

# Dentist

## BUSINESS PLAN

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## EXECUTIVE SUMMARY

I am preparing this business plan to discuss the dental practice that I am planning to purchase upon my graduation from dental school. Upon graduating, I will do an associateship with the potential for buyout, in a practice in Nebraska. This will allow me to spend one year determining if Nebraska is where I want to live long-term and will familiarize me with the practice that I could possibly buy. After the year is over, if I am pleased with what the practice has to offer, I will buy it. If I am not satisfied with its performance, I will have spent time researching other practices that are or will be going up for sale. After approximately a year of my building up the current client base, my father, who is also a dentist, is planning to move to Nebraska to work with me as an associate. He will sell his current home and practice and work for me until he decides to retire. This arrangement works in both my father's and my favor. This allows me to work with a dentist who has over 25 years of experience in the practice and business of dentistry. This gives my father an opportunity to make a comparable living to what he is currently making without the responsibilities of an entrepreneur. As he nears retirement (he is currently 52 years old), he will reduce his hours and patients.

In evaluating a location for a dental practice we are looking for an area of growth and culture, namely an affluent, western suburb of Omaha, Nebraska. We have chosen this general area for various reasons. The main reason being that we love all that this area has to offer in raising a family. Further we feel strongly about living in a location that you would also desire to spend your retirement in. The suburbs of Omaha are growing rapidly and do not have enough dentists to meet the needs of the people. I plan to buy a practice in a highly traveled, suburban area of Omaha that has the patient and facility capacity for two active dentists. In 1995, almost 20 percent of all private dental practices were two-dentist practices, so this should not be too difficult to find

("Key Dental Facts," p. 17). Working with the retiring dentist will allow me to learn his practice management style and to foster a relationship with the client base. This is very important, as with many businesses, the client list and work force is the most valuable asset of a dental practice. Also this affords me the opportunity to understand the management philosophy of the past dentist, so I will be able to make gradual changes that do not cause too much dissension from the staff. If a dental practice with capacity for two dentists cannot be found, I will buy a single practice office and expand it to suit two dentists. I will use savings accumulated during my year as an associate to pay for the down payment of the business loan and finance the business through a bank, the Small Business Administration, or through a broker.

My father should not have great difficulty selling his practice, as his is the largest practice in the area. Also, there are dental brokers that buy practices to sell them at a higher price. In the worst-case scenario, my father could sell his practice to one of these brokers.

## **Company Description**

### **Purpose of the Service**

My goal is to provide high quality general dentistry with a moderate to high price using the highest technology possible. My prices will be justified by the advanced technology used and the lifestyle conveniences that the dental practice will offer. The dental practice will be positioned as a place one can get high quality dental work in an environment of convenience and technology. Due to the increase in two-income families, many service-oriented professions are leaning toward differentiating themselves on the basis of convenience. This is what I intend to do when I have completely taken over this business from its previous owner and have hired an associate, namely my father. For instance, we plan to have two shifts, an early morning shift and an evening shift in which the practice will be fully functional from 7 A.M. to 7 P.M. or later on various days of the week. We also plan to work rotating weekends to offer Saturday service twice a month. We feel that the main beneficiaries to these services are professional, high-income individuals that do not feel that they can take time out from work to go to the dentist. We are also considering hiring part-time help to do filing and various other work during the day and to act as a sitter so that parents can leave their kids while they are receiving dental care.

## **Related Services and Spin-offs**

Possible related services include:

- Tooth Whitening
- Smoking Abstinence Treatments
- Practice Management Seminars
- Dental School Instruction
- Temporomandibular Joint Disorder Treatment
- Implant services
- Free screenings for children in severely/profoundly retarded care centers and schools
- Having a yearly "Sealant Day" and "Dental Awareness Day" at local grade schools
- Nursing home screenings

## **Stage of Development**

Stanley M. Kramer, DDS, LLC is still in the idea stage as I will not have my dental license until August 2001 and my father has not actively looked for a purchaser for his practice. Between now and when I graduate, I plan to accept a position with a retiring dentist with a contract giving me first option to buy the practice.

## **Service Limitations**

A restrictive covenant will be included in my contract with the former dentist. This non-competitive clause will ensure that the dentist does not sell me the practice and then set up a practice next door. It also ensures that I do not work with the dentist and then set up a practice down the street using the patient base I have seen while working with him. Further, we will not participate in any HMOs or Managed Care Insurance, as it is my belief that these cost dentists more than it makes them and reduces their treatment alternatives (see Appendix).

## **Government Approvals**

In June 2001, after passing the Central Regional Dental Test required by the American Dental Association, I will receive a license to practice dentistry in the central region of the United States, which includes Nebraska. My father has already applied for and received his Nebraska license. The practice will apply for any applicable city, county, or township licenses that apply, a Drug Enforcement Agency permit to prescribe controlled substances, and any applicable licenses for such items as administration of general anesthesia or conscious sedation. Compliance with the Occupational Safety and Health Association (OSHA) standards set by the previous owner must be maintained.

## **Service Liability**

I will purchase malpractice insurance to protect myself against any malpractice suits raised. Even the best, most conscientious dentist can be sued; therefore, malpractice insurance is an essential part of dentistry. The type of malpractice or professional liability insurance I will buy is an occurrence policy. If the policy would expire before a claim arises, the insurance company will still defend the dentist and pay any settlement or court-awarded judgement that occurred while the policy was in force that does not exceed the limits of the policy. Disability insurance provides continuing income in the event that an injury or illness prevents me from practicing. Adequate amounts of disability income and medical expense insurance will be maintained to cover the costs of treatment and ongoing family expenses until re-entry into active practice is possible. The insurer will require proof that you are in good health, as no company will cover potentially disabling conditions present prior to the date coverage is issued. It is essential that I purchase as much non-term type disability insurance as possible while I am young and healthy-waiting until I am older could cause me to be uninsurable or cause my premiums to be astronomical. I will also carry business liability and property insurance and any other insurance we deem necessary after receiving counsel from my lawyer and insurance agent. Health insurance and workers' compensation will be provided for our employees and myself as part of their benefit package. We feel that this is mandatory to ensure that they do not leave the practice for one that does offer these benefits.

# **MARKETING PLAN**

## **Current Market Size & Growth Potential**

The dental profession is one with a very low failure rate and a high propensity for profit. These were two areas I examined before selecting a profession. According to the American Dental Association (ADA), dental offices are the third highest-ranking category of start-up business most likely to survive. The average income of a dentist is in the highest 8 percent of U.S. family income. As the growing population becomes better educated and more wealthy, people demand better dental care ("Starting Your Dental Practice," p. 4). Annual spending for dental services has risen from \$13.3 to \$45.8 billion, an increase of 244.4 percent, from 1980 to 1995 ("Key Dental Facts," p. 8). The advancements in cosmetic dentistry provide new venues of service for the general dentist to offer. Also, with the increase in non-capitation dental insurance, many people who could not previously afford dental work are now part of the patient pool. Of the total population over the age of 2, 40.5 percent are covered by private dental insurance. Sixty percent of those with dental insurance have an annual

income of \$35,000 or more and 51.4 percent have an education level of 13 or more years. Also, 45.4 percent of all American children ages 5-17 are covered by dental insurance ("Key Dental Facts," p. 9).

The average dentist to patient ratio is 1 to 1,600-1,700 ("Starting Your Dental Practice," 9). Nebraska as a state has a ratio of 1 to 2050 and an expected population growth of 11 percent by the year 2001. Further, 21 percent of the general dentists in Nebraska are over 55 years old and many are looking to sell their practices and retire. Nebraska is a very educated state with 24.9 percent of its residents having a college degree and over 75 percent of its residents working in white-collar positions. The average household income in Nebraska was \$34,938 in 1996 and is projected to increase by 10.8 percent by the year 2001 to \$41,328 (ADA County Reports).

