. Robyn Vicek), and the consultant (Char Eash). It is obvious from their comments that the communication established between the doctors from the outset is the issue that will make or break the transition.

There are many experts available to evaluate the practice for the seller and to advise and guide the buyer, but few who specialize in leading the transition. A clear strategy that meets each party's expectations must be in place before the transition begins.

Another point made by this month's participants is that the journey only begins when the papers are signed. Drs. Drake and Vicek organized their transition well, with the help of Ms. Eash and their attorney, and it appears their efforts are paying off.

HOWARD D. IBA, DDS, MS

Three Perspectives on Successful Practice Transition

DR. IBA Dr. Vicek, at what point did you begin exploring offices to purchase?

DR. VICEK It was near the end of my first year of residency. That, however, was not my first encounter with orthodontic offices. I worked for an orthodontist the summer before I started dental school and continued part-time at his office for five years. When I started my orthodontic program, I worked in the office of one of my instructors for the entire two and a half years of my residency. I also worked for other orthodontists in the area when members of their staff went on vacation. The majority of this experience was as an orthodontic assistant. I also worked one-on-one with the doctors, learning how they ran their practices. So I had a seven-year exposure to the orthodontic field before I bought a practice. During this time I formed the vision of my own practice.

DR. IBA What made you decide to buy a practice rather than become a partner or associate?

Drs. Drake and Vicek are in the private practice of orthodontics at 205 Jefferson St., Tiffin, OH 44883. Ms. Eash is founder and CEO of Profit Marketing Systems, Inc., 1833 Melody Lane, Interlochen, MI 49643.



Dr. Iba



Dr. Drake



Dr. Vicek



Ms. Eash

DR. VICEK In order to be a partner or an associate, two or more personalities have to click. I am a perfectionist; therefore, finding a compatible personality would be difficult. I like things a certain way. I also know that I do not perform at my best when I am worried about stepping on toes. Therefore, I felt that it was best for me to purchase a practice rather than try to work around someone else's needs or expectations.

MS. EASH It is very important that both the buyer and seller decide in their minds how the transition will be set up. I recommend to the senior doctors that this issue be clear in their mind before they begin soliciting a buyer. The buyers seem very clear in most cases on what they want in a practice and in their life.

DR. IBA Dr. Vicek, how did you seek potential sellers?

DR. VICEK First of all, I set boundaries to form the area of the state in which I wanted to live. Many orthodontists from around the country sent letters to my school announcing the sale of their practice. If any of those were within my boundaries, I pursued the letter. I also looked in the AAO directory for all of the orthodontists that were within my boundaries. The directory lists the year of graduation from an orthodontic program for each doctor listed. I wrote letters to all of the orthodontists who had been out of school for 25 years or longer. In the letter, I asked if they were selling their practice currently or were thinking of retiring in the next two to five years. Most responded to my letters. Those selling or thinking of retirement invited me to visit their office, which I did.

DR. IBA And what were the key ingredients that you were looking for in a practice?

DR. VICEK I looked at the type of technique being used to make sure it was compatible with what I was being taught. I observed the patients being seen to see if their cases were on track with treatment planned or if they were out of control. I looked at retention patients to see how they fin-

ished and if the finished result was acceptable. I observed and talked with the staff to see how interested and educated they were in orthodontics. I wanted to know what insurance plans the doctor was a provider for, if any. I wanted to know gross income, delinquency rate, overhead, and how many patients were on the preactive recall list so I could evaluate practice management. I wanted to know how many general dentists referred to each particular office. I was also interested in the fee to see if they were below, right at, or above the standard for that area. By looking at these things, I was able to judge quality of care at each office. I was looking for an office offering high-quality orthodontics, from both a clinical and business aspect.

MS. EASH Most buyers I have worked with on behalf of my clients are looking for a business that is viable, a staff that is in support of this transition, a team that is progressive in skills and attitude, and a senior doctor that will work with them on becoming the best orthodontist that they could be. Whether it is a short transition or a long transition, the best transition has all expectations of the relationship and the steps in the transition clearly defined.

DR. IBA Dr. Drake, when did you decide to begin the transition of your practice?

DR. DRAKE I first seriously thought about transitioning in 1992 at age 56, when I closed a satellite office. Even though I thoroughly enjoyed practicing orthodontics, I had my initial practice valuation in 1994. I planned to retire at age 60. I expected to have one year to recruit a buyer, followed by a nine-month transition.

