Does your practice extend open credits to your patients? This is an important question as veteran dental practice owners know that their practice’s fiscal health, profitability and success require balancing a prudent patient financing policy.

Balance allows the flexibility to accommodate your patients, and it needs to be firm enough to avoid cash flow/collection problems that may have material consequences for both the clinicians and staff. Even a temporary cash flow problem is stressful for a practice owner, creating the potential for uncertainty in making the payroll.

What is a dental practice’s uncollectible percentage? While this number will vary substantially (due to many factors ranging from service mix, use of practice management software, aggressive or lax payment policy compliance), when averaged, it shows the nationwide number of approximately 2.5 percent. Many practice owners think they can live with 2.5 percent. However, further inspection reveals a more in-depth appreciation of collection effectiveness on a practice.

Let’s suppose a practice grosses $1 million annually. If the practice has bad debt or “uncollectible receivables” of $25,000, that is 2.5 percent. Then, that write-off number would be correct (See Table 1). Accounts receivable trends for any business, from a FORTUNE 500® company to a dental practice, are almost identical. Receivables are like gravity. You can’t resist gravity and you can’t resist receivables’ falling value over time. Table 2 shows the effects of time on receivables. Each $1 of accounts receivable at 90 days is statistically only worth $0.72.

Thus, the case can be made for dental practices to devote more focus to their “payment is due upon service” policy so the practice is not acting as a bank to patients. Offering patients (monthly, more affordable) financing options makes optimal treatment acceptance more likely, as well as removes a practice that offers selective financing from appearing as credit officers and lenders to patients.

Today, a good patient financing plan will accept from 50 to 60 percent of the patients who apply. There are patient financing companies that indicate an approval rate of 90 percent based on the total patient base being considered. That may be a misleading number as not every patient wants to be approved. Your patient-financing candidates can automatically be any who might remark:

◗ “I can pay you $100 a month until I’m done.”
◗ “Just bill me.”
◗ “I forgot my checkbook.”
◗ “I can pay you $100 a month until we’re done.”
◗ “I want to have the treatment, but I can’t afford it now.”
◗ “Let me know the balance after the insurance pay-in.”

It is prudent to offer patient financing when you examine what consumers are advised to pay on a graded scale. Data reveals the recommended consumer order of payments is as follows:

1) Child support. By law, credit bureaus must report any information received about overdue child support, as long as it is verified by the proper agency and is not more than seven years old. Consumers are told this should be the No. 1 payment priority. Penalties, considered quite serious, include garnished wages, liens on property and a suspended driver’s license. Dentists should be aware that finance companies might consider an open child support lien on a credit bureau report as very negative.

2) Mortgage. After more than 90 days, late mortgage payments can end up on a credit record. Mortgages also tend to have hefty late payment fees, and if a mortgage holder misses two or more, a lender may start foreclosure proceedings.

3) Car loans. Repossession laws vary in some states repossessions happen after only one missed payment. Mass transit isn’t applicable everywhere and the risk of not having a vehicle probably impedes a person’s ability to work.

4) Taxes. The Internal Revenue Service (IRS) is tough when taxpayers don’t pay on time. Penalties accrue with time and the clock keeps going from the time of the infraction.

5) Bank credit cards. Credit cards are important. Paying them on time is more important than ever as late payments give all credit card issuers the right to reprice a cardholder because of economic risk status. Recent legislation was passed about sudden rate increases from credit card companies, though the effective date isn’t until later this year.

6) Department store cards. Many will negotiate and/or accept lower payments for various periods of time.

7) Utilities (electric, gas, water). Utility companies may work out payment schedules for consumers (though security deposits for future services will be a factor). National-wide, rules vary as regionalregulators have rules protecting homeowners from losing vital services and keeping consumers safe.