### Various demographic profiles in Nebraska:

	Nebraska	Douglas County	Washington County	Cass County	Saunders County	Sarpy County
Population in 1996	3,833,144	459,920	499,680	18,021	493,656	310,568
1990 to 1996 Population Growth Rate	16.4	17.5	6.9	39.9	12.6	17.2
Projected Population by 2001	4,251,171	513,189	522,617	22,141	535,764	345,977
1996 to 2001 Projected Population Growth Rate	10.9	11.6	4.6	22.8	8.5	11.4
Median Household Income 1996	28,087	42,033	28,409	39,450	43,330	33,045
Average Household Income 1996	34,938	53,177	38,343	45,372	50,797	38,409
% Change in Number of Active Dentists in area	3.9	1.6	-2.1	37.5	-2.8	37
Total Number of General Dentists	1,869	251	322	10	256	105
General Dentists Under 35	224	33	36	2	29	17
General Dentists 35 to 44	644	115	108	2	85	41
General Dentists 45 to 54	611	69	85	4	83	29
General Dentists 55 to 64	267	21	60	2	36	13
General Dentists over 65	123	13	33	0	23	5
Patients per Dentist ratio 1996	2051	1832	1552	1802	1928	2958
Number of dentists that will be in retiring age within next 10 years	1001	103	178	6	142	47
% of dentists that will be in retiring age within next 10 years	54	41	55	60	55	45

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## Customer Profile

- Middle to high income
- College educated
- White collar
- Married with children
- All ages
- Two-income families

## Target Market

- Current patients of the practice we purchase (2,500 to 3,000 patients)
- Professionals that need the convenience factors we will offer
- Stay-at-home mothers that need a place to keep their children while they receive dental work
- All other dental patients who will pay a premium for convenience

## Customer Benefits

Various customer benefits include:

- Two highly skilled dentists to be treated by, one with over 25 years of experience and the other with the boundless energy and enthusiasm of a recent graduate
- Extended hours on various nights of the week
- Saturday hours two times a month
- Childcare while receiving dental work
- Use of advanced technology in treatment and patient education
- Discounts for referrals

## Market Penetration

Current patients of the practice purchased will receive letters of notification of the change in practice ownership and management. I will give my background and experience information and tell the patient that I hope to maintain their business. I will set up a "Meet the Doctor" picnic, where all patients will be invited. We will also offer free family consultations to discuss any concerns the patient might have. We will also advertise our benefits in the local papers and telephone books and send out direct-mail information advertising our practice. Current patients will be given referral cards that give both the current patient and patient referred a discount for services after the new patient has received a cleaning and consultation. Advertisements will be taken out in the local paper promoting discounts on whitening procedures. Once the patient comes in for whitening, I will sit down with the patient and discuss other ways to improve the aesthetics of their teeth. If they like the service that they are given, they may become patients or at least give good word-of-mouth advertisement. Other incentives will be given to attract new patients and maintain current ones.

## **Internal Marketing**

The goal of Internal Marketing is to make current patients continue their patronage and to encourage them to refer our services. This can be done by first and foremost treating them with respect. This office will also give each patient the highest quality dental treatment possible, while offering competitive prices. Treatment is to be presented to patients by the doctor only. Treatment will be presented by encouraging the patient to ask questions and asking open-ended questions to prompt discussion. Visual aids will be used when necessary and intraoral pictures will also be utilized. A benefit for the patient will be given to help them see the need for treatment (i.e. "So that tooth doesn't fracture further and cause you more expense and pain, I recommend we start a crown on that tooth as soon as possible.").

To stimulate referrals from existing patients at the end of the dental appointment we stress to them their importance in our dental office and request that they refer family and friends to our office. In order to maintain a strong patient base and retain active patients, a patient should have either a restorative appointment and recall appointment or be in the recall system to call on a specific month for a specific procedure. Various other ways to promote our office to already active clients and induce them to refer our practice to others include:

- Be on time and if you cannot, personally apologize to the patient for any inconveniences this has caused him or her
- Greet patients by name (both dentist and staff)
- Install a music system
- Have multiple telephone lines
- Call patients at home after significant treatment to ensure patient is doing well
- Install a "good-bye" mirror so patients can check their appearance before leaving the office
- Offer coffee or other beverages
- Keep reading material current
- Provide referral cards which offers both the referring current patient and the new patient a discount of certain services
- Have personal information written on a notecard attached to chart to give dentist conversational topics
- Send a special note for occasions such as weddings, graduations, birthdays, etc.
- Decorate office internally and externally for holidays
- Have toys for children to play with
- Give patients magnets, toothbrushes, etc. with dental practice name and logo
- Give a picnic, barbecue, or other outdoor event during the summer for your patients

## **External Marketing**

External Marketing deals with promoting the dental practice to potential patients. This can take the form of referrals, free publicity, or advertising. Examples of each of these are:

- Yellow page listing
- Send a welcome letter to new residents in community
- Run newspaper advertisements
- Become involved with local Chamber of Commerce
- Hold an open house event to show off new office, meet new staff, or celebrate the practice's anniversary
- Participate in career days for area students
- Get acquainted with community leaders
- Join civic, religious, and community organizations
- Patronize your patients' businesses
- Offer to write a monthly column on dental health issues or a Question/Answer column

## **Industry Trends**

For a detailed summary of industry trends, refer to the industry analysis included in the Appendix.

- Decrease in dentists participating in managed care organizations
- Increase in consolidation or networking of practices
- Retirement of baby boomer dentists causing a future shortage in dentists
- Increase in gross profits for dental practices
- Globalization of the dental industry
- Advancements in technology and invention of products that aid in treatment

## **OPERATIONAL & ORGANIZATIONAL PLAN**

### **Philosophy of the Dental Practice**

The philosophy of my dental practice will be to provide high quality general dentistry in a comfortable setting, with a moderate to high price using the highest technology possible. Prices will be justified by the advanced technology used and the lifestyle conveniences that the dental practice will offer. With use of an interactive, multi-media educational system, I will present my patients with multiple treatment alternatives and let them choose the alternative that best suits their lifestyle and budget. I will emphasize preventative dentistry and continually suggest cosmetic procedures. Any dental work that is too complex to be treated at my practice will be referred out to a specialist. I will foster a relationship with various specialists in the area, so they will refer patients in need of general dentistry to me as well. Further, I will not participate in any capitation insurance, as it is my feeling that these plans cost dentists more than it makes them.

The dental practice will be positioned as a place to get high quality dental work in an environment of convenience and technology. Due to the increase in two-income families, many service-oriented professions are leaning toward differentiating themselves on the basis of convenience. This is what I intend to do. For instance, I plan to have flexible, "people" hours on various days of the week so that not all patients have to leave work to have their dental work done. I also plan to work rotating weekends to offer Saturday service twice a month. I feel that the main beneficiaries to these services are professional, high-income individuals that do not feel that they can take time out from work to go to the dentist. We are also considering hiring part-time help to do filing and various other work during the day and to act as a sitter so that parents can leave their kids while they are receiving dental care.

The office will be run as a team, with each employee playing an integral part in the success or failure of the business. Employees will be given whatever tools and training is deemed necessary to carry out their assignments. An emphasis on process improvement will be instilled in each of the "teammates" by offering bonuses or special privileges. Teammates will be rewarded both monetarily and non-monetarily for jobs well done. Effective communication will be stressed in the office. This will cut down on misunderstandings and miscommunications among patients, employees, and doctor. Weekly meetings will be held to discuss the weekly agenda, and to give a report of last week's happenings. Teammates will be given the opportunity to add input at these meetings in the form of suggestions, comments, and complaints. Teammates will have defined tasks, but are to be open to doing whatever requests outside of their set guidelines need to be done to bring success to the practice. Finally, I plan to offer many perks to my employees to keep them satisfied and willing to give the practice 100 percent.

### **Job Description- Dentist**

1. The Dentist is responsible for all procedures that are covered by his license and not those of the hygienist and assistant.
2. The Dentist is responsible for all human resource aspects of the practice.

3. The Dentist is responsible for the management aspects of the practice.
4. The Dentist will form a relationship with both the clients and staff.
5. All major purchases or decisions must receive final authorization from the doctor.
6. The Dentist will sign all checks.
7. The Dentist will be punctual to all appointments. Should the case arise where he cannot see the patient on time, he will personally apologize to the patient for any inconvenience.
8. The Dentist will call all patients receiving significant treatment the night of the appointment to ensure that the patient is doing well.
9. The Dentist will join civic and religious organizations to be of benefit to the community.
10. The Dentist will actively, yet with taste, market the practice.
11. The Dentist will treat employees and patients in a fair and unbiased manner.
12. The Dentist will provide high quality dental work with an emphasis on technology and education for himself, his staff, and his customers.
13. The Dentist will work to make the practice an enjoyable environment in which to work

### **Job Description- Assistant**

1. Study and become familiar with Office Philosophy and agreements in the office.
2. Be observant, and considerate, friendly and generally in good humor. Make patients feel at ease and welcome as a guest in your facility.
3. Upon arriving in the morning, get prepared for the day prior to the morning meeting.
4. Set up trays
5. Check treatment room drawers, stock as needed.
6. Go through charts and review the treatment patients are scheduled for today and treatment pending. At this time always check what type of anesthesia each patient will need. Be prepared to discuss charts at morning meeting.
7. Greet patient in reception room and escort to proper treatment room.
8. Seat patients, desensitize areas of treatment, take necessary study models, prepare Rx blanks, select shades for composites and PFMs, take impressions for temps, mark and adjust temps, remove cement from temps, orthodontic bands and crown and bridges; place matrix bands, and perform other procedures to prepare patient for doctor as instructed by the doctor.
9. Be with the doctor to assist with all treatment.
10. Give patients POST treatment instructions as needed (orally and/or written).
11. Complement the dentistry procedures performed by the doctor. Show the patients their case before and after the insertion in the mouth.
12. Dismiss patient and escort them to the front desk with chart. If the business office is busy ask the patient to have a seat in the reception room. The business coordinator will be with them ASAP.
13. Compliment the behavior of a child to the child and the parent. This helps to child be more confident.
14. Spray and clean room after each patient; change headrest cover, light handles, etc. Follow all sterilization procedures as mandated by OSHA.
15. Prepare all instruments and handpieces for sterilization by autoclave or cold sterilization.
16. Close all treatment rooms at the end of the day. Make sure all equipment is shut off.
17. Have a general knowledge of the business office and be familiar with business office verbal skills.
18. Know how to schedule appointments.
19. Do a bi-weekly inventory and order necessary items.
20. Prepare and participate in weekly staff meeting.
21. Study and become familiar with all OSHA requirements. Take all precautions as trained and have a completed HBV vaccination series. Wear protective equipment as required.

