

The Dental Transition

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Maximizing Practice Value Through Improved Profitability

Profitability, also known as Net Cash Flow, is the primary factor influencing the value of a dental practice. Enhancing productivity and strengthening your financial position not only increases personal income but also boosts the marketability and overall value of your practice when the time comes to sell. Below are key strategies to improve efficiency, optimize revenue, and enhance practice profitability.

Optimize Your Fee Schedule

- Annually increase your Usual, Customary, and Reasonable (UCR) fee schedule by 1–3%.
- If you participate in PPO insurance plans, routinely review and update your fee schedule to negotiate higher reimbursement rates.
- Consider hiring a professional service (e.g., Apex, Five Lakes) to assess PPO participation and negotiate more favorable fee structures.

Flexible Payment Solutions

- Offer patients extended payment plans through third-party financing providers like CareCredit.
- Implement an in-house payment system that allows patients to set up recurring credit card payments.

Expense Management & Overhead Reduction

Conduct a financial analysis of your practice to identify areas where costs can be reduced. Compare your major expenses against industry benchmarks and make necessary adjustments:

- **Staff salaries (including benefits & payroll taxes):** 25–27% of revenue
- **Rent & utilities:** 6–8% of revenue
- **Lab expenses:** 6–8% of revenue
- **Dental supplies:** 5–6% of revenue
- **Office supplies:** 1–2% of revenue
- **Advertising & marketing:** 2–4% of revenue
- **Total practice overhead:** Aim for 60% or lower

Enhance Your Online Presence & Patient Communication

- Upgrade your website by incorporating patient testimonials and highlighting unique aspects of your practice.
- Implement an automated patient communication system for recall notices and newsletters via email and text messaging.

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Boost New Patient Acquisition

- Train your team to ask for patient referrals: “We appreciate having you as a patient. How can we encourage more patients like you to visit us?”
- Send thank-you notes or offer small tokens of appreciation to patients who refer friends and family.
- Strengthen your online reputation by encouraging satisfied patients to leave positive reviews on Google and Yelp. Consider utilizing marketing services to streamline this process.
- Provide staff members with business cards and incentivize them to bring in new patient referrals.
- Track referral sources and eliminate marketing efforts that do not yield a strong return on investment (ROI).

Conduct a financial analysis of your practice to identify areas where costs can be reduced.

Strategic Financial & Operational Adjustments

- If your practice carries debt, explore loan consolidation options at lower interest rates to free up cash flow for marketing and equipment upgrades.
- Lower disability and health insurance costs by adjusting elimination periods and deductibles.
- Renegotiate lease terms as your agreement nears expiration. Landlords may offer lower rates or improvement allowances in exchange for a lease extension.

Team Engagement & Performance Optimization

- Hold regular team meetings to brainstorm strategies for increasing patient flow, enhancing efficiency, and reducing overhead.
- Set daily, weekly, or monthly production and collection goals, and implement an incentive program to reward staff for meeting targets.
- Evaluate staff performance to ensure that each team member contributes positively to practice growth. Consider replacing underperformers with high-achieving employees.

Patient Experience & Retention

- Follow up with patients post-appointment to check on their well-being. A personal phone call or handwritten note for new patients can leave a lasting impression.
- Conduct patient satisfaction surveys to assess and improve upon key areas such as:
 - Staff friendliness and attentiveness
 - Appointment scheduling efficiency
 - Clarity in explaining treatment options and costs
 - Comfort and ambiance of the office environment
 - Availability of insurance and financing options
 - Convenience of office hours

Preparing for a Future Sale

- Maintain accurate financial records and report all cash collections.
- Minimize discretionary expenses through the practice's financials in the 2–3 years leading up to a potential sale.

By implementing these strategies and maintaining a strong focus on profitability, you can ensure the long-term success of your practice while positioning it for maximum value when it's time to transition.

Enhancing productivity and strengthening your financial position increases personal income and boosts the marketability and overall value of your practice when the time comes to sell.

Making the Decision to Sell Your Practice in 2025

Selling your dental practice is one of the most significant decisions of your career. It's a choice that requires careful thought and planning to ensure a smooth and successful transition. Whether you're seeking to retire or move on to the next phase of your professional life, understanding both the financial and emotional implications is crucial. Here's a comprehensive guide to help you prepare for this life-changing step.

