



Dental Practice Transitions

Dental Systems Optimization™

Piece of Mind for Dentists

A Primer on Practice Ownership



Working with dentists since 2001, we have come to understand the dental industry and challenges of owning a practice. Discerning the needs of dentists and their families requires experience that can only be developed through years of working by their side - gaining insight through their lens.

OmniStar was designed to provide the expertise and capabilities of a national institution while maintaining objectivity, independence, and a clear focus on those we serve. Providing expertly designed strategies derived from experience, and deep client relationships, our firm is passionate about performance, integrity, and the pursuit of excellence.

We are the first to say, OmniStar is not the right fit for everyone. Instead, we concentrate our efforts on those who face significant financial complexity - practice owners, new dentists, those in transition to another phase of life, and families who want to protect and grow their wealth in a way that honors what is important to them. Working together with each client, we have built a reputation of collaborative planning, actionable strategies and a process that allows us to quantify where you are today and define where you want to be, and when. Our most prominent feature is knowing how to help you get there.



Understand the Purchase

Purchasing a practice will likely be one of the most consequential decisions of your life. From this perspective, due diligence can become the most important part of the transaction. Metaphorically speaking, this is your opportunity to “look under the hood”. Is the engine running smoothly? Do you notice any leaks or missing parts? If you are satisfied to this point, its time to look a little closer.

Due diligence will require a significant amount of your time, but you won't be alone. Our team will guide you through the process that ultimately answers a critical question – “is this the right practice for me?”

Back to our metaphor, purchasing a car is contingent on certain expectations – suitable interior, working equipment to meet your needs, a reliable engine, and a reasonable price. In the same way, purchasing a practice should deliver on certain expectations.

The Facility

Is the location in a desirable and growing area?

Is there adequate parking, visibility, accessibility, and room for expanding?

Is the space well designed for dentistry?

Is this a purchase or lease?

Equipment

What is the quality and age of equipment?

Will you need additional equipment to provide services?

If upgrades are needed, what are the estimated costs?

The Team

What is the average tenure of the employees?

Do they have the right number of employees for you?

Is compensation for staff fair, adequate and affordable?

The Patients

How many patients were seen in the last 12-18 months?

How many new patients does the practice generate each month?

What are the patient demographics?

Production

Is current production sustainable?

Can you practice at the same pace as the seller?

Are schedules efficient?

Can you perform procedures provided by seller (e.g. implants)?

Can additional services be provided that are currently outsourced (e.g. endo)?

Chart Audit

Review approximately 10 percent (minimum of 100) of purported active patient charts at random.

Staff Considerations

Is staff aware of the transition? If not, when will they be informed? What is the role of each Dentist. Evaluate the following:

- Employee manual – roles and responsibilities
- Compensation rates – compare to area averages
- Benefits offered – medical, retirement, bonus incentives, vacation, sick leave, etc.
- Culture
- Retention – determine if all staff will remain and/or if new staff is needed.
- Consider if there is any staff that will not make the transfer with new ownership.



Understand the Business

Treatment Plan

Philosophy in clinical diagnosis, including radiography review. Consider the following:

Completed, recommended, undiagnosed.

Case acceptance.

Recall for completion of accepted treatment.

Procedural mix and clinical proficiency in non-referred treatment.

Growth opportunities in referred treatment.

Legibility and thoroughness of patient records.

Conservative/moderate/aggressive treatment planning.

Billing and Collection

Consistent and current financial arrangements.

What are the payment options (cash, credit/debit card, internal payment programs, outside financing solutions, checks, etc.).

Fee schedule – most recent increase, state reimbursement rates, peer-competitor rates.

Obtain accounts receivable aging (30, 60, 90 days, etc.) and historical monthly average aging.

Review accepted insurances/P-PO/HMO/capitated programs/fee for service.

Transferability of accepted insurance contracts and/or managed care plans.

Scheduling

Doctor - How long is the doctor booked in advance? (Hopefully 70-80% full for the next two weeks)

Are gaps present in the doctors schedule?