## **Duties to Perform As Needed**

- Take, develop, and mount x-rays
- Record any x-rays taken in chart, type name and date on label
- Prepare Rx blanks of Meds
- Take diagnostic cast and pour in proper stone
- Trim models and label
- Keep lab cases labeled and organized
- Clean cement from newly cemented PFM, FGC, temps, etc.
- Place matrix bands and wedges
- Make vacuforms
- Make customtrays
- Make temp crown
- Remove and place orthodontic elastics
- Calm apprehensive patients
- Keep current with up-to-date dentistry
- Check supplies and keep inventory current
- Help business office when time permits
- Empty the trash
- Stock drawers
- Run cleaner through the vacuum system each night.
- Lubricate drills
- All other reasonable requests by the doctor

## **Daily Duties**

1. Check level of water in autoclave and add, if needed
2. Run autoclave during day as needed
3. Oil and autoclave handpieces after each patient
4. Oil prophylaxis handpieces daily
5. Check trash at the end of the day and empty if needed
6. General operatory cleaning
7. Take intraoral pictures as needed
8. Prepare charts for morning meeting
9. Check developer reservoir tanks and refill
10. Prepare trays for procedures and assist doctor

## **Weekly Duties**

1. Change solutions in ultrasonic cleaner
2. Autoclave lab burs
3. Clean autoclave per manufacturer's instructions for weekly maintenance
4. Restock all drawers and check inventory

## **Job Description- Dental Hygienist**

1. Study and become familiar with Office Philosophy and Agreements in the office.
2. Organize yourself physically, mentally, and emotionally, always dress in a professional manner, leave your private and family concerns at home, and make a mental check of your day.
3. Be observant, considerate, friendly, and generally in good humor. Make patients feel at ease and

welcome as a guest in your facility.

4. Upon arriving in the morning, get prepared for the day prior to the morning meeting.
5. Go through charts, review the treatment patients are scheduled for today and treatment pending. At this time always check what type of anesthesia each patient will need. Be prepared to discuss charts at morning meeting.
6. Greet patient in reception room and escort to proper treatment room.
7. Use correct verbal skills.
8. Dismiss patient; escort to front desk with chart. If business coordinator is busy ask patient to have a seat in reception room. Business coordinator will be with ASAP.
9. Spray and clean room after each patient, change headrest cover, light handles, etc. Follow all sterilization procedures as mandated by OSHA.
10. Prepare all your instruments and handpieces for sterilization by autoclave or cold sterilization.
11. Close your treatment room at the end of the day, making sure all equipment is shut off.
12. Have a general knowledge of the business office and be familiar with business office procedures.
13. Know how to schedule an appointment on the computer.
14. Prepare and participate in weekly staff meetings.
15. Take all OSHA precautions as trained, have a completed HBV vaccination series. Wear protective equipment as required.
16. The dental hygienist may not perform any of the clinical duties without the dentist in the facility.
17. Help to maintain and keep the recall system current.

### **Clinical Duties**

1. Polish restoration.
2. Perform root planing and soft tissue curettage.
3. Apply topical anesthetics and topical medicaments.
4. Record existing conditions through the use of radiographs.
5. Perform intraoral dental laboratory tests, including but not limited to, oral cytology smears, pulp vitality test, and caries tests.
6. Apply pit and fissure sealant to teeth, as prescribed by the dentist.
7. Do intraoral irrigation and sulcular irrigation.
8. Remove overhanging margins without the use of rotary instruments.
9. Oral prophylaxis with slow speed handpiece.
10. Give topical fluoride application.
11. Complete all other reasonable requests from doctor.

### **Job Description- Receptionist/Office Manager**

1. Organize yourself physically, mentally, and emotionally; always dress in a professional manner; leave your private and family concerns at home, and make a mental check of your day.
2. Study and become familiar with office philosophy and agreements in the office.
3. Be observant, considerate, friendly, and generally in good humor. Make patients feel at ease and welcome as guest in our facility.

### **Appointment Scheduling**

1. Set appointment hours in accordance with appointment scheduling guidelines and daily goals.
2. See that the dental hygiene schedule is completely filled.
3. Follow up on all broken appointments.
4. Keep a short call list.
5. Fill broken and canceled appointments.

6. Confirm patient's appointments at least 2 days prior to appointment date.
7. Copy the daily schedule and post it in each treatment room.
8. Greet all patients courteously when arriving and make sure the charts are in the proper place.
9. Promptly indicate to the staff when the next patient has arrived.
10. See that the phone is answered before the third ring at all times.
11. See that the desk is covered at all times.
12. Complete all other reasonable requests from doctor.

### **Financial Control**

1. Check records each day to approach any patients who owe a balance.
2. Take responsibility for requesting and collecting money "over the counter" daily.
3. See that each record is posted and filed as it comes through. Be responsible for the accuracy of the day sheet and records.
4. Print and submit insurance for patients when appropriate.
5. Make financial arrangements with patients in accordance with the financial policy
6. Follow up on all insurance not paid within 6 weeks. Maintain the insurance system.
7. Send monthly statements.
8. Follow up on past due accounts; set arrangements for past due balances. Make collection calls and send accounts to collections with doctor's approval.
9. See that each payment received in the mail is posted to the accounts receivable system. Be responsible for the accuracy of the accounts receivable system.
10. See that the bank deposit slip matches the daysheet total.
11. Make definite financial arrangements with all new patients and patients requiring extensive treatment in accordance with the financial policy of the office.
12. Work the delinquent payment record.
13. Be in charge of all correspondence regarding collections, insurance, etc.
14. Determine approximate patient portion of insurance procedures.
15. Notify patients of overpayments and send refunds.

### **Marketing**

1. Keep the new patient book current
2. Prepare new patient letters for Dr. Kramer
3. Tank referral sources, letters, etc.

### **Office Procedures**

1. Be responsible for the preventive maintenance system (recall system).
2. Be responsible for preventive maintenance follow-up.
3. Organize and maintain file systems for quick retrieval of information.
4. See that all backlog paperwork is completed before closing the office on Friday.
5. Maintain the supply system and inventory for business office items.
6. Keep Dr. Kramer informed and current on all aspects of the office, patient status, recommendations, etc.
7. Be responsible for own desk appearance.
8. Put together new patients' records and charts. Coordinate patient flow.
9. As changes occur in schedule, change schedules in the treatment rooms.
10. Check and straighten the reception area.

### **Job Description- Janitorial Staff**

The janitorial staff is an outside agency that comes in one day per week and cleans the office. They are

responsible for:

- Vacuuming the entire office
- Mopping floors
- Cleaning the bathroom (sink and toilet)
- Washing exterior and interior windows, mirrors, etc.
- Emptying trash
- Dusting shelves and countertops
- Cleaning out operatory sinks and lab sinks

All other maintenance of the dental equipment is the responsibility of the office staff.

## **Infrastructure Members**

**Accountant:** to prepare tax returns and advise on various practice financial decisions. \$50 to \$100/hour.

**Lawyer:** to help with start up legalities and incorporation, to act as representation in case of litigation and to advise on various business decisions. \$75 to \$150/hour depending on experience with dental practices.

**Insurance Agent:** for malpractice and liability insurance. Commissions only.

## **FINANCIAL POLICY**

### **Third-Party Insurance Policies**

This office does not and never will participate in capitation and/or reduced fee-for-service programs. Any phone calls, mail, or solicitors for such plans are to be turned away. Patients who have non-capitation insurance will be required to have an insurance card and the insurance company must be called and verified before they are considered for assignment of benefits. Once a patient has been verified, the following information needs to be retrieved from the insurance company: address to mail claims to; deductibles, if any, and what they apply to; excluded treatments (i.e. crowns are not covered); if the payments are usual and customary or fee schedule; and if prophyls are limited per year. All this information can be provided to the patients as needed.

Assignment of benefits will be taken again, only if verification has been approved. Otherwise, the patient is considered "cash paying" until verification can be established.

