Case Study – Discussion Questions

This case study is fictitious but the fact pattern is typical of small practices in northern California. You will receive information including practice documents such as financial statements, usually from the practice broker, which you will use to evaluate the practice for purchase. The following questions are typical issues that one addresses when purchasing a practice. A dental CPA can help you evaluate a practice for purchase. A separate set of financial statements is provided to you that is well formatted so that you can compare it with the profit loss statements in the case study which are not formatted very well, but typical of what you will see.

1. This practice has no capitation. Is that a significant fact, and, if so, why?
2. Is this a good location to have a dental practice? Why or why not?
3. Last year the practice had 1,125 active patients. This year the number of active patients is 1,100. How many patients did the practice "lose" due to attrition?
4. What's considered an "active patient?"
5. Dr. Seller reviews his fee schedule every five years. What does that information tell you about Dr. Seller's fee schedule? Are his fees high, low, or just right?
6. The current wages for the dental team total $243,000. The most recent year had $595,200 in fee collections. Do you feel that's the right amount of wages to be paid in this practice? Why or why not? If not, what would you do to correct the situation?
7. Looking at the financial statements provided would you consider this a "profitable" practice? Why or why not?
8. Kate and Natalie are the hygienists. Kate is being paid $62,000. Natalie is being paid only $35,000. Is Kate being paid more because she's a much better hygienist?
9. The practice offers a 10% discount to senior citizens. Where or how would you find out how many senior citizens are in the practice?

10. The practice accounts receivable are 1.8 times one month's collections. Would you rate the collection efforts as good, bad, or just right? Why?
11. If you bought this practice and felt that expenses were too high, do you think it would be good idea to save money by not having a retirement plan? Why, or why not?
12. Dr. Seller owns a 50% interest in the building with his sister. How would that fact affect your decision to buy the practice?
13. In the most recent year the lab expense was $69,900. Would consider that expense to be high, low, or just right? What does that tell you about the practice?
14. 60% of the patients have dental insurance. 40% of the patients are private pay. How does that information affect your decision to buy the practice?
15. If you were interested in making the practice more profitable, what changes would you make to the procedure mix?
16. In the second preceding year depreciation expense was $2,400. What is depreciation?
17. Cameron was hired in April, 1996. Halle was hired in November, 2009? Which team member do you feel is more deserving of a raise?
18. In the preceding year the insurance expense was $25,800. What types of insurance does a dental practice typically have? Is all insurance deductible for tax purposes?
19. How much debt does this practice have? A lot or a little? How do you know? Does it matter for purposes of buying the practice?
20. If you were to buy this practice, would you make any changes? If so, what changes would you make?