

Become A Bestseller: What Are The Characteristics Of Today's Bestselling Businesses And What Do Buyers Want?

BY TIMOTHY A. BROWN

Despite the perceived overbearing corporate presence and practice accumulators in all medical fields, there is still an overwhelming large volume of single practice owners who want to own a business, run it themselves and enjoy the profit and immense sense of well-being that this pursuit delivers. Some things change but in this instance, ownership characteristics always stay the same.

The motivating factors are no different now than when my father Roy Brown started his healthcare consulting business (primarily for dentists) over 45 years ago. That company now consults with veterinarians, eye care professionals and others, including business entrepreneurs.

Today's health care practice buyers want these basics:

- To "be their own boss;"
- To control their time/income ratio;
- To maintain complete authority over business and clinical decisions.

Our company has been accumulating the most empirical dental metrics database since 1974 and the "bestselling" practices have common denominators – the top five are:

- They are owned by a solo practitioner (no partners or Associates);
- Gross income of ~ \$1 million;
- Normalized (purified) operating cash flow of 30 to 40% of gross income;
- 60+ hours per week of preventive scheduling – booked 3-6 weeks in advance;
- Long-term leases in modest rent districts, such as a standalone (owned building) or a retail/storefront.

The national team of associates that I work with time and time again identify this model as the consistent best formula for a profitable at stress-free existence. It would be rather naïve and somewhat foolhardy to take this model, that took many generations of dentists to perfect, and try to reinvent the wheel for the purposes of driving profit for shareholders. For this reason, I find the corporate model

to be fundamentally flawed and observe that corporate/group health care practice dynamic and culture can and will fail more often than succeeding.

Conceptually, the Investor Dentist™ model is a great business plan if owning and managing multiple practices is the goal. However, for any individual-minded practitioner (assuming he or she desires control over the style of practice, as the majority of practitioners do), this style of health care delivery will inevitably include a long-term power challenge.

The practices that are more difficult to sell usually display the following characteristics:

- They employ associates that have long tenure and may negatively influence patients and/or staff after sale.
- The Associate(s) is not on a proper, written agreement.
- Any type of arrangement whereby space or overhead costs are shared with another professional complicate the transaction. Basically, human nature equals potential for future conflict.
- Long-term staff that is highly paid and not on a proper, written employment agreements.
- Purchasers realize that existing staff is valuable; being retained in most of the practices sold. However, highly paid or long-term staff can intimidate young purchasers. An established staff is very important for patient retention, but buyers with big loans, household mortgages and/or dependents are going to try to reduce expenditures to maintain profitability. The fear is that reducing wages and/or increasing hours may result in losing important members of the team.
- Over-sized offices or high-rent locations. During slow times, high rents remain the same. Rent should be typically 3-7% of gross; if it is higher, a buyer will be wary of that long-term risk.
- Practices that are over-capitalized (extravagant leaseholds and equipment) are difficult to sell because the facility is designed to accommodate more than one health care profes-



sional or was built to suit personal tastes. Yes, purchasers appreciate large, ultra-modern offices with high-tech equipment, but they also do not necessarily want to start off with the accompanying debt.

The trends that I speak to are eerily consistent from coast to coast – if it's not broken - don't fix it! Our consistent experience and the wealth of data that backs it up, yield a resounding thumbs up to "bestselling" practices. I have met with and spoken to so many owners at varying stages in their careers who choose to be one of the stress free, life-loving best-sellers. They take more holidays, enjoy the lowest operating overhead and generally work longer in dentistry because of the rewarding work environment.

The choice is yours. Everyone has different philosophies, but any health care professional can practice like a "bestseller."

****Normalized cash flow does not include "discretionary" expenses, spousal or family wages, or debts. Debt is not part of operating overhead; it is a capital cost of acquisition and generally will be eliminated over time.***



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