MS. EASH I have found that many times it takes longer than you would think to find a buyer that fits your transition needs. I recommend that you keep all of your options open until the final papers are signed and there is a commitment in writing by both parties. It is not unusual to begin planning your transition strategy three to five years before the process begins. This should be an important part of the practice business plan.

DR. IBA Dr. Drake, how did you go about finding potential buyers, and what was the initial interview process?

DR. DRAKE Prospective buyers were solicited using services provided by the AAO, calls to instructors at nearby residency programs, and a transition company. The best prospects, however, came from my Unitek orthodontic sales representative and networking with study club colleagues who knew my practice.

If the initial contact was positive, potential buyers were invited to spend a day observing our practice. We had lunch or dinner together to discuss each other's expectations.

MS. EASH Orthodontists should not hesitate to advertise the potential sale of the practice to all first-year residents. The avenues of advertising have even broadened to the multimedia format. I now see video recruitment brochures developed and distributed to the schools and by request to potential buyers. This brochure would cover location, business plan, philosophy, and the demographics of the team and patient base. A video brochure may also be transmitted through e-mail, which makes the process very easy.

DR. IBA Dr. Drake, what type of individual were you looking for to purchase your practice?

DR. DRAKE First and foremost, I was looking for someone with enough self-confidence to manage my practice after a relatively short transition period. I was looking for a buyer, not an associate. I wanted an extroverted doctor with similar treatment philosophy and strong clinical background who would treat my staff with respect and my patients with care. I hoped to find someone who could build upon the systems I had in place.

MS. EASH The key here is to seek an individual you feel confident in supporting. When transitions fail, usually both parties know that it will not work from the beginning, but are unwilling to continue the search fearing that there is no one else.

DR. IBA Dr. Vitek, what were some of the issues that influenced your decision *not* to buy certain practices?

DR. VITEK Some of the issues were doctors' personalities, type of technique used, patients' end results, high overhead, disgruntled staff, and dishonesty.

MS. EASH From a consultant's perspective, the easiest practices to sell are the ones that are well organized, where the staff is content and trained, treatment times are controlled, accounts receivable are healthy, and retention patients are dismissed in a timely fashion. A good grid scheduling system in doctor-assistant time is very appealing, as are three- or four-day work weeks. I have found the next generation of orthodontists know they do not have to reinvent the wheel. Because of their predecessors, they will be more profitable and enjoy their life in orthodontics at a very high level.

DR. IBA Drs. Drake and Vitek, what was the initial introduction and interview process that took place in developing your relationship?

DR. DRAKE We were introduced by a long-time orthodontic friend. Dr. Vitek visited three times between her first and second year of orthodontic residency. The first visit was spent observing our office staff, systems, and quality of care. Over lunch, we discussed treatment philosophy and practice valuation, and that I was looking for a buyer and an opportunity to quickly reduce my working hours. The second visit, on a weekend, was spent checking out the facility, equipment, and community. Later, Dr. Vitek returned to have lunch with my wife to discuss housing, cultural opportunities, and small-town life.

DR. VITEK On the first visit, I stayed for the whole day. Dr. Drake went over all of the patients I saw to update me on their cases. He was very enthusiastic about every aspect of orthodontics. He and the staff explained to me in great detail how their daily routine works and why they do things the way they do.

MS. EASH One of the most important parts of the interview process is spending social time initially as well as visiting the orthodontic practice during working hours. To meet with the buyer and their spouse (if involved) is very important. An unhappy spouse can break an agreement very quickly. Knowing the person you are going to share your livelihood with, and being confident in that, establishes the trust needed to make this a positive transaction.

DR. IBA Dr. Vicek, did you work in Dr. Drake's practice prior to receiving your degree?

DR. VICEK Yes, I did. I was able to work for five weeks during the summer between my second and third year of residency. It was very beneficial. I learned the daily routine, became acquainted with the staff, met many patients and their families, and learned about the area. By working there before the actual business deal was complete, I was able to confirm that my decision to purchase that particular practice was an excellent decision.

DR. IBA In what capacity did you work in the office?

DR. VICEK I worked mostly as an assistant. This taught me where things were located in the office, gave me more one-on-one time with the patient, and helped me learn how a normal day in that practice runs. I did help diagnose and treatment plan with Dr. Drake, as well as observe during new-patient exams. Being able to learn the comprehensive charting system, before I actually took over, was a definite plus.

