Blueprint for Career Transition Success
How Leadership and Marketing Affect Practice Value

Roger P. Levin, DDS
Chairman and CEO
Levin Group, Inc.

Levin Group Consultants at our corporate headquarters

DrBicuspid.com Editor-in-Chief Tony Edwards said he was pleased that their readership recognized continued excellence.

"It's an honor to present this 2014 Dental Excellence Award to Dr. Levin. Our readership overwhelmingly acknowledged his contributions to the industry in nominating and choosing him for this award."

19 Keys to a Successful Ortho Transition
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Definition of Transition

a: passage from one state, stage, subject, or place to another: change

b: a movement, development, or evolution from one form, stage, or style to another

Source: Merriam-Webster Dictionary

Definition in Dentistry

a change in the organizational structure of your practice which leads to reduced stress, improved operations and most importantly, an enhanced economic state for you, the practice owner.

Source: Levin Group Transition Services

The Right Approach to Transitions Is a Life Long Process

Beginning to Practice

A. Building Value into a Practice

B. Obtain Systematically Sustainable Results

C. Prepare for Change

D. Making the Successful Ortho Transition

Levin Group Life Map™ Consulting – Case Study

Initial Status

- Type of practice: Orthodontic
- Annual production: $780,000
- Number of doctors: 1
- Days worked per week by owner: 4
- Owner’s main concerns: Flat growth, declining profit, high stress, solo practice

Growth

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<th>Year</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
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<tbody>
<tr>
<td>Growth</td>
<td>23%</td>
<td>21%</td>
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Improved systems reduce owner stress & allow the practice to manage the growth. The Doctor engages an Attorney.

Increased production indicates a need for an Associate to Partner arrangement. A well-run practice allows for a strong candidate pool with multiple candidates to find the best match.

Addition of an Associate has the office re-evaluate systems and participate in a Practice Management program.

Referral-Based Marketing Program continues with strategies to build a bigger base to support the new Associate.

Owner elects to negotiate with an Associate interested in a buy-out over time, beginning the owner’s exit strategy.
19 Keys to a Successful Ortho Transition

**D. 5 Years to Transition**

**Making the Successful Ortho Transition**

- Initial Analysis
- Management Systems Review
- Marketing Programs Review
- Practice Valuation
- Associate/Partner Timing, Selection & Evaluation

10 Years Later...

- **Type of practice:** Orthodontic
- **Annual production:** $4,800,600
- **Average annual growth rate:** 22.4% per year over 10 years
- **Number of doctors:** 2
- **Days worked per week by owner:** 3
- **Owner’s main accomplishments:**
  - Top-branded practice
  - Very low stress environment
  - Productive and supportive staff
  - Financial independence
  - Received significant revenue on buy-in
  - More coming on buy-out

**19 Keys to a Successful Ortho Transition**

2. **Do You Need a Partner?**

- Practice Capacity
- Full-Time/Part-Time
- Days Working vs. Income

3. **Create a Vision**

- Practice Growth
- Number of Drs. And Staff
- Shared Responsibilities
4. Have Clear Goals
   • Personal
   • Professional
   • Three Years Later

5. Prioritize Needs
   • Nice to Happen
   • Like to Happen
   • Must Happen

6. Get Advice on Good Due Diligence
   • Don’t Rush
   • Organization
   • Chart Audits
   • Practice Systems

7. A Good Match Takes More Patience
   • Buyer and Seller
   • Buyer and Staff
   • Buyer and Patients

8. Get Regular Valuation Check-Ups
   • Formal Valuation
   • Every 5-7 Years

   • Capitalization Rate
   Risk-free Rate of Return
   Common Stock Equity Risk Premium
   Small Stock Risk Premium
   Industry Risk Premium for Dentistry
   Practice Specific Premium for Ortho
D. 5 Years to Transition
Making the Successful Ortho Transition

9. Choose a Valuation from Ortho Experts
   • A Professional who knows the Ortho Practice and the Ortho Market
   • A Professional who follows the Guidelines set forth in IRS Revenue Ruling 59-60 and the Guidelines set forth in AICPA, Statement on Standards for Valuation Services

10. Value of Goodwill
    • Definition
    • Calculation =
      
      \[
      \text{Purchase/Selling Price} - \text{Value of Net Assets}
      \]

    "It is the benefit and advantage of the good name, reputation and connections of a business. It is the attractive force, which brings in customers. It is one thing which distinguishes an old established business from a new business at its first start."

    Lord Edward McNaghten

11. Get the Right Attorney - Ask yourself

   "Who can I confidently depend on for one of the most important activities of my life?"
   • Experience Throughout Dentistry
   • Member of Your Transitions Team
   • Not Your Family Attorney
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12. Pay Flat Fees, Not Hourly Rates
   • More Cost Effective
   • More Predictable
   • More Fair

13. Use One Transition Team
   • Partners vs. Adversaries
   • Costs Less
   • Better Communication

14. Remember that Personality Matters
   • Orthodontists are Winners
   • Personality Conflicts
   • Compatibility

15. Negotiate for Your Goals
   • Share Your Priorities
   • Ask for the Other Parties’ Goals
   • Use a Transitions Team that will Find a Fair
     and Common Ground

16. Expect Change
   • Your Daily Life
   • Commit to Change
   • Boundaries and Expectations

17. Don’t Change Everything
   • Good Systems
   • Good People
   • Good Marketing
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18. Post-Transition Plan
• Location
• Financial Planning
• Part-Time Orthodontics

19 Final Contract Points
• Tax Allocations (i.e. goodwill, supplies, equipment, covenant not to compete, etc).
• Seller to Stay on Staff
• 5 Year Plan Built-In

Thank you and Good Luck

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