8) Student loans. Federal student loans may be deferred during times of financial challenge. When
PROFESSIONAL PRACTICE TRANSITIONS

When It’s Time to Buy, Sell, or Merge Your Practice

You Need A Partner On Your Side

ALABAMA
Birmingham—4 Ops, 2 Hygiene Rooms, GR $875K #11018
Birmingham Suburb—3 Ops, 3 Hygiene Rooms #10100
Florence—Beautiful Modern Office, room to grow, GR $650K #11010

CONTACT: Dr. Jim Cole @ 404-513-1573

ARIZONA
Avondale—Doctor seeking to purchase general dental practice. #12110
Show Low—2 Ops, 2 Hygiene Rooms, GR in 2007 $495,900
Phoenix—General Dentist Seeking Practice Purchase Opportunity #12109
Phoenix—4 Ops - 3 Equipped, GR $515K, 3 Working Days #12111
Na Scottsdale—General Dentist Seeking Practice Purchase Opportunity #12109
Upham/Tucson—6 Ops - 4 Equipped, 1 Hygiene, GR $900K 12/11
Tucson—1,800 active patients, GR $850K, Asking $800K #12116

CONTACT: Tom Kimbel @ 602-516-3219

CALIFORNIA
Alturas—4 Ops, GR $611K, 3 1/2 day work week #14279
Atwater—2 Ops, 1,340 sq. ft., GR $177K #14347
El Sobrante—3 Ops - 3 Equipped, 1,380 sq. ft., GR $530K #14302
Fresno—5 Ops, 1,500 sq. ft., GR $1,063,300 #14339
Greater Auburn Area—4 Ops, 1,000 sq. ft., GR $676K #14304
Madera—7 Ops, GR $1,281,467 #14287
Modesto—12 Ops, GR $1,077,000, Same location for 10 years #12899
Modesto—9 Ops, GR $880K w/dent, net income of $146K #13812
N California Wine Country—4 Ops, 1,500 sq. ft., GR $595K #14296
Pine Grove—GR, nice 3 Op fully equipped office/practice #13110 #14309
Porterville—6 Ops, 2,200 sq. ft., GR $2,588,000 #14291
Red Bluff—6 ops, 2000 sq. ft., $2,566,000, Hygiene 10 days a week, 2122
CONTACT: Dr. Dennis Hoover @ 906-519-3438

Dixon—5 Ops, 1,100 sq. ft., GR $125K #14245
Grass Valley—3 Ops, 1,500 sq. ft., GR $771K #14272
Ontario—Owner interested, 7 ops, GR $776K, 800 sq. ft., MLB #13100
Rodriguez—3 Ops, 2,200 sq. ft., GR $1 Million #14293
Yuba City—5 Ops, 4 days reg, 1,200 sq. ft., #14773
CONTACT: Dr. Thomas Wagner @ 916-482-7982

San Ramon—4 Ops, 1,200 sq. ft., Take over lease #14301
CONTACT: Thomas Trim @ 510-935-3808

CONNECTICUT
Fairfield Area—Graduate practice doing $800K #16106
Southbury—2 Ops, GR $251K #11611
Wallingford—2 Ops, GR $600K #16113

CONTACT: Dr. Peter Goldberg @ 617-680-2990

FLORIDA
Miami—6 Ops, Full Lab, GR $855K #11817
Jacksonville—GR $1.3 Million, 3000 sq. ft., 7 Ops, 8 days hygiene #18118

CONTACT: Deanna Wright @ 800-730-8883

GEORGIA
Atlanta Suburb—3 Ops, 2 Hygiene Rooms, GR $885K #19125
Atlanta Suburb—2 Ops, 2 Hygiene Rooms, GR $663K #19128
Atlanta Suburb—3 Ops, 1,270 sq. ft., GR $486,561 #19131
Atlanta Suburb—Pediatric Office, 1 Op, GR $425K #19134
Dublin—2 Ops, GR $425K #19137
Atlanta Suburb—3 Ops, 2,250 sq. ft., 8 Assocs, #19135

CONTACT: Dr. Jim Cole @ 404-513-1573

ILLINOIS
Chicago—2 Ops, GR $700K, Full Practice, GR $816K #22126
1 hr SW of Chicago—5 Ops, 2007 GR $440K, 26 operatory #22123
Chicago—2 Ops, GR $600K, 3-day work week #22119
Glendale Heights—10 Op, GR $300K, Located in Historic Bed & Breakfast Community #22129
Western Suburbs—2 Ops, 2,000 sq. ft., GR $200K #22120