Is there room for emergency visits?

Hygiene - Review the hygiene schedule for the past several months and going forward:

How far out is hygiene booked - 3-6 months?

Are gaps present in the hygiene schedule?

New Patient Flow

Count the number of new exams for previous 6 months and compare with number of new patients represented by the seller - do they match?

New Patients:

Is there a process for new patients?

Who sees new patients and what services are provided?

Are any services provided at no charge?

Marketing:

What is the primary source of new patients?

What are the internal marketing programs?

What are the external marketing programs?

What is the cost of patient acquisition?

Accounts Receivable

Review the A/R Aging Report (30, 60, 90, 120+ days):

Is 70% or more of the A/R 30 days or less?

Compare the total A/R to monthly production (ideally, there will be 1.5x monthly production in A/R)

Compare collections to net production for the past three years (ideally, the practice will collect 98% or more of the production). Note: net production = collectable production.



Facility and Equipment

Operatory - Inspect the condition and layout. If changes or additions are required, make a list and gather costs:

- Left or right-handed
- Handicap accessible
- Open bay or enclosed rooms
- Patient chair, delivery system and light functionality.

Instrumentation (should be inspected)

- Hand pieces (air driven or electric) and low-speed attachments
- Fiber optics
- High volume evacuation
- Saliva ejector
- Ultrasonic instruments
- Curing lights
- Amalgamator

Technology:

- Intra-oral camera
- Audio/visual
- Digital radiography
- Panoramic X-ray
- CadCam Restoration Technology-CEREC, E4D, Lava, iTero, etc.
- Soft-tissue laser

Mechanical room (ask for service records from the most recent vendor inspection)

- Compressor
- Vacuum
- Nitrous
- Amalgam separator
- Lab and sterilization – check for asepsis, infection control standards and OSHA compliance.
- Autoclave sterilizer
- Ultrasonic cleaner
- Tubs, trays, cassettes
- Model trimmer
- Supplies/inventory

The Equipment

Purchasing a dental practice requires many hours of due-diligence. One of the most important and underestimated factors is equipment. On the surface, equipment can look flawless. Don't take for granted that everything is in great condition and working order. Verify the quality of the equipment in person.

Experienced equipment salesman or service technicians can provide valuable feedback on equipment condition. (*Note: this person is looking to earn your business. Getting help from your local representatives should not be difficult). It is also advisable to get a report from the current service tech or salesman to the practice.



Who do you need for a practice purchase?

Dental specific Consulting Firm – their job is to analyze the economic terms of the business and deal. A good dental advisor will help you find suitable answers to these questions:

- Should you buy the practice?
- If so, how much should you pay?
- If you buy and pay \$xxx, how much can you expect to make?
- What key assumptions are you making in order to answer the questions above?

Dental specific attorney – this person should protect you from a legal standpoint. Specifically, he/she will help you with all legal aspects associated with the transaction.

Banker* – will help you secure financing for the purchase

Equipment rep* – will help you determine the quality of the equipment you're purchasing and whether or not you will need to replace anything soon or buy more now.

Insurance agent* – will help you obtain appropriate life & disability, as well as business liability policies (FYI, OSFG is licensed to sell life and disability insurance; we only sell the least expensive Term life insurance and disability policies that are tailored to the needs of dentists)

Marketing Firm - Establishing a good web presence and good SEO (Search Engine Optimization). Direct mail campaign - consistent direct mail campaign, next to web and word of mouth, continues to be the most consistent, tried and true method of advertising.

*Note: these "advisors," unlike your CPA, attorney, and fee-only financial advisor are NOT fiduciaries for you. A "fiduciary" is one who advises you as if he/she were advising him/herself and they accept a higher level of responsibility. One test to determine fiduciary status: do you pay their fee directly or are they paid a commission for selling you something? As such, although the people in this group may be good at their job and a necessary part of your team, their compensation creates a "conflict of interest" with you; you need to be aware of this.