Patients who receive treatment with insurance will be told up front (before treatment begins) as to their estimated portion of the bill. That portion is due on the date of service; no exceptions are to be given. Patients need to be aware that the amount they are paying is an estimated portion based on what their insurance has told us, and if insurance does not pay or pays less, they are responsible for the balance. We gladly process insurance forms for patients. Insurance claims are to be submitted each day as the charges are posted. Narratives and X-rays need to be mailed with larger claims and all crown and bridge cases. Periodontal charting should be sent with all periodontal cases.

Claims are to be filed in duplicate. One copy goes to the insurance company and one is filed by month and in ABC order. As claims are paid, the EOB (explanation of benefits) is to be attached to our copy and filed in a separate file under "paid claims" for that month. Claims not paid within 5 weeks must be called on and proper steps taken to expedite payment. Also, Visa and Mastercard will be accepted. For treatment plans of considerable amounts, we will help the patient file for financing through a bank.

### **Financial Arrangements**

- A 5 percent discount is given to patients whose treatment plan is over \$250 and pay cash up front.

- If a patient needs to come back 5 times to complete a \$1,000 treatment plan, then payments would be \$200 each visit.
- Treatment plans under \$250 are expected on the day of service.
- Any other arrangements must be made directly through Dr. Kramer.

## **Appointment Philosophy and Procedures**

The appointment book is the map of our day and is to be used in a specific manner. All procedures have been timed and a schedule of times is attached to the schedule book. Only in instances that Dr. Kramer or the hygienist request additional time are these guidelines to be changed.

1. Always try and fill the schedule to capacity and keep a short call list.
2. The schedule is also to be filled to our daily production goals.
3. Patients that cancel less than 24 hours in advance or no-show are to be warned the first time and charged a \$25 fee the second time.

## **FINANCIAL PLAN**

The practice will be set up as a Limited Liability Company (LLC). This will be done to receive the limited liability of a corporation with the option of selecting taxation as either a partnership or as a corporation. Upon counsel with my lawyer and accountant, I will decide which setup offers me the best result in regards to taxes.

I am looking at a practice worth approximately \$250,000. One shortcut method to determine the selling price of a practice is to take the average of the last three years gross sales and divide it by two. To purchase the practice I will take out a \$300,000 ten-year loan at a negotiable rate (I used 15 percent in my financials) that gives me the opportunity of renewal every three years and has no penalty for early repayment. I am estimating that \$250,000 will go for the practice, \$30,000 will be used for any start-up costs (such as updates to building or equipment), and the remaining \$20,000 will be used to maintain positive cash flows at start-up and to be used in case of any unforeseen problems. I don't foresee any problems attaining a loan, as there are many brokerage companies that will fully finance your dental practice with no down payment if you can prove that there will be no significant decline in gross sales resulting from the purchase of the practice. Another financing possibility is that the current owner of the practice could seller-finance some or the entire sales price. This would allow 100 percent financing without titled collateral, but would preclude a higher than market rate. Similarly, a dental broker could finance the project with the same general benefits and drawbacks of the seller-finance option. Also, we could approach a bank for the loan, which will generally ask for a 20 percent down payment, titled collateral, and an aggressive amortization rate, but a lower interest rate than the other options.

In doing my financial statements, I have had to make many assumptions and use many numbers, averages, and percentages given by the American Dental Association (ADA). Some of the numbers seem either too high or too low, but I used them to maintain consistency. For instance, in the first five years of business, marketing and legal/professional costs will probably be higher than the national average. I think that insurance will be much higher than the amount attained by using the percentage given by the ADA. Also, the average patient charge per patient includes dentists who do all of their own hygiene work, dentists who accept capitation insurance, and dentists who do public health dentistry only. Therefore, the \$183.56 national average as stated by the ADA seems very low.

The number of total employees the practice will have upon my purchase is dependent on the structure prior to my buyout. My first year in practice, I will need one full-time assistant and one full-time bookkeeper/receptionist. Until I feel I have a sufficient client base, I will do much of my hygiene work. One hygienist will work one or two days a week dependent upon need and on a percent of work completed basis. This will give the hygienist greater incentive to see more patients and to insure the recall system works efficiently. Building the patient base to have enough patients to allow for two dentists will take about a year and a half. Optimal full-time employment upon my father joining the practice is two full-time assistants, one

full-time bookkeeper/receptionist, and one hygienist with the same conditions. After the larger client base has been established, which will probably take about a year of working with my father, another hygienist will be added so that there will be a hygienist in the office four days a week and my father and I will not need to see any hygiene patients which will make our per patient charge increase. If need arises, one part-time office helper will be employed.

As we will be living in the central region of the United States, I have used the wage rates quoted in the *Journal of the American Dental Association* for dental employees in that region. Median hourly salary for a receptionist/bookkeeper is \$11.65/hour. The average hourly wage for an experienced chairside assistant is \$11.00. Finally, a hygienist in the central area will make around \$200 a day. This sounds like a lot, but hygienists often rotate between practices as to support a broader client base.

My father and I will discuss a contract whereby he receives a certain percentage of his gross production, probably 40 percent the first year. With working the same hours per week that he currently does and seeing fewer patients, he will make a comparable salary to what he pays himself in Lincoln. Lincoln is a farming and industrial community that does not see the benefits of the highly profitable aesthetic dentistry. Although my father has the largest practice in the area, he does not make as much money as comparable practices in more educated areas due to the demand for restorative dentistry only. Working for Stanley allows his father, Jeremiah, to make as much money as he wants, while only working the amount of hours that suits his lifestyle. Also, he will not have the risk or responsibility associated with running a business, but will have significant input, as he has so many years of practice experience. The money he will make by selling his practice can be invested to use in his retirement.

We will establish written bylaws that address issues such as how the relationship between my father and I will be handled. As my parents will probably help with a small portion of the down payment on the loan, both my mother and father will receive a percentage of profits based on their contribution. The other portion of ownership will be divided between my wife and myself. We will have guidelines on buying back and selling ownership shares. This is to ensure the business does not suffer from problems within the family.

My family is a very close one that is intent on building our futures together. We have held many discussions concerning the control and management of the practice and are in agreement to this point. Before my father actually decides to move and sell his practice, we will sit down and write up an agreement about practice management. We will have a lawyer that is familiar with dental practices and family businesses look it over and add suggestions. Me and my wife will have the final say in matters pertaining to the practice, as we will have a greater share of ownership. As I have not had as much experience managing a practice, my parents' input will be greatly appreciated and sought. A policy of mutual respect between the four of us and documented policies will make our working relationship as positive as our personal one.

My first year after buying the practice, I will be able to see about seven patients per day and will work five days a week. The average cost per patient visit is \$183.56 for a normal solo practice. Using these numbers, I should have an average monthly gross income of \$25,000 and first-year gross income of approximately \$275,000 based on having four weeks' vacation. My client base should be somewhere around 2,000 to 2,500 (a small drop from initial patient base) active patients, and I expect to exceed the average growth rate of 32 new patients per month for new dentists. I should have patient capacity for my father within two years. My financial statements assume that Dr. Jeremiah Kramer will join the practice after two years. I have also included income statements that show the practice's standings if my father and my dream of working together does not become a reality. Note: the practice still garners a reasonable profit, but not nearly as significant as the one earned with both dentists practicing. An exit strategy has not yet been planned, as this business will be the main source of income for my father for many years. When my father decides to retire, I will either hire another associate or rent out his facility to another doctor or specialist.

## **Price List**

Customers will be charged the going industry price for the geographic area of practice plus a premium for the

convenience-based value-added services. An example of a price list for services from the May 1996 issue of *Dental Economics* for the central region is as follows. We will use prices similar to these plus a premium for some treatments.

