

Buyer Be Aware



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There are many fundamental steps in purchasing a practice, the purchaser should complete all of them. Purchasing an existing practice cuts down the risk of failure when compared to starting from scratch but there are risks. In the next few articles I will cover what I consider are the key steps in purchasing a practice regardless of whether the purchase is through a broker or you are dealing directly with the vendor.

The **number one rule** in purchasing a practice is to count the charts. Do not believe anyone! Not even me! You should set aside up to three or four hours to review the charts. Take another dentist with you to assist in the count but remember all the information is confidential and no specific information such as name, address or telephone number is to be written or taken away. In fact, a confidentiality letter may be requested.

As you would have read in Article 2 “Patients and Profit” are the keys to value. Your accountant will review the profit for reasonableness and sustainability but you are directly responsible for the documentation of the quality and quantity of the patient base you are acquiring. Remember, you are generally purchasing a patient base and the location and equipment simply are used to facilitate the treatment of the patients.

When reviewing patient files, to better understand the patient base, attention should be paid to the following top ten list:

- a) How many patients have received treatment in the past 24 months? (If they have not been in for more than 24 months they are of limited value)
- b) What percentage of patients receive treatment at least annually?
- c) How many are new patients who have not had a return appointment in the last year? That is, a subsequent visit after the initial visit or series of visits.
- d) Do the patients work or reside within a reasonable distance from the practice?

- e) Are the fees charged reasonably consistent with the O.D.A. fee guide?
- f) Does the practice accept assignment and does the doctor collect the co-insurance from the patients?
- g) What percentage of the patients are paid by social services?
- h) Can you read the charts, is the writing legible?
- i) What treatments are being performed in the practice and do you feel comfortable performing them i.e. orthodontics?
- j) Alternately, what procedures are being sent out to specialists, that you could perform to increase the fees?
- k) If there is a noticeable ethnic base in the practice, is it one that you are comfortable with?

Subsequent articles will discuss other steps in the purchase of a practice.

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