

New equipment cannot replace a healthy dental practice

Dr. Fred hoped an associate and new equipment would create his path to retirement. The practice first needed enough patient demand—and enough continuity—to support that plan.



THE TAKEAWAY

Test the economics before hiring an associate or funding a major upgrade. Protect the patients and team that make the practice valuable.

The plan depended on growth that had not happened

After decades in the same location, Dr. Fred was thinking seriously about retirement. His practice had once been much larger, but the closure of a local employer contributed to declining collections. He hoped a younger associate would help rebuild the patient base and eventually take over.

The immediate question was whether the existing business could support two dentists. In the original case, annual collections were about \$400,000, with roughly \$80,000 attributed to hygiene. That left \$320,000 associated with the doctor's work. Applying a 30% compensation assumption to that amount produced \$96,000—even before considering how the available work would be divided.

These figures are a simplified illustration of the capacity problem; they are not compensation benchmarks or projections. The central issue was capacity: the associate would need to build additional demand while the owner still needed income from the same practice.

The equipment improved; the underlying business did not

Dr. Fred invested in new equipment and an office makeover, expecting the improvements to attract a buyer or associate. The additional borrowing did not reverse the decline in collections.

Modern equipment can be valuable, but it does not create a full appointment book on its own. Before a major expenditure near retirement, ask whether it solves a real operating problem and whether the practice can support the cost. A purchase made mainly to impress an imagined buyer may not produce the expected return.

The associate's departure exposed a larger weakness

An associate eventually joined under a generic downloaded agreement. The arrangement lasted only a few months. The associate then opened nearby, and Dr. Fred's long-standing hygienist moved to the new office. Patients followed, and the office manager also left.

The agreement lacked a non-compete provision. That is part of this case's history, not a universal answer for every associate contract. Before an associate joins, discuss how the agreement addresses departure, patient and staff relationships, and any legally available restrictions.

With staff gone and patient activity falling, the practice offered much less to a prospective buyer. The equipment remained, but the goodwill and operating continuity had been seriously damaged.

What to do differently

A transition plan should work with the current practice before depending on future growth. Review the operational and financial assumptions behind each major decision.

- Check whether patient demand and cash flow can support an associate's role and compensation.
- Evaluate equipment spending alongside collections, staffing and patient retention.
- Use agreements developed for the actual arrangement and applicable law.
- Plan for staff continuity and the effect of a key employee leaving.
- Reassess the sale strategy promptly if the practice's performance changes.

Preserve what the next owner needs

A buyer is considering a working business, not just a room full of equipment. Stable operations, patient relationships and a dependable team give the transition a stronger foundation.

Talk with us while there is still time to compare options. An earlier review may reveal a more practical route to retirement than adding debt or waiting for an associate to rebuild the practice.

Start a conversation: adsmidwest.com

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