Initial oral exam, adult—excluding radiographs	\$27	Inlay, porcelain, 1 surface	\$344
Comprehensive oral exam, adult	38	Full-cast, high-noble metal crown	511
Emergency oral exam	31	Porcelain fused to high-noble metal crown	514
Panoramic film	48	Porcelain fused to noble metal crown	491
Intraoral X-rays, complete series—including BWX	59	Prefabricated stainless-steel crown, permanent	129
BWX—four films	28	Cast post and core, in addition to crown	159
Intraoral, periapical, first film	11	Crown buildup, including any pins	110
Intraoral, periapical, each additional film	9	Replacement crown	45
Prophylaxis, adult	44	Labial veneer-laminate	232
Limited oral exam, problem-focused	25	Labial veneer (porcelain laminate)—lab	415
Initial oral exam, child	24	Complete upper denture	694
Prophylaxis, child	30	Complete lower denture	696
Fluoride, child-excluding prophylaxis	17	Upper denture reline, chairside	146
Periodic oral exam, child	19	Lower denture reline, chairside	148
Pit and fissure sealant, per tooth	23	Extraction, single tooth	61

Initial oral exam, adult-excluding radiographs	\$27	Inlay, porcelain, 1 surface	\$344
Comprehensive oral exam, adult	38	Full-cast, high-noble metal crown	511
Emergency oral exam	31	Porcelain fused to high-noble metal crown	514
Panoramic film	48	Porcelain fused to noble metal crown	491
Intraoral X-rays, complete series- including BWX	59	Prefabricated stainless-steel crown, permanent	129
BWX-four films	28	Cast post and core, in addition to crown	159
Intraoral, periapical, first film	11	Crown buildup, including any pins	110
Intraoral, periapical, each additional film	9	Replacement crown	45
Prophylaxis, adult	44	Labial veneer-laminate	232
Limited oral exam, problem-focused	25	Labial veneer (porcelain laminate)-lab	415
Initial oral exam, child	24	Complete upper denture	694
Prophylaxis, child	30	Complete lower denture	696
Fluoride, child-excluding prophylaxis	17	Upper denture reline, chairside	146
Periodic oral exam, child	19	Lower denture reline, chairside	148
Pit and fissure sealant, per tooth	23	Extraction, single tooth	61
Periodic oral exam, adult	20	One root canal, exclusive of restoration	283
BWX—two films	19	Two root canals, exclusive of restoration	345
Amalgam restoration, 1 surface, permanent	55	Three root canals, exclusive of restoration	438
Amalgam restoration, 2 surfaces, permanent	72	Periodontal scaling with gingival inflammation	80
Amalgam restoration, 3 surfaces, permanent	89	Gingival curettage, per quadrant	119
Composite resin restoration, 1 surface, anterior	65	Periodontal root planing, per quadrant	111
Composite resin restoration, 1 surface, posterior	75	Teeth-whitening, per arch	161
Inlay, metallic, 1 surface	323	Infection-control fee	18
Periodic oral exam, adult	20	One root canal, exclusive of restoration	283
BWX-two films	19	Two root canals, exclusive of restoration	345
Amalgam restoration, 1 surface, permanent	55	Three root canals, exclusive of restoration	438
Amalgam restoration, 2 surfaces, permanent	72	Periodontal scaling with gingival inflammation	80
Amalgam restoration, 3 surfaces, permanent	89	Gingival curettage, per quadrant	119





Dec	Jan	Feb	Mar	Apr	May	Total
889	889	889	889	889	889	10,669
889	889	889	889	889	889	10,669
3,750	3,750	3,750	3,750	3,750	3,750	45,000
833	833	833	833	833	833	10,000
1,778	1,778	1,778	1,778	1,778	1,778	21,338
2,500	2,500	2,500	2,500	2,500	2,500	30,000
417	417	417	417	417	417	5,000
593	593	593	593	593	593	7,113
4,167	4,167	4,167	4,167	4,167	4,167	50,000
1,680	1,680	1,680	1,680	1,680	1,680	20,160
4,813	4,813	4,813	4,813	4,813	4,813	57,750
417	417	417	417	417	417	5,000
<b>22,725</b>	<b>22,725</b>	<b>22,725</b>	<b>22,725</b>	<b>22,725</b>	<b>22,725</b>	<b>272,700</b>
<b>2,466</b>	<b>2,466</b>	<b>2,466</b>	<b>2,466</b>	<b>2,466</b>	<b>2,466</b>	<b>29,594</b>

### Statement of Cash Flows-Year 1, June 2002-May 2003

	Jun	Jul	Aug	Sep	Oct	Nov
<b>Cash Inflows</b>						
Beginning Cash Balance	20,000	19,503	19,005	18,508	18,010	17,513
Loan for Start-up costs	30,000					
Cash Receipts	26,673	26,673	26,673	26,673	26,673	26,673
<b>Total Cash Inflows</b>	<b>76,673</b>	<b>46,176</b>	<b>45,678</b>	<b>45,181</b>	<b>44,683</b>	<b>44,186</b>
<b>Cash Disbursements</b>						
Start-up costs	30,000					
Lab Fees (9%)	2,667	2,667	2,667	2,667	2,667	2,667
Dental Supplies (6%)	1,778	1,778	1,778	1,778	1,778	1,778
Advertising (3%)	889	889	889	889	889	889
Insurance (3%)	889	889	889	889	889	889
Interest Expense (F)	3,750	3,750	3,750	3,750	3,750	3,750
Legal & Professional Services (F)	833	833	833	833	833	833
Office Supplies (6%)	1,778	1,778	1,778	1,778	1,778	1,778
Mortgage (F)	2,500	2,500	2,500	2,500	2,500	2,500
Taxes & Licenses (10% of salary)	417	417	417	417	417	417
Utilities (2%)	593	593	593	593	593	593
Wages						
Professional (F)	4,167	4,167	4,167	4,167	4,167	4,167
Hygienist	1,680	1,680	1,680	1,680	1,680	1,680
Salaried & Benefits	4,813	4,813	4,813	4,813	4,813	4,813
Other Expenses (F)	417	417	417	417	417	417
<b>Total Disbursements</b>	<b>57,170</b>	<b>27,170</b>	<b>27,170</b>	<b>27,170</b>	<b>27,170</b>	<b>27,170</b>
<b>Remaining Cash at Month End</b>	<b>19,503</b>	<b>19,005</b>	<b>18,508</b>	<b>18,010</b>	<b>17,513</b>	<b>17,015</b>

	Jun	Jul	Aug	Sep	Oct	Nov
<b>Cash Inflows</b>						
Beginning Cash Balance	20,000	19,503	19,005	18,508	18,010	17,513
Loan for Start-up costs	30,000					
Cash Receipts	26,673	26,673	26,673	26,673	26,673	26,673
<b>Total Cash Inflows</b>	<b>76,673</b>	<b>46,176</b>	<b>45,678</b>	<b>45,181</b>	<b>44,683</b>	<b>44,186</b>
<b>Cash Disbursements</b>						
Start-up costs	30,000					
Lab Fees (9%)	2,667	2,667	2,667	2,667	2,667	2,667
Dental Supplies (6%)	1,778	1,778	1,778	1,778	1,778	1,778
Advertising (3%)	889	889	889	889	889	889
Insurance (3%)	889	889	889	889	889	889

	Jun	Jul	Aug	Sep	Oct	Nov
Interest Expense (F)	3,750	3,750	3,750	3,750	3,750	3,750
Legal & Professional Services (F)	833	833	833	833	833	833
Office Supplies (6%)	1,778	1,778	1,778	1,778	1,778	1,778
Mortgage (F)	2,500	2,500	2,500	2,500	2,500	2,500
Taxes & Licenses (10% of salary)	417	417	417	417	417	417
Utilities (2%)	593	593	593	593	593	593
Wages						
Professional (F)	4,167	4,167	4,167	4,167	4,167	4,167
Hygienist	1,680	1,680	1,680	1,680	1,680	1,680
Salaried & Benefits	4,813	4,813	4,813	4,813	4,813	4,813
Other Expenses (F)	417	417	417	417	417	417
<b>Total Disbursements</b>	<b>57,170</b>	<b>27,170</b>	<b>27,170</b>	<b>27,170</b>	<b>27,170</b>	<b>27,170</b>
<b>Remaining Cash at Month End</b>	<b>19,503</b>	<b>19,005</b>	<b>18,508</b>	<b>18,010</b>	<b>17,513</b>	<b>17,015</b>

Dec	Jan	Feb	Mar	Apr	May
17,015	16,518	16,020	15,523	15,025	14,528
26,673	26,673	26,673	26,673	26,673	26,673
43,688	43,191	42,693	42,196	41,698	41,201

2,667	2,667	2,667	2,667	2,667	2,667
1,778	1,778	1,778	1,778	1,778	1,778
889	889	889	889	889	889
889	889	889	889	889	889
3,750	3,750	3,750	3,750	3,750	3,750
833	833	833	833	833	833
1,778	1,778	1,778	1,778	1,778	1,778
2,500	2,500	2,500	2,500	2,500	2,500
417	417	417	417	417	417
593	593	593	593	593	593
4,167	4,167	4,167	4,167	4,167	4,167
1,680	1,680	1,680	1,680	1,680	1,680
4,813	4,813	4,813	4,813	4,813	4,813
417	417	417	417	417	417
27,170	27,170	27,170	27,170	27,170	27,170
16,518	16,020	15,523	15,025	14,528	14,030

Dec	Jan	Feb	Mar	Apr	May
17,015	16,518	16,020	15,523	15,025	14,528
26,673	26,673	26,673	26,673	26,673	26,673
<b>43,688</b>	<b>43,191</b>	<b>42,693</b>	<b>42,196</b>	<b>41,698</b>	<b>41,201</b>
2,667	2,667	2,667	2,667	2,667	2,667
1,778	1,778	1,778	1,778	1,778	1,778
889	889	889	889	889	889
889	889	889	889	889	889
3,750	3,750	3,750	3,750	3,750	3,750
833	833	833	833	833	833
1,778	1,778	1,778	1,778	1,778	1,778
2,500	2,500	2,500	2,500	2,500	2,500
417	417	417	417	417	417
593	593	593	593	593	593
4,167	4,167	4,167	4,167	4,167	4,167

