

Two areas to focus upon that **could** negatively impact the value of your practice.



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1) First, is there a risk of a hygiene practice soliciting your dental hygienist to join their practice with your patients?

I am writing this article, not to give you legal advice, but to draw your attention to the risk. We are in the process of our first sale agreement whereby the vendor is responsible for having his hygienists sign a reasonable restrictive covenant and / or non-competition regarding non-solicitation of his patients. Think of this as the “writing on the wall”.

Barry Spiegel LL.M. and David Rosenthal LL.B. have written excellent articles in the *Professional Advisory* in #28, #31, #32 and **especially #33** regarding this issue. I suggest you read these articles and take whatever steps you see necessary. If you have not retained these booklets, e-mail me or David Rosenthal to send them to you.

2) Second, the impact of the slowing economy.

Depending on your community, your patients’ economic situation and the quality of your patient base, the economic downturn can have an impact on your practice value. If you have a good balanced practice, i.e., reasonable billings per patient and controlled costs, it is possible that the downturn will have little or no impact on the value of your practice.

If you are anticipating that your billings and patient base are going to have a true downturn, e.g., an Oshawa practice, then you should expect a reduction in the value of your practice. Now is the time to try to resurrect some of the patients that fell off the wagon in the past three or four years, and for whatever reason, haven’t been in your practice.

Most practices that are not in a vulnerable community should only experience a five per cent drop in billings. This is where a strong front desk or booking person comes into their own. You will recall that in Volume #36 I was talking about having a star on the front desk. Now is time you need a star to keep the billings up and your chairs filled.

The reality today is that patients and profits make value. If billings are down, can you reflect a similar reduction in costs? The worst impact is that billings go down and costs go up. Reality may be that if you are not experiencing increased billings maybe there is no wage increase for the staff.

If you are experiencing unfilled time slots in the hygiene department I would expect that a reduction in overall hygiene days would be a solution, as I see very few dental hygienists being paid on a percentage of their billings.

We are not yet seeing any reduction in value for practices being sold. At this time purchasers are still happy to pay a fair market value to get a practice. The risks involved in starting a practice from scratch are still greater than the possible reduction in production in the practice they purchase. We have been approached by a few dentists to put their practices on the market to solidify the equity in their practice and they would stay on for a longer than normal transition.

At this time I am not aware of any further reduction in the 16.5 per cent professional corporate tax rate. If there is a reduction in taxes this should increase the value of the practice to offset some of the reduction in profit, or at least modify the effect of any reduction in profit. We will include in future issues of *The Professional Advisory* any changes in the corporate tax rate. Practices that have emphasized strong relationships between the patients and the dental team should better weather any downturn in the economy. Practices with a high patient base relative to the production numbers will outperform those practices with a limited patient base that have high billings per patient. In fact now is the time to do some of those procedures that you never had time to do in the past.

Remember:

- a) Good basic dentistry is the bread and butter of most practices. Cosmetic dentistry, implants, full mouth reconstructions are great skills to have but may be the first to be dropped in hard times.
- b) A downturn in the economy will not impact all practices the same way. Be one of the winners.

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