



SAME DAY SHIPPING

PRACTICE OPTIONS

By William P. Prescott J.D., M.B.A.
(Part 1 of 3)

This article examines the various options a dentist will face upon beginning private practice. They are: associateship, the purchase of an existing practice and the establishment of a new practice.

I. ASSOCIATESHIP

Today it is more expensive to begin to practice than it was in past years due, generally, to the debts incurred for the payment of dental school. As a result, associating with an existing practice affords several opportunities. The primary advantages of associating are: no required financial investment, the potential to buy out the senior practitioner and the opportunity to learn from an experienced dentist.

There are, of course, some drawbacks to becoming an associate. Possible disadvantages are: lack of control over the practice, less income potential in an associateship than in other practice alternatives, and acceptance of someone else's quality standards, which could prove inadequate.

Existing dental practices which have not considered taking in an associate may wish to do so for several reasons. First, if the senior dentist is considering retirement in the foreseeable future, the new associate may be the "ideal" candidate to purchase the practice.

The associate should formally discuss the possible purchase of the dental practice in the negotiation stage of the associate's employment contract. Many times a multi-phased progression based on quality of work, effort and longevity can successfully lead to a potential buy-in or complete purchase of the practice.

Second, some dentists may prefer not working evenings, treating certain types of patients or performing certain procedures. By taking in an associate, the practice has the potential to remain open longer hours, treat a more diverse groups of patients and perform a wider variety of procedures.

Finally, an associate can give the senior dentist the time needed to develop expertise in a particular area, such as implants or crown and bridge, while allowing the dentists in the practice to take additional time off and confer with each other about treatment plan.

There are three basic types of compensation arrangements among associateships. The first is the straight production method. The percentage used depends on factors such as net production, gross production and/or collections.

The second compensation arrangement is a guaranteed salary. If production is lacking, the senior dentist is at risk. By contrast, the senior dentist has minimal risk in the straight production method of compensation.

(continued on page 7)



Practice Options (continued from page 3)

The last method is a guaranteed salary plus incentive. An additional percentage is offered to the new associate either based upon what he or she produces alone or upon the production method of compensation.

My suggestion to a potential associate is to strive for a guaranteed salary based on an incentive. In this manner, both the senior dentist and associate make commitments to the agreement, the senior dentist by guaranteeing a salary and the associate by his or her efforts.

In order to develop compatibility in the relationship between the associate and the senior dentist, it is vital to discuss each other's philosophies and long term objectives. Effective agreements are formed through thorough negotiation and discussion between the parties of all relevant issues.

To avoid later misunderstandings, it is critical that the parties set forth the terms and conditions of an associateship agreement in writing. The primary areas that should be covered are as follows: employee or independent contractor status, term of the associateship, remuneration, fringe benefits, payment of lab fees, vacations and days off due to illness, seminars, fee arrangements for checking hygiene patients, continuing education and travel expenses, restrictive covenants, and contract termination rights. An entirely separate agreement should be used for the sale of the practice.

If, for some reason, the associate is not given opportunity to acquire equity in the dental practice, an alternative might be to consider purchasing or establishing a practice alone or with a colleague on a part-time basis, increasing the hours worked as the practice grows. This allows a new dentist to have his or her own practice and to generate an income flow in the initial building phase.

***To find out more about associateships call:
Wickens, Herzer & Panza at: 216-447-4418***

Next Issue: The Purchase of An Existing Practice.