<b>Dec</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>
1,680	1,680	1,680	1,680	1,680	1,680
4,813	4,813	4,813	4,813	4,813	4,813
417	417	417	417	417	417
<b>27,170</b>	<b>27,170</b>	<b>27,170</b>	<b>27,170</b>	<b>27,170</b>	<b>27,170</b>
<b>16,518</b>	<b>16,020</b>	<b>15,523</b>	<b>15,025</b>	<b>14,528</b>	<b>14,030</b>

### Balance Sheet- Year 1-5

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Assets:</b>					
Cash	14,030	27,228	53,494	39,471	55,598
Accounts Receivable	35,564	48,872	75,908	79,432	91,902
Building and Equipment	250,000	250,000	250,000	250,000	250,000
<b>Total Assets</b>	<b>299,594</b>	<b>326,100</b>	<b>379,402</b>	<b>368,903</b>	<b>397,500</b>

<b>Liabilities and Owners Equity:</b>					
Note Payable	270,000	240,000	210,000	180,000	150,000
Owners Equity	29,594	56,505	102,174	65,409	108,029
Retained Earnings	0	29,594	56,505	102,174	65,409
	0	0	10,723	21,321	74,062
<b>Total Liabilities</b>	<b>299,594</b>	<b>326,100</b>	<b>379,402</b>	<b>368,903</b>	<b>397,500</b>

Difference	0	0	0	0	0
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<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	
<b>Assets:</b>					
Cash	14,030	27,228	53,494	39,471	55,598
Accounts Receivable	35,564	48,872	75,908	79,432	91,902
Building and Equipment	250,000	250,000	250,000	250,000	250,000
<b>Total Assets</b>	<b>299,594</b>	<b>326,100</b>	<b>379,402</b>	<b>368,903</b>	<b>397,500</b>
<b>Liabilities and Owners Equity:</b>					
Note Payable	270,000	240,000	210,000	180,000	150,000
Owners Equity	29,594	56,505	102,174	65,409	108,029
Retained Earnings	0	29,594	56,505	102,174	65,409
	0	0	10,723	21,321	74,062
<b>Total Liabilities</b>	<b>299,594</b>	<b>326,100</b>	<b>379,402</b>	<b>368,903</b>	<b>397,500</b>
Difference	0	0	0	0	0

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## Statement of Cash Flows-Year 2, June 2003-May 2004

	Jun	Jul	Aug	Sep	Oct	Nov
<b>Cash Inflows</b>						
Beginning Cash Balance	14,030	15,130	16,230	17,330	18,430	19,530
Cash Receipts	32,481	32,481	32,481	32,481	32,481	32,481
<b>Total Cash Inflows</b>	<b>46,511</b>	<b>47,611</b>	<b>48,711</b>	<b>49,811</b>	<b>50,910</b>	<b>52,010</b>
<b>Cash Disbursements</b>						
Lab Fees (9%)	3,248	3,248	3,248	3,248	3,248	3,248
Dental Supplies (6%)	2,165	2,165	2,165	2,165	2,165	2,165
Advertising (3%)	1,083	1,083	1,083	1,083	1,083	1,083
Insurance (3%)	1,083	1,083	1,083	1,083	1,083	1,083
Interest Expense (F)	3,750	3,750	3,750	3,750	3,750	3,750
Legal & Professional Services (F)	833	833	833	833	833	833
Office Supplies (6%)	2,165	2,165	2,165	2,165	2,165	2,165
Mortgage (F)	2,500	2,500	2,500	2,500	2,500	2,500
Taxes & Licenses (10% of salary)	500	500	500	500	500	500
Utilities (2%)	722	722	722	722	722	722
<b>Wages</b>						
Professional (F)	5,000	5,000	5,000	5,000	5,000	5,000
Hygienist	1,747	1,747	1,747	1,747	1,747	1,747
Salaried & Benefits	6,168	6,168	6,168	6,168	6,168	6,168
Other Expenses (F)	417	417	417	417	417	417
<b>Total Disbursements</b>	<b>31,381</b>	<b>31,381</b>	<b>31,381</b>	<b>31,381</b>	<b>31,381</b>	<b>31,381</b>
<b>Remaining Cash at Month End</b>	<b>15,130</b>	<b>16,230</b>	<b>17,330</b>	<b>18,430</b>	<b>19,530</b>	<b>20,629</b>

	Jun	Jul	Aug	Sep	Oct	Nov
<b>Cash Inflows</b>						
Beginning Cash Balance	14,030	15,130	16,230	17,330	18,430	19,530
Cash Receipts	32,481	32,481	32,481	32,481	32,481	32,481
<b>Total Cash Inflows</b>	<b>46,511</b>	<b>47,611</b>	<b>48,711</b>	<b>49,811</b>	<b>50,910</b>	<b>52,010</b>
<b>Cash Disbursements</b>						
Lab Fees (9%)	3,248	3,248	3,248	3,248	3,248	3,248
Dental Supplies (6%)	2,165	2,165	2,165	2,165	2,165	2,165
Advertising (3%)	1,083	1,083	1,083	1,083	1,083	1,083
Insurance (3%)	1,083	1,083	1,083	1,083	1,083	1,083
Interest Expense (F)	3,750	3,750	3,750	3,750	3,750	3,750
Legal & Professional Services (F)	833	833	833	833	833	833
Office Supplies (6%)	2,165	2,165	2,165	2,165	2,165	2,165
Mortgage (F)	2,500	2,500	2,500	2,500	2,500	2,500
Taxes & Licenses (10% of salary)	500	500	500	500	500	500
Utilities (2%)	722	722	722	722	722	722
<b>Wages</b>						
Professional (F)	5,000	5,000	5,000	5,000	5,000	5,000
Hygienist	1,747	1,747	1,747	1,747	1,747	1,747
Salaried & Benefits	6,168	6,168	6,168	6,168	6,168	6,168
Other Expenses (F)	417	417	417	417	417	417
<b>Total Disbursements</b>	<b>31,381</b>	<b>31,381</b>	<b>31,381</b>	<b>31,381</b>	<b>31,381</b>	<b>31,381</b>
<b>Remaining Cash at Month End</b>	<b>15,130</b>	<b>16,230</b>	<b>17,330</b>	<b>18,430</b>	<b>19,530</b>	<b>20,629</b>

Dec	Jan	Feb	Mar	Apr	May
20,629	21,729	22,829	23,929	25,029	26,129
32,481	32,481	32,481	32,481	32,481	32,481
53,110	54,210	55,310	56,410	57,509	58,609

3,248	3,248	3,248	3,248	3,248	3,248
2,165	2,165	2,165	2,165	2,165	2,165
1,083	1,083	1,083	1,083	1,083	1,083
1,083	1,083	1,083	1,083	1,083	1,083
3,750	3,750	3,750	3,750	3,750	3,750
833	833	833	833	833	833
2,165	2,165	2,165	2,165	2,165	2,165
2,500	2,500	2,500	2,500	2,500	2,500
500	500	500	500	500	500
722	722	722	722	722	722

5,000	5,000	5,000	5,000	5,000	5,000
1,747	1,747	1,747	1,747	1,747	1,747
6,168	6,168	6,168	6,168	6,168	6,168
417	417	417	417	417	417

31,381	31,381	31,381	31,381	31,381	31,381
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21,729	22,829	23,929	25,029	26,129	27,228
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Dec	Jan	Feb	Mar	Apr	May
20,629	21,729	22,829	23,929	25,029	26,129
32,481	32,481	32,481	32,481	32,481	32,481
<b>53,110</b>	<b>54,210</b>	<b>55,310</b>	<b>56,410</b>	<b>57,509</b>	<b>58,609</b>
3,248	3,248	3,248	3,248	3,248	3,248
2,165	2,165	2,165	2,165	2,165	2,165
1,083	1,083	1,083	1,083	1,083	1,083
1,083	1,083	1,083	1,083	1,083	1,083
3,750	3,750	3,750	3,750	3,750	3,750
833	833	833	833	833	833
2,165	2,165	2,165	2,165	2,165	2,165
2,500	2,500	2,500	2,500	2,500	2,500
500	500	500	500	500	500
722	722	722	722	722	722
5,000	5,000	5,000	5,000	5,000	5,000
1,747	1,747	1,747	1,747	1,747	1,747
6,168	6,168	6,168	6,168	6,168	6,168
417	417	417	417	417	417
<b>31,381</b>	<b>31,381</b>	<b>31,381</b>	<b>31,381</b>	<b>31,381</b>	<b>31,381</b>
<b>21,729</b>	<b>22,829</b>	<b>23,929</b>	<b>25,029</b>	<b>26,129</b>	<b>27,228</b>