CONTACT: Ali Brown @ 630-781-2176

MARYLAND
Southern—11 Ops, 3,500 sq. ft., GR, $1,240,628 #29101

CONTACT: Sharen Maccrate @ 410-788-4071

MASSACHUSETTS
Boston—2 Ops, GR $232K, Full PPO/Did $97K #13122
Boston Suburbs—3 Ops, GR $350K, #13123
New Shore Area—3 Ops, GR $500K, #39128
Western Massachusetts—5 Ops, GR $1 Million, Sale $514K #30116

CONTACT: Dr. Peter Goldberg @ 617-680-2990

Middle Cape Cod—6 Ops, GR $900K, Sale price $767K #30123
Boston—2 Ops, 1 Hygiene, GR $340K #30123
Middlesex County—3 Ops, GR $650K #30129
New Bedford Area—2 Ops, GR $650K #30119

CONTACT: Alex Livanis @ 617-211-2522

MICHIGAN
Suburban Detroit—2 Ops, 1 Hygiene, GR $213K #31105
Ann Arbor Area—2 Hygienist, Well Run Practice GR $660K #31106

CONTACT: Dr. Jim David @ 313-656-9600

MINNESOTA
Crown City Area—4 Ops #32104
 Fargo/Grand Forks Area—1 Op, GR $155K, #32107
 Central Minnesota—Mobile Practice, GR $700K, #32108
 Twin Cities—Move in & Practice Immediately $800K #32110

CONTACT: Mike Minor @ 612-961-2133

MISSISSIPPI
Eastern Central Mississippi—10 Ops, 4,685 sq. ft., GR $1 Million #31100

CONTACT: Deanne Wright @ 800-730-8883

NEVADA
Reno—Free Standing, 1500 sq. ft., 4 Ops, GR $765K #37100

CONTACT: Dr. Dana Hoover @ 800-519-3438

NEW JERSEY
Marlboro—Assoc. positions available #31912
Mercer Co.—3 Ops, Good Location, Turn Key, GR $191K #39112

CONTACT: Shaken Maccrate @ 408-788-4071

NEW YORK
Brooklyn—3 Ops (Fully equipped), GR $175K #31113
Woodstock—2 Ops, Building also available for sale, GR $600K #41112

CONTACT: Dr. Dan Cohen @ 646-460-3004

SYRACUSE—3 Ops, 1,800 sq. ft., GR over $700K #41107

CONTACT: Marty Hass @ 315-205-1315

New York City—Specialty Practice, 3 Ops, GR over $200K #41109

Ralph, Gary, Durham—Doctor looking to purchase #31217

CONTACT: Gary Handler @ 914-846-1355

OHIO
Medina—Associate to buy 1/3, not of practice in future #41130
Northeast—GR $100K, 4 Ops, Well Established #41130
North Central—GR $700K, 5 Ops, Well Established #41157

CONTACT: Dr. Don Morrison @ 440-823-8887

PENNSYLVANIA
Northeast of Pittsburgh—3 Ops, Victorian Mansion GR $1.2 Million #47140

CONTACT: Dave Slavin @ 412-825-8537

Lackawanna County—2 Ops, 1 Hygiene, GR $515K #47138
Chester County—High End Office, 4 Ops, Digital, FBS + a few PPO’s #47141

Philadelphia County—4 Ops, GR $500K+, 15 to 20 years #47142

CONTACT: Sharen Maccrate @ 484-788-4071

RHODE ISLAND
Southern Rhode Island—1 Op, GR $750K, Sale $800K #48102

CONTACT: Dr. Peter Goldberg @ 617-680-2990

SOUTH CAROLINA
HE—Desire of seeking to purchase a practice producing $500K a year #39103

CONTACT: Scott Carignan @ 704-841-4796

Columbia—2 Ops, 1200 sq. ft., GR $675K #49102

CONTACT: Jim Cole @ 404-513-1573

TENNESSEE
Elizabethton—GR $535K #31107

Memphis—Large practice producing GR $2 Million #31112

Suburban Memphis—Leading Practice in Area GR $4 Million #51113

CONTACT: George Lane @ 865-41-3527

TEXAS
Houston Area—2 Ops, 3,700 sq. ft., GR $750K #52105

CONTACT: Deanne Wright @ 806-730-8883

VIRGINIA
Greater Roanoke Valley—2500 sq. ft., GR $950K updated equipment #53111

CONTACT: Bob Anderson @ 804-640-2373