MS. EASH As we give the junior doctor an opportunity to work in the practice, we need to be very careful in how we do so. It is important that we introduce the new doctor/student and avoid any misconceptions by the patients, parents, or community of retirement or changes that could affect them. Again, a game plan needs to be established. Working in the practice gives each doctor a chance to work with a potential buyer/partner. Developing a philosophy is what a

successful relationship is all about.

DR. IBA Dr. Drake, why did you choose to have Dr. Vicek work in the practice, and how did you determine what capacity she would serve your patients in at that time?

DR. DRAKE I invited Dr. Vicek to spend her summer break working in our office because I felt it would help our summer growth and at the same time expose her to new clinical procedures. As it turned out, a clinical assistant resigned and Dr. Vicek was assigned her chair, giving us time to adjust our scheduling. Dr. Vicek performed all chairside procedures, picked up some bondings, saw our treatment mechanics first-hand, and truly experienced our practice on a day-to-day basis. We discussed cases, biomechanics, practice statistics, scheduling, and retention during her time with us. It was an excellent opportunity, beneficial to all.

DR. IBA At what point in this relationship did the actual evaluation of the practice and buy-in contracts begin to be negotiated?

DR. DRAKE I had my practice valuation updated in February 1999 for another prospective buyer. Dr. Vicek's first visits were in July and December of 1999. In January 2000, Dr. Vicek and I met with William Prescott, a transition attorney.* At this interview, we each expressed what we desired from the practice sale. Because our goals were similar and our attitudes were to do "whatever it takes to make it work", Mr. Prescott agreed to draw up preliminary documents. Negotiations began in April 2000, and the contracts were ready for signature approximately seven months later.

DR. IBA How did you choose the firm to evaluate the practice?

DR. DRAKE I chose William Prescott because he had represented a previous potential buyer and I liked his attitude. He wanted a win-win sale,

*Wickens, Herzer, Panza, Cook & Batista, 1144 W. Erie Ave., Lorain, OH 44052.

really listened to our wishes, and was very knowledgeable regarding dental transitions and current tax law. With a non-adversarial buyer in mind, his hourly rate was more palatable than fees quoted by practice brokers or transition companies. The key here is the right chemistry between the seller, buyer, and attorney. We all wanted to make it work.

MS. EASH When choosing an attorney, choose one that is representing the parties and the process to make the transition work! So many times, it seems as if the representatives' egos are more important than the relationship. But the valuation of the practice is only the first step in making the transition successful for the buyer, seller and team. In any relationship, clear direction, communication, and expectations need to be spoken and written for the team to make things happen.

One major roadblock to avoid is forcing the team to choose sides, which happens when the staff is not brought into the decision-making process in the marketing and utilization of both doctors in the practice. Many times the staff is unclear as to who is making the decisions. The saying "you cannot effectively serve two masters" applies here. All confusion will be avoided if both parties are clear on the timetables and responsibilities during the first phase of the transition.

DR. IBA Dr. Drake, how did you handle the buy-in with Dr. Viecek and your possible retirement with the staff during the different stages of negotiations?

DR. DRAKE In October, I informed the staff that we had a real opportunity to bring Dr. Viecek into the practice. I explained that I felt a younger doctor would ensure job security and energize the office environment, while maintaining our quality of care. My team helped me plan the transition. Dr. Viecek's presence in our office was a positive experience for all. As our relationship grew closer, our staff became more involved. When it became apparent that Dr. Viecek would be joining our team, we scheduled a staff meet-

ing facilitated by Char Eash to plan total office involvement in the transition.

MS. EASH The doctors need to present a clear game plan to the team to avoid any misconceptions. Staff meetings should be held at the time the transition is final and dates are set. During the first staff meeting, all team members should review the wording of the correspondence for the announcement, the introduction process for the new doctor, and what the timetables are for issues that affect their workplace. Our goal is to have the least amount of upset or lost energy by the team in being proactive to all potential roadblocks. People in general—whether it be the patient, team, or general dentist—want to know where they fit into this puzzle.

DR. IBA Drs. Drake and Viecek, did you both have representatives to negotiate the sale price of the practice?