	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>
Advertising (3%)	1,898	1,898	1,898	1,898	1,898	1,898
Insurance (3%)	1,898	1,898	1,898	1,898	1,898	1,898
Interest Expense (F)	3,750	3,750	3,750	3,750	3,750	3,750
Legal & Professional Services (F)	833	833	833	833	833	833
Office Supplies (6%)	3,795	3,795	3,795	3,795	3,795	3,795
Mortgage (F)	2,500	2,500	2,500	2,500	2,500	2,500
Taxes & Licenses (10% of salary)	750	750	750	750	750	750
Utilities (2%)	1,265	1,265	1,265	1,265	1,265	1,265
<b>Wages</b>						
Dr. Stanley Kramer (F)	7,500	7,500	7,500	7,500	7,500	7,500
Dr. Jeremiah Kramer	11,895	11,895	11,895	11,895	11,895	11,895
Hygienist	1,814	1,814	1,814	1,814	1,814	1,814
Salaried & Benefits	6,939	6,939	6,939	6,939	6,939	6,939
Other Expenses (F)	417	417	417	417	417	417
<b>Total Disbursements</b>	<b>54,742</b>	<b>54,742</b>	<b>54,742</b>	<b>54,742</b>	<b>54,742</b>	<b>54,742</b>
<b>Remaining Cash at Month End</b>	<b>29,417</b>	<b>31,606</b>	<b>33,795</b>	<b>35,984</b>	<b>38,173</b>	<b>40,361</b>

Dec	Jan	Feb	Mar	Apr	May
40,361	42,550	44,739	46,928	49,117	51,306
56,931	56,931	56,931	56,931	56,931	56,931
97,292	99,481	101,670	103,859	106,048	108,236

5,693	5,693	5,693	5,693	5,693	5,693
3,795	3,795	3,795	3,795	3,795	3,795
1,898	1,898	1,898	1,898	1,898	1,898
1,898	1,898	1,898	1,898	1,898	1,898
3,750	3,750	3,750	3,750	3,750	3,750
833	833	833	833	833	833
3,795	3,795	3,795	3,795	3,795	3,795
2,500	2,500	2,500	2,500	2,500	2,500
750	750	750	750	750	750
1,265	1,265	1,265	1,265	1,265	1,265

7,500	7,500	7,500	7,500	7,500	7,500
11,895	11,895	11,895	11,895	11,895	11,895
1,814	1,814	1,814	1,814	1,814	1,814
6,939	6,939	6,939	6,939	6,939	6,939
417	417	417	417	417	417

54,742	54,742	54,742	54,742	54,742	54,742
42,550	44,739	46,928	49,117	51,306	53,494

<b>Dec</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>
40,361	42,550	44,739	46,928	49,117	51,306
56,931	56,931	56,931	56,931	56,931	56,931
<b>97,292</b>	<b>99,481</b>	<b>101,670</b>	<b>103,859</b>	<b>106,048</b>	<b>108,236</b>
5,693	5,693	5,693	5,693	5,693	5,693
3,795	3,795	3,795	3,795	3,795	3,795
1,898	1,898	1,898	1,898	1,898	1,898
1,898	1,898	1,898	1,898	1,898	1,898
3,750	3,750	3,750	3,750	3,750	3,750
833	833	833	833	833	833
3,795	3,795	3,795	3,795	3,795	3,795







<b>INCOME:</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>
Dr. Stanley Kramer	36,712	36,712	36,712	36,712	36,712	36,712
Hygienist	6,720	6,720	6,720	6,720	6,720	6,720
Gross Sales	43,432	43,432	43,432	43,432	43,432	43,432
Cash Receipts (90%)	39,089	39,089	39,089	39,089	39,089	39,089
Accounts Receivable (10%)	4,343	4,343	4,343	4,343	4,343	4,343
Cost of Goods Sold						
Lab Fees (9%)	(3,909)	(3,909)	(3,909)	(3,909)	(3,909)	(3,909)
Dental Supplies (6%)	(2,606)	(2,606)	(2,606)	(2,606)	(2,606)	(2,606)
<b>GROSS INCOME:</b>	<b>36,917</b>	<b>36,917</b>	<b>36,917</b>	<b>36,917</b>	<b>36,917</b>	<b>36,917</b>
<b>EXPENSES:</b>						
Advertising (3%)	1,303	1,303	1,303	1,303	1,303	1,303
Insurance (3%)	1,303	1,303	1,303	1,303	1,303	1,303
Interest Expense (F)	3,750	3,750	3,750	3,750	3,750	3,750
Legal & Professional Services (F)	833	833	833	833	833	833
Office Supplies (6%)	2,606	2,606	2,606	2,606	2,606	2,606
Mortgage (F)	2,500	2,500	2,500	2,500	2,500	2,500
Taxes & Licenses (10% of salary)	500	500	500	500	500	500
Utilities (2%)	869	869	869	869	869	869
<b>Wages</b>						
Dr. Stanley Kramer (F)	5,000	5,000	5,000	5,000	5,000	5,000
Hygienist (.28 of production)	1,882	1,882	1,882	1,882	1,882	1,882
Salaried & Benefits (21%)	7,710	7,710	7,710	7,710	7,710	7,710
Other Expenses (F)	417	417	417	417	417	417
<b>TOTAL EXPENSES:</b>	<b>28,672</b>	<b>28,672</b>	<b>28,672</b>	<b>28,672</b>	<b>28,672</b>	<b>28,672</b>
<b>NET PROFIT (LOSS):</b>	<b>8,246</b>	<b>8,246</b>	<b>8,246</b>	<b>8,246</b>	<b>8,246</b>	<b>8,246</b>

Stanley at 10 patients a day at an average of \$183.56/patient	440,544
1 Hygienist at 7 patients a day for 2 days a week averaging \$120/patient	80,640
1 assistant 40 hours a week at \$11.00/hour for 52 weeks	22,880
1 receptionist/ bookkeeper 40 hours a week at \$11.65/hour at 52 weeks	24,232
Weekly wage of assistant and receptionist before benefits	47,112

<b>Stanley at 10 patients a day at an average of \$183.56/patient</b>	<b>440,544</b>
1 Hygienist at 7 patients a day for 2 days a week averaging \$120/patient	80,640
1 assistant 40 hours a week at \$11.00/hour for 52 weeks	22,880
1 receptionist/ bookkeeper 40 hours a week at \$11.65/hour at 52 weeks	24,232
<b>Weekly wage of assistant and receptionist before benefits</b>	<b>47,112</b>



## Statement of Cash Flows-Year 4, June 2005-May 2006

	Jun	Jul	Aug	Sep	Oct	Nov
<b>Cash Inflows</b>						
Beginning Cash Balance	53,494	52,326	51,157	49,988	48,820	47,651
Cash Receipts	59,574	59,574	59,574	59,574	59,574	59,574
<b>Total Cash Inflows</b>	<b>113,069</b>	<b>111,900</b>	<b>110,731</b>	<b>109,563</b>	<b>108,394</b>	<b>107,225</b>
<b>Cash Disbursements</b>						
Lab Fees (9%)	5,957	5,957	5,957	5,957	5,957	5,957
Dental Supplies (6%)	3,972	3,972	3,972	3,972	3,972	3,972
Advertising (3%)	1,986	1,986	1,986	1,986	1,986	1,986
Insurance (3%)	1,986	1,986	1,986	1,986	1,986	1,986
Interest Expense (F)	3,750	3,750	3,750	3,750	3,750	3,750
Legal & Professional Services (F)	833	833	833	833	833	833
Office Supplies (6%)	3,972	3,972	3,972	3,972	3,972	3,972
Mortgage (F)	2,500	2,500	2,500	2,500	2,500	2,500
Taxes & Licenses (10% of salary)	958	958	958	958	958	958
Utilities (2%)	1,324	1,324	1,324	1,324	1,324	1,324
<b>Wages</b>						
Dr. Stanley Kramer (F)	9,583	9,583	9,583	9,583	9,583	9,583
Dr. Jeremiah Kramer	14,685	14,685	14,685	14,685	14,685	14,685
Hygienist	1,882	1,882	1,882	1,882	1,882	1,882
Salaried & Benefits	6,939	6,939	6,939	6,939	6,939	6,939
Other Expenses (F)	417	417	417	417	417	417
<b>Total Disbursements</b>	<b>60,743</b>	<b>60,743</b>	<b>60,743</b>	<b>60,743</b>	<b>60,743</b>	<b>60,743</b>
<b>Remaining Cash at Month End</b>	<b>52,326</b>	<b>51,157</b>	<b>49,988</b>	<b>48,820</b>	<b>47,651</b>	<b>46,483</b>

