

Six Must Have Metrics to Request Before Purchasing a Practice



When I lecture at dental schools, I tell the students: *"Your professor doesn't want you to hear what I'm about to say: Someday, the dentistry is going to become the easy part of your day."*

Owning a practice IS about margins, but just a different kind that you haven't learned about yet! Over the years, experts have told dentists to do a "chart audit" prior to purchasing a practice. Tanner Management recommends conducting a Comprehensive Practice Assessment instead, including the six points below.

1. Study the Procedure Code Reports

Are you able to perform the same procedures? Can you provide some treatment that the seller was referring out? In addition, study the ratios of: prophys to x-rays, periodic exams to crowns. Recently, we discovered a seller was taking BWX & anterior PA every 6 months. Since the buyer & most dentists take checkup x-rays annually, we felt that the hygiene production was inflated.

2. Accounts Receivable

Even though you may not be purchasing the AR, we recommend that you obtain the AR aging report including a credit report. Credits are a liability of either money or dentistry that is owed to the patient. In addition, since the seller most likely does not have student loan debt & very little, if any, practice debt, they may be able to afford more lenient in-office patient financing. This is an important management system for establishing positive relationships with your patients.

3. Patient Retention

Of the new patients seen 12 months ago, how many returned to the practice? It's important for a practice to have new patients, but patient retention is essential to sustained growth. We have seen practices use Groupon, LivingSocial or other social media which may bring in a new patient—but that patient may not return for treatment. You will want to note the first & last visit dates to determine the strength of the relationship.

4. The Hygiene Department

It is essential to determine if patients are being pre-appointed for their next hygiene appointment. You will want to implement systems that will make this a smooth & successful transition.

5. Treatment Acceptance

Generate a pending treatment plan report—this will provide you a list of treatment presented & not completed in the last 18 months. This will also give you an idea of the seller's treatment philosophy.

6. Understanding Trends

The practice prospectus will most likely give you data for each year. However, we strongly recommend that you obtain each month's gross production, adjustments, collections & new patients for the last 24 months. For example: A practice was listed and noted 20 new patients per month. However, when we generated the report we noted 30 new patients in January, 23 in February and 18 in March. By the end of the year, the last three months saw only 13, 15 & 10 new patient respectively (an average of 14 new patients per month).