DR. DRAKE We each evaluated the terms of the contract and had our accountants evaluate the financials. Very little negotiation was required because we used fair market value tempered by small-town location. I had a feel for the asking price from previous experience with a transition company and discussion with my accountant and management consultant. Dr. Viecek and I also attended AAO practice transition seminars.

DR. VICEK We shared the same attorney. This is because Dr. Drake and I were very open and honest about our expectations for the practice and business deal. We discussed many issues before seeing the lawyer so we both knew and agreed on what we wanted. The lawyer only needed to form the legal contracts containing our wishes. The one thing we had not discussed was the exact sale price. Only a range had been discussed at our initial meeting. Therefore, we used separate accountants to help us negotiate a purchase price.

DR. IBA At what point did you feel it would be valuable to bring a practice management consultant into the practice?

DR. DRAKE In September, once it was apparent the sale would be realized, I invited Dr. Viecek to attend the Profit Marketing Systems** users meeting. Dr. Viecek had the opportunity to talk with both junior and senior doctors from practices in transition. Contracts were signed in October.

Char Eash visited our office in November for our annual goal-setting visitation. Dr. Viecek joined us and had the opportunity to help plan our transition with the staff. The three of us then spent one-half day developing a personalized checklist (Table 1) for the change of command. The expertise of a management consultant proved invaluable in anticipating the steps necessary for a smooth transition. Neither Dr. Viecek nor I had any idea how many details needed to be addressed at the closure of the sale. It has been my experience that most attorneys and transition companies do not provide hands-on follow-up once the sale is consummated. Also, a checklist of issues to handle prior to the start date of the new doctor is mandatory to prepare and anticipate all the changes that must be implemented. I can't imagine a buy-out without one. Initially we overlooked name changes for our message-on-hold and imaging systems. We also needed to change billing of utilities and insurance. We were delayed in reconfiguring our credit-card machine and dental superbills because we needed federal tax ID numbers and bank account numbers.

MS. EASH A budget needs to be set for purchases, the change in written materials, and the open-house expenses. These costs are often more than the practice anticipates.

DR. VICEK I feel it is important to bring the consultant in when starting the transition process with the staff. We did this two months prior to the closing date. I think three months would have been better due to the number of tasks we had to complete by the closing date.

DR. IBA Dr. Viecek, what options did you con-

**Profit Marketing Systems, Inc., 1833 Melody Lane, Interlochen, MI 49643.

sider for the finances needed to purchase the practice?

DR. VICEK There were two options, seller-financed or bank-financed. I had an extremely high amount of student loan debt. I chose to try bank financing, knowing that if I was not approved, Dr. Drake would seller-finance it. It did not matter whom I wrote the check to each month. Bank financing would take a lot of worry off Dr. Drake's shoulders. I was approved for the loan by several lenders. The one drawback was the higher interest rate due to my high debt. The nice thing about bank financing is they look over the numbers on the practice and compare them with the sale price. They also offer many checklists to help review the practice before, during, and after the sale. They offered neat marketing ideas. The lender I chose only works with dental practices, so they have a full understanding of the business of dentistry. The bottom line is that they want you to succeed, so they want to help in more ways than just lending money.

DR. IBA Dr. Drake, as the seller in this situation, what were the options you were considering financially for the buyer?

DR. DRAKE Since neither Dr. Viecek nor I wanted a period of associate status, I preferred she receive 100% financing. With the aid of Mr. Prescott, our transition attorney, this proved to be readily available. The loan provided not only the purchase price and financing, but also a short-term advance for operating capital. If a practice is healthy and cash flow is consistent, financing with only the buyer's signature is available. Good records and statistics are necessary to help the buyer avoid a substantial down payment.

DR. IBA How would you summarize your transition experience?

