



Buyer Consulting Service – We Represent You!

Buying a dental practice is a big decision both financially and personally. Are you considering the right questions in your initial diligence?

Engaging a team who understands which questions to ask and what to do with the answers will bring you the peace of mind to know you are making the right decision.

Here's what you need to know.

Patient & Staff Diligence

- What is the active patient count?
- What is the average patient age?
- How many new patients has the practice averaged over the last 12 months?
- What is the dentist to population ratio in the city and surrounding area?
- What is the current schedule of the practice?
- Are there major employers in the area in which the practice is dependent?
- How many staff members are there and what are their roles?
- Are any key staff close to retirement age?
- What benefits are offered to the existing staff and should you continue to provide those (i.e. 6 weeks paid vacation, fully covered medical, pension, etc.)?
- Is the spouse involved in the practice and has that been incorporated into analysis of profitability?

Partnership Diligence

- What percentage are you buying?
- What is the legal structure and how does that impact you financially?
- How will you split money (revenues and expenses) as partners?
- How is the schedule shared and how are new patients assigned?
- How is the future buyout calculated?
- How is death, disability, retirement and disagreement handled?

Initial Diligence

- Is the practice fee for service or insurance based?
- Does the practice accept managed care or Medicaid?
- Is the practice a participant in a premium insurance provider network (i.e. Delta Dental Premier)?
- What are the practice's most recent annual collections?
- Has the practice been growing, stable or in decline in recent years?
- Is the local economy reliant on any cyclical business or industry?
- What is the overhead and operational profitability of the practice?
- What is the overall production of the practice and what is the collection ratio?
- What is the current fee schedule and when was the last increase?
- Has there been a valuation of the practice?
- What is the market price and how was it calculated?
- What is the doctor/hygiene split of production?
- Can you handle the level of historical doctor production?
- What procedures is the practice referring out that you can currently do?
- What procedures does the practice perform that you cannot do?
- What types of advertising does the practice utilize? Does the practice have a website?
- How many operatories does the practice have? Is there room or need for expansion?
- How updated is the technology or equipment of the practice? Is it digital? Is it computerized?
- What does the referral network of the seller look like (referrer's age, the number, concentration, etc.)?
- Have there been any or are there anticipated changes in the competitive environment?
- Where is the practice located (i.e. what's the curb appeal, signage, parking, visibility)?
- Are there any equipment leases or obligations that you will be required to take over?
- Are there any excluded assets in the sale?
- What type of sale is it – asset or stock?
- How quickly can you close?

Letter of Intent Process

- Does it include the price and how it's paid?
- Does it include the closing date?
- Does it detail out the requirements for the seller's work-back period (i.e. compensation, schedule, etc.)?
- Does it deal with your associateship before close (if applicable)?
- Does it include the mileage and length for the Non-Compete & Non-Solicit?
- Does it include an allocation of the sales price?
- Does it include a clause on how retreatment will be handled post close?
- Does it detail how the building will be addressed (leased or purchased)?
- Are you buying accounts receivable? If so, how is it valued? If not, how will it be collected post sale?
- How will credits and pre-paid patient balances be handled after closing?
- Do you have contingencies incorporated into (i.e. lending, licensing, etc.)
- Does it detail out additional time for diligence (chart audits, office visits, etc.)?

Legal Documents

- Who pays for the legal documents?
- What legal documents can I expect for a walk-away sale? A partnership?
- Does the attorney you are working with have specific experience with dental partnerships, acquisitions, etc.?
- Should the associateship be structured as an Independent Contractor or Employee?
- How long do you get to use the seller's name/brand/website post close?
- What introductions are required by the seller to patients, referrals?
- How are pre-paid patients or in process patients handled?

Orthodontic-Specific Diligence

- What is the contract receivable balance?
- What is the conversion rate from new exam to starts?
- What is the breakdown of case start types (Phase 1, Phase 2, Observations, Debands, etc.)?
- What are the patient financing options available? Have the patient payment terms changed recently?

Lending/Post Sale Accounting

- How many dental practice acquisitions has your lender closed in the last 12 months?
- What is the term of your lending?
- What in the amortization term of your loan?
- What is the rate (i.e. fixed, variable, attached to an index, etc.)?
- Is there a balloon payment required?
- What are the conditions to close and can you meet those?
- Is there seller financing required and what are those terms?
- Does the lender require you to utilize their merchant services or banking to achieve rate?
- Is the loan SBA or conventional?
- What are the fees for the lender or loan?
- How much working capital should you get?
- What is the difference between a line of credit & working capital?
- What are the prepayment penalties?
- Does your CPA and/or financial advisor have experience in the dental industry?
- Does your CPA and/or financial advisor understand your business and what opportunities and risks exist beyond the numbers?

The Building

- Has the building been appraised to determine value?
- What is fair market rent for dental/medical office space in the area of the practice?
- Is the lease triple net or gross?
- Is the lease assignable?
- Who is responsible for repairs and maintenance?
- Does the term of your lease coincide with the length of your lending?
- Do you have the option to renew your lease?
- Do you have the option to purchase the building/space?
- Do you have a right of first refusal?
- Does the lease include tenant improvements?
- What are the options for termination?

Let us work in your corner.

**Contact us at 972-764-6153 or
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