Getting Started Easier than You Think

Gaining control of practice ownership and your financial life doesn't happen by accident. Instead, it requires a team that understands you. A team that possesses the knowledge and expertise to create the right strategies - those specifically designed for you. Our Second Opinion Service is the ideal opportunity for you to gain perspective of where you are today, where you want to be, and when.

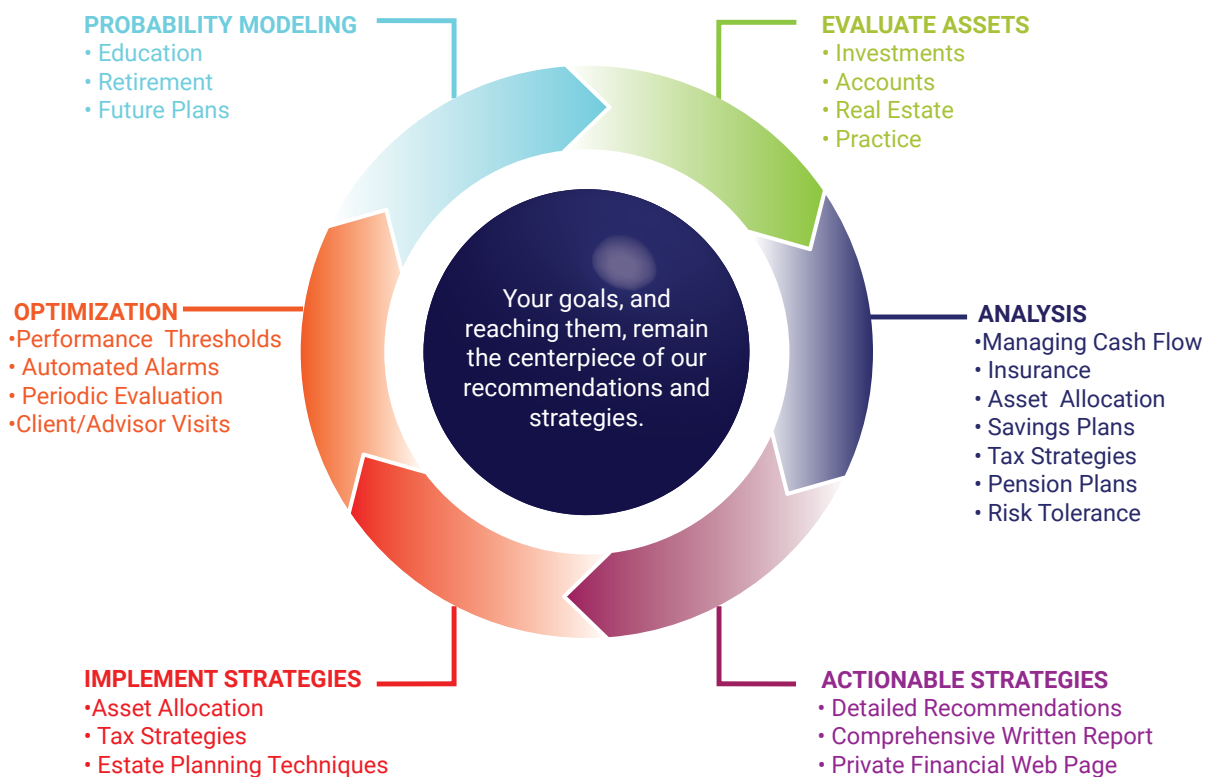
How does it work?

It begins with a straightforward, comprehensive report-card designed to illuminate strengths and weaknesses within your current plan. We then identify unexposed opportunities and determine how they fit into your vision. Finally, we monitor threats that have the potential to prevent your greatest success. This level of discovery and planning is unparalleled, but we believe you will agree that it's worth all the effort.

We organize the findings and benchmarks into three components:

- Urgent Issues - "the must do know items"
- Major Objectives "Longer term goals"
- Potential Risks "keep our eyes on them"

Always focusing on you, and your goals, we prioritize each category and determine how best to exploit areas of opportunity and mitigate potential risks.



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