

Should I Stay or Should I Go?

 orthodonticproductsonline.com/2009/03/should-i-stay-or-should-i-go-2009-03-10/

by **Chris Bentson**

If you are considering transitioning out of your practice, you have likely been in practice for more than 20 years. As a young orthodontist or resident, you may remember the hit single released by The Clash in June 1982 that asked the question, “Should I Stay or Should I Go?”

The circle does go 'round, and today, many orthodontists considering retirement are asking the same question to their financial advisers. While evaluating when to go is a question all orthodontists must ask, the answer is unique for each practitioner. The only answer that is definite is that there will come a day when you aren't practicing orthodontics any longer.



Generally, the decision of when to transition out of your practice occurs at a point when the lines of desiring a change in lifestyle and your financial ability to fund that expected change intersect. For many orthodontists, the steep decline in the financial markets over the last year has resulted in a corresponding devaluation in retirement portfolios.

Depending on the level of change, the point of intersection of a desired lifestyle change and the ability to fund that change has likewise moved further down the time horizon. For some orthodontists, until your retirement portfolio recovers, you simply cannot afford to transition entirely out of your practice right now—unless there is a change in the lifestyle assumptions that you were originally contemplating.

Since the time to transition out of your practice is a unique and dynamic target for each orthodontist, the balance of this article will focus on what you can do now to prepare yourself and your practice for that eventuality.

Understand the Transition Process

The term “transition” refers not to an event, but rather to a process. Whether you're bringing in an associate leading to partnership or are selling the practice in its entirety, both are processes that take months, sometimes even years, to successfully accomplish. To get educated on this important process you can:

Know your number. What you need in your retirement portfolio can be determined individually but is usually best accomplished with the help of a trusted financial adviser. Whatever your route, knowing your number is a must. There are many cases when an orthodontist has the practice valued in order to begin the transition process, only to discover that the numbers dictate that he or she cannot afford to execute the planned strategy.

Talk to a transition specialist. The AAO can provide you with a list.

Attend lectures on the subject. The AAO holds an annual transition conference the day before each annual session begins.

Understand the Key Measurements of Value

Profitability is the key here, and that means understanding your cost structure as it relates to the revenues you collect. In a nutshell, some general guidelines are:

- Staff expenses: 22% to 23%;
- orthodontic supply and lab expenses: 9% to 10%;
- business management expenses: 10% to 11%; and
- occupancy expenses: 9% to 10%.

Managing your practice to these targets will result in adjusted overhead (after perquisites) of between 50% and 54%.

The next step is to analyze and manage patient census data. Updating and keeping accurate patient activity codes translates to correct activity code tracking in your practice-management system. It is surprising how many orthodontists do not know or can't easily find out how many active patients they have; how many new patients came in during a specified time period; how many started, or how many patients they have in observation, recall, Phase I, between Phase I and Phase II.

Another key is to finish on time. A practice loaded with patients with zero contract balances because they are over their estimated treatment time is not where you want to be when you're ready to transition.

Make Investments in Your Practice

If your practice is down due to the economy, invest your extra free time in improving your patient and referral communication. For years, orthodontists have said they just don't have enough time to make patient care calls, write progress letters, meet with referring dentists, or go to a health fair. Increasing your service level may be harder than purchasing a new digital x-ray machine, but the returns are likely going to have a higher dividend to the practice. Remember that when you do transition, 70% or more of the purchase price is your goodwill. A practice that gives excellent service is usually distinguished by higher profitability and a higher selling price.

Use consultants. Dollar for dollar, it's one of the best investments you can make in your practice. Our valuation data shows that practices that use orthodontic consultants almost always have a higher value and sell at higher levels than the average practice. Why? Because consultants offer transferrable concepts. In our experience, everything that works in practice A doesn't always work in practice B, but most of it does; consultants bring what works to your practice. Whether it's marketing, scheduling help, scripting, treatment coordinator help, fee analysis, or managing accounts receivable, there is a consultant that can help—and the returns on the dollars spent are positive to both the bottom line and, ultimately, the value of your practice.



Chris Bentson is the president of Bentson, Clark and Copple LLC. He can be reached at chris@nullbentsonclark.com.