Key Considerations When Selling Your Dental Practice

Financial Considerations

For most dentists, the sale of their practice represents a significant portion of their retirement funding or future investments. Maximizing the value of your practice is essential, and understanding the influencing factors will position you for a successful transition.

Factors Impacting Practice Values in 2025:

- **Revenue & Profitability Trends:** A consistent or growing revenue stream is more appealing to buyers than declining profits.
- **Patient Base & Demographics:** Practices with loyal patient bases and desirable demographics, like families or professionals, are more marketable.
- **Location & Visibility:** Urban settings or practices with high visibility and accessibility hold higher appeal.
- **Technology & Equipment:** Modernized and well-maintained equipment signals a thriving practice.
- **Overall Curb Appeal:** Clean, updated office spaces help create an attractive offering.

While the 2025 average U.S. dental practice sale price remains around 70-75% of the most recent annual revenue, these factors can significantly impact valuation.

Next Steps: Begin by contacting a reputable local practice broker for a professional valuation. This will provide a starting point for determining whether you're financially ready to sell. Remember, selling your practice doesn't necessarily mean retiring. Many dentists continue working as associates within their sold practice or explore opportunities beyond the non-compete radius to continue generating income.

Emotional Considerations

Beyond the financial logistics, selling a practice can be an emotional process. Over time, our work becomes tied to

our identity, patient relationships, and the teams we've nurtured. Facing this transition is often harder than it seems.

Before listing your practice, ask yourself the following questions:

- **Can I separate my identity from my role as a practice owner?**
- **Do I have hobbies or interests to enjoy post-sale?**
- **Am I ready to relinquish control of daily operations?**
- **If I plan to stay as an associate, am I comfortable adapting to changes or working under another owner?**

Working through these emotions in advance will help you approach the sale with confidence. Accepting the potential for feelings of loss or anxiety and addressing these early ensures a smoother transition during and after the sale.

The Importance of Planning Ahead

Many practice owners make the mistake of waiting until the day they're ready to sell before seeking help. This reactive approach often results in limited options, and lower valuations due to rushed preparations or transitioning under unfavorable conditions. Instead, experts recommend planning your sale at least two or three years in advance. This preparation allows you to focus on enhancing the practice's value and strategic marketability. Start by building a relationship with an experienced broker who understands the evolving dental practice market.

Benefits of Advanced Planning:

- **Customized Transition Strategy:** Tailored plans ensure the sale aligns with your financial goals and timeline.
- **Office Updates:** Implement improvements like updated technology or aesthetic enhancements to boost practice value.
- **Avoiding Common Pitfalls:** Diminished revenue, outdated equipment, and other issues are easier to address with time.

Why 2025 Is a Pivotal Year for Sellers

The dental industry continues to evolve, and the market conditions in 2025 present both opportunities and challenges for practice transitions.

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Market Shifts That Will Impact Practice Value:

1. Supply and Demand Changes

The aging baby boomer population is entering retirement, leading to an influx of practices hitting the market. While this creates more competition among sellers, practices with strong financials, high-quality equipment, and seamless operations will stand out.

2. Interest Rate Adjustments

Banks are likely to continue offering 100% financing options for buyers, but higher interest rates may reduce buyers' purchasing power. This makes practices with strong profit margins and fair valuations more attractive.

3. Additional Market Pressures

- Increased student loan debt may limit the pool of potential buyers.
- PPO involvement continues to drive down service pricing while practice overhead costs rise.
- The complexities of practice management are growing, meaning inefficient systems may become a liability in the eyes of buyers.

Given these changing dynamics, the earlier you start preparing, the better positioned you'll be to maximize your practice's value and attract serious, qualified buyers.

Take Control of Your Transition

Selling your dental practice represents the culmination of years of dedication and hard work. By taking the time to understand the financial and emotional factors, partnering with experienced professionals, and planning ahead, you can make this transition a rewarding and positive experience.

Consulting with a local, knowledgeable practice broker will provide you with the tools to plan effectively, maximize your returns, and ensure your practice's legacy is carried forward. Whether your goal is a seamless transition, financial security, or personal fulfillment, careful preparation today paves the way for a successful tomorrow.

Start today. Contact us to explore your options and secure the bright future you deserve.

Contact us TODAY to schedule a free consultation!