DR. DRAKE I found that transitioning a practice consists of five phases: (1) valuation, (2) buyer recruitment, (3) contracts/negotiation, (4) closing, and (5) implementation. My transition goal was one year, even though I was advised the

**TABLE 1
TRANSITION CHECKLIST**

(Issues to be covered two to three months prior to sale)

Imp. A/B*	Sr. Dr.	Target Date	New Dr.	
				Add new doctor's name to stationery, envelopes, new patient packet, and inserts.
				Insurance: malpractice, building and contents, worker's comp, disability, health, life.
				Change telephone, utility, and vendor billing to new doctor's name.
				Rewrite new patient letters; script telephone greeting and on-hold to include both doctors.
				Bulletin board announcement welcoming new doctor to community and practice.
				Initial announcement letter (with new doctor photo) to dental community. Mail by:_____.
				Letters of introduction with bio to GPs. Mail by:_____. To patients, mail by:_____.
				New doctor reception (invitation list of potential future networks). Date:_____.
				Newspaper announcement (in color). Run on Sunday.
				Newspaper ads. Run on Thursday, Saturday, and Sunday.
				Announcement insert for brochure (bio).
				New doctor review policy manual, job descriptions, and individual responsibilities.
				Meet with each staff person, set personal goals, salary review, and reassurance.
				Senior doctor gives State of the Practice; new doctor gives Vision statement to staff.
				Marketing plans to RDHs, schedule doctor luncheons and lunch and learns.
				Frame, mat, and hang new doctor's diploma in conference room.
				Select new uniforms to differentiate new doctor from staff.
				Review executive management report and practice statistics; reestablish goals.
				Select accountant, banker, insurance agent, attorney (corporate and personal).
				Stickers for treatment cards indicating "Met Parents", "Finances OK", "Reviewed Tx".
				Review treatment philosophy, charting, mechanics, appliances, retention, and in-house lab.
				Insurance carriers: Federal ID No. and method for changing provider and finance agreements.
				Review and reconfigure budget; establish new start and financial goals.
				Memberships (professional, service clubs, etc.), AAO directory; notify state dental board.
				OSHA updates: manuals, procedures, MSDS labels and sheets.
				New referral pads: send with cover letter to potential referrers. Mail by:_____.
				Review systems for scheduling, recall, broken appointments, and new patient enrollment.
				Make new doctor storage area available for purged patient records.
				<i>(continued on next page)</i>

**TABLE 1
TRANSITION CHECKLIST
(continued)**

Imp. A/B*	Sr. Dr.	Target Date	New Dr.	
				Review accounts receivable status (paid in full, insurance, delinquent) and collection policy.
				Discuss staffing needs; interview and hire new staff.
				Review schedule and procedure codes; retime each procedure performed by new doctor.
				Establish timetable for new doctor to accomplish procedures solo.
				Name changes: management software, IACT, Quick Ceph, HouseCalls, MasterCard/VISA, superbills.
				Create new doctor's corporation and open corporate credit card.
				Expand and update internal marketing (T-shirts, pens, mugs, contests, etc.).
				Add new sign for office building denoting name addition.
				Reassign past-due receivables (delinquent or insurance) and pretransition payables.
				Outsource payroll; set up accounting system and cafeteria plan (profit sharing).
				Update business plan and evaluate fee schedule.
				Change registered source of radiation with health department, as required by state.

*Importance priority (A or B), doctor responsibility, and target date are checked off when procedure responsibilities are assigned. (From Ms. Eash's CD, "Transition 101: Basic Strategies and Communications for a Positive Transition", Profit Marketing Systems, Inc., Interlochen, MI.)

process would take five years. It actually took six years to consummate. I feel very fortunate to have been introduced to a resident who had worked in orthodontic offices and had visited enough practices to know what she wanted. I am looking forward to finishing cases I started and serving as Dr. Viecek's mentor. Most of all, I have peace of mind knowing my staff and patients will be well cared for and that continuity is ensured.

DR. VICEK I feel that our transition went very smoothly. This is because Dr. Drake and I were both prepared from the beginning. From a junior doctor point of view, the best thing that can be done by the buyer is to visit as many orthodontic practices as possible before making a decision between buying or forming an associateship. Another piece of advice would be to work in an orthodontic office for at least a summer so that the business end can be seen. This way, when the transition is taking place, the junior doctor is not

clueless as to what the senior doctor is talking about. Also, the buyer can better critique practices he or she may want to buy so that the best practice is chosen. The most important piece of advice I can give is both doctors need to be open and honest with each other. Sure, feelings are going to get hurt, but in the end it makes for a solid relationship as well as a life-long friendship.

MS. EASH From a consultant's perspective, a transition can be very costly to a practice if it is not organized in thought and action. The doctors need to be truthful with each other from the beginning and have every expectation in writing. The junior doctor needs to understand that the practice he or she is purchasing is a life's work and that there are many emotions that go with that at the time of the sale. Think win-win!

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