

Case Study - General Dental Practice for Sale

Dr. Seller graduated from UCSF in 1980.

The office is located in a 55 year old professional building
The building is located in a blue collar neighborhood surrounded by
retail and restaurant businesses.

Dr. Seller is 50% owner of the building with his sister.

The office is 1,500 square feet and has the following:

- 4 fully equipped operatories
- Bathroom
- A staff lounge
- Reception area
- Private office
- Business office
- Lab
- Sterilization area

The dental equipment and cabinetry appears to be well maintained.

The dental equipment includes a panoramic x-ray.

There are approximately 1,100 active patients comprised of the following:

- 60% insured
- 40% private pay

There is no capitation.

The practice sees 10 new patients per month, most of whom are referrals
from other patients.

Dr. Seller works three days per week, 144 days per year.

Hygiene sees patients five days per week.

The practice has the following procedure mix:

Major & Prosthodontic, Fixed	35%
Preventative	25%
Diagnostic	18%
Basic restorative	12%
Prosthodontic, Removable	4%
Endodontics	2%
Oral surgery	2%
Periodontics	1%
Adjunctive services	1%

Most surgery, half of endodontic and periodontal and orthodontic work is
referred to specialists

Employees	Position	Hire Date	Wage	Health Ins	Retire.	PTO
Kate Hudson	Hygienist	Jun-93	62,000	-	Profit Sh.	9 days
Natalie Portman	Hygienist	Sep-11	35,000	3,000	NA	3 days
Julia Roberts	RDA	Dec-03	44,000	7,000	Profit Sh.	6 days

Cameron Diaz	Office Mgr	Apr-96	47,000	7,500	Profit Sh.	NA
Charlize Theron	DA	May-02	22,000	3,000	Profit Sh.	NA
Halle Berry	Recept.	Nov-09	33,000	-	Profit Sh.	NA

The office uses Eagle Soft practice management software.

Dr. Seller reviews the fee schedule every five years

Accounts receivable is \$90,000 which is 1.8 times one month's collections.

The practice offers a 10% discount to senior citizens.

Average patient age is 40 years.

	Most Recent Year	Percent	1st Preceding Year	Percent	2nd Preceding Year	Percent
Total Fee Collect.	595,200	100.0%	563,180	100.0%	600,900	100.0%
Expenses						
Payroll	236,000	39.7%	225,600	40.1%	222,960	37.1%
Outside Services	75	0.0%	100	0.0%		0.0%
Employee Welfare	200	0.0%	-	0.0%		0.0%
Payroll Taxes	19,500	3.3%	18,200	3.2%	17,110	2.8%
Taxes & Licenses	2,500	0.4%	1,690	0.3%	3,040	0.5%
Rent	30,000	5.0%	30,000	5.3%	30,000	5.0%
Utilities	2,300	0.4%	2,400	0.4%	2,345	0.4%
Telephone	3,400	0.6%	3,200	0.6%	2,950	0.5%
Insurance	29,200	4.9%	25,800	4.6%	21,555	3.6%
Repairs & Maint.	8,300	1.4%	8,100	1.4%	5,580	0.9%
Depreciation	1,800	0.3%	5,600	1.0%	2,400	0.4%
Equipment Rental	500	0.1%	500	0.1%	490	0.1%
Supplies	5,200	0.9%	4,300	0.8%	5,700	0.9%
Dental Supplies	28,500	4.8%	31,400	5.6%	29,310	4.9%
Postage	3,000	0.5%	2,600	0.5%	2,855	0.5%
Auto	1,700	0.3%	1,900	0.3%	2,300	0.4%
Lab	69,900	11.7%	45,600	8.1%	55,700	9.3%
Advertising & Prom.	1,800	0.3%	3,000	0.5%	2,085	0.3%
Dues & Subs	2,100	0.4%	1,900	0.3%	2,545	0.4%
Travel					1,115	
Meals & Entertain.	970	0.2%	100	0.0%	980	0.2%
Contributions	150	0.0%	550	0.1%	650	0.1%
Education	980	0.2%	700	0.1%	540	0.1%
Professional Fees	5,500	0.9%	5,200	0.9%	5,611	0.9%
Interest	200	0.0%	100	0.0%	140	0.0%
Credit Card Discoun	2,400	0.4%	2,500	0.4%	2,450	0.4%
	<u>456,175</u>	<u>76.6%</u>	<u>421,040</u>	<u>74.8%</u>	<u>420,411</u>	<u>70.0%</u>
Operating Profit	<u>139,025</u>	<u>23.4%</u>	<u>142,140</u>	<u>25.2%</u>	<u>180,489</u>	<u>30.0%</u>