	Jun	Jul	Aug	Sep	Oct	Nov
<b>Cash Inflows</b>						
Beginning Cash Balance	53,494	52,326	51,157	49,988	48,820	47,651
Cash Receipts	59,574	59,574	59,574	59,574	59,574	59,574
<b>Total Cash Inflows</b>	<b>113,069</b>	<b>111,900</b>	<b>110,731</b>	<b>109,563</b>	<b>108,394</b>	<b>107,225</b>
<b>Cash Disbursements</b>						
Lab Fees (9%)	5,957	5,957	5,957	5,957	5,957	5,957
Dental Supplies (6%)	3,972	3,972	3,972	3,972	3,972	3,972
Advertising (3%)	1,986	1,986	1,986	1,986	1,986	1,986
Insurance (3%)	1,986	1,986	1,986	1,986	1,986	1,986
Interest Expense (F)	3,750	3,750	3,750	3,750	3,750	3,750
Legal & Professional Services (F)	833	833	833	833	833	833
Office Supplies (6%)	3,972	3,972	3,972	3,972	3,972	3,972
Mortgage (F)	2,500	2,500	2,500	2,500	2,500	2,500
Taxes & Licenses (10% of salary)	958	958	958	958	958	958
Utilities (2%)	1,324	1,324	1,324	1,324	1,324	1,324
<b>Wages</b>						
Dr. Stanley Kramer (F)	9,583	9,583	9,583	9,583	9,583	9,583
Dr. Jeremiah Kramer	14,685	14,685	14,685	14,685	14,685	14,685
Hygienist	1,882	1,882	1,882	1,882	1,882	1,882
Salaried & Benefits	6,939	6,939	6,939	6,939	6,939	6,939
Other Expenses (F)	417	417	417	417	417	417
<b>Total Disbursements</b>	<b>60,743</b>	<b>60,743</b>	<b>60,743</b>	<b>60,743</b>	<b>60,743</b>	<b>60,743</b>
<b>Remaining Cash at Month End</b>	<b>52,326</b>	<b>51,157</b>	<b>49,988</b>	<b>48,820</b>	<b>47,651</b>	<b>46,483</b>

Dec	Jan	Feb	Mar	Apr	May
46,483	45,314	44,145	42,977	41,808	40,639
59,574	59,574	59,574	59,574	59,574	59,574
<b>106,057</b>	<b>104,888</b>	<b>103,719</b>	<b>102,551</b>	<b>101,382</b>	<b>100,213</b>

5,957	5,957	5,957	5,957	5,957	5,957
3,972	3,972	3,972	3,972	3,972	3,972
1,986	1,986	1,986	1,986	1,986	1,986
1,986	1,986	1,986	1,986	1,986	1,986
3,750	3,750	3,750	3,750	3,750	3,750
833	833	833	833	833	833
3,972	3,972	3,972	3,972	3,972	3,972
2,500	2,500	2,500	2,500	2,500	2,500
958	958	958	958	958	958
1,324	1,324	1,324	1,324	1,324	1,324

9,583	9,583	9,583	9,583	9,583	9,583
14,685	14,685	14,685	14,685	14,685	14,685
1,882	1,882	1,882	1,882	1,882	1,882
6,939	6,939	6,939	6,939	6,939	6,939
417	417	417	417	417	417
<b>60,743</b>	<b>60,743</b>	<b>60,743</b>	<b>60,743</b>	<b>60,743</b>	<b>60,743</b>
45,314	44,145	42,977	41,808	40,639	39,471

Dec	Jan	Feb	Mar	Apr	May
46,483	45,314	44,145	42,977	41,808	40,639
59,574	59,574	59,574	59,574	59,574	59,574
<b>106,057</b>	<b>104,888</b>	<b>103,719</b>	<b>102,551</b>	<b>101,382</b>	<b>100,213</b>
5,957	5,957	5,957	5,957	5,957	5,957
3,972	3,972	3,972	3,972	3,972	3,972
1,986	1,986	1,986	1,986	1,986	1,986
1,986	1,986	1,986	1,986	1,986	1,986
3,750	3,750	3,750	3,750	3,750	3,750
833	833	833	833	833	833
3,972	3,972	3,972	3,972	3,972	3,972
2,500	2,500	2,500	2,500	2,500	2,500
958	958	958	958	958	958
1,324	1,324	1,324	1,324	1,324	1,324
9,583	9,583	9,583	9,583	9,583	9,583
14,685	14,685	14,685	14,685	14,685	14,685
1,882	1,882	1,882	1,882	1,882	1,882
6,939	6,939	6,939	6,939	6,939	6,939
417	417	417	417	417	417
<b>60,743</b>	<b>60,743</b>	<b>60,743</b>	<b>60,743</b>	<b>60,743</b>	<b>60,743</b>
<b>45,314</b>	<b>44,145</b>	<b>42,977</b>	<b>41,808</b>	<b>40,639</b>	<b>39,471</b>



<b>INCOME:</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>
Hygienist #2 (.25 of production)	1,680	1,680	1,680	1,680	1,680	1,680
Salaried & Benefits (21%)	7,710	7,710	7,710	7,710	7,710	7,710
Other Expenses (F)	417	417	417	417	417	417
<b>TOTAL EXPENSES:</b>	<b>56,094</b>	<b>56,094</b>	<b>56,094</b>	<b>56,094</b>	<b>56,094</b>	<b>56,094</b>
<b>NET PROFIT (LOSS):</b>	<b>9,002</b>	<b>9,002</b>	<b>9,002</b>	<b>9,002</b>	<b>9,002</b>	<b>9,002</b>

Stanley at 10 patients a day at an average of \$183.56/patient	440,544
Jeremiah at 9 patients a day, 4 days a week for 48 weeks at \$183.56/patient	317,192
2 Hygienist at 7 patients a day for 2 days a week averaging \$120/patient	161,280
2 assistants 40 hours a week at \$11.00/hour for 52 weeks	45,760
1 receptionist/ bookkeeper 40 hours a week at \$11.65/hour at 52 weeks	24,232
1 receptionist/ bookkeeper 20 hours a week at \$11.65/hour at 52 weeks	12,116
Weekly wage of assistant and receptionist before benefits	82,108

<b>Stanley at 10 patients a day at an average of \$183.56/patient</b>	<b>440,544</b>
<b>Jeremiah at 9 patients a day, 4 days a week for 48 weeks at \$183.56/patient</b>	<b>317,192</b>
2 Hygienist at 7 patients a day for 2 days a week averaging \$120/patient	161,280
2 assistants 40 hours a week at \$11.00/hour for 52 weeks	45,760
1 receptionist/ bookkeeper 40 hours a week at \$11.65/hour at 52 weeks	24,232
1 receptionist/ bookkeeper 20 hours a week at \$11.65/hour at 52 weeks	12,116
<b>Weekly wage of assistant and receptionist before benefits</b>	<b>82,108</b>

Dec	Jan	Feb	Mar	Apr	May
36,712	36,712	36,712	36,712	36,712	36,712
26,433	26,433	26,433	26,433	26,433	26,433
6,720	6,720	6,720	6,720	6,720	6,720
6,720	6,720	6,720	6,720	6,720	6,720
76,585	76,585	76,585	76,585	76,585	76,585
68,926	68,926	68,926	68,926	68,926	68,926
7,658	7,658	7,658	7,658	7,658	7,658
(6,893)	(6,893)	(6,893)	(6,893)	(6,893)	(6,893)
(4,595)	(4,595)	(4,595)	(4,595)	(4,595)	(4,595)
65,097	65,097	65,097	65,097	65,097	65,097

2,298	2,298	2,298	2,298	2,298	2,298
2,298	2,298	2,298	2,298	2,298	2,298
3,750	3,750	3,750	3,750	3,750	3,750
833	833	833	833	833	833
4,595	4,595	4,595	4,595	4,595	4,595
2,500	2,500	2,500	2,500	2,500	2,500
1,083	1,083	1,083	1,083	1,083	1,083
1,532	1,532	1,532	1,532	1,532	1,532

10,833	10,833	10,833	10,833	10,833	10,833
14,685	14,685	14,685	14,685	14,685	14,685
1,882	1,882	1,882	1,882	1,882	1,882
1,680	1,680	1,680	1,680	1,680	1,680
7,710	7,710	7,710	7,710	7,710	7,710
417	417	417	417	417	417
56,094	56,094	56,094	56,094	56,094	56,094
9,002	9,002	9,002	9,002	9,002	9,002

<b>Dec</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>
36,712	36,712	36,712	36,712	36,712	36,712
26,433	26,433	26,433	26,433	26,433	26,433
6,720	6,720	6,720	6,720	6,720	6,720
6,720	6,720	6,720	6,720	6,720	6,720
76,585	76,585	76,585	76,585	76,585	76,585
68,926	68,926	68,926	68,926	68,926	68,926
7,658	7,658	7,658	7,658	7,658	7,658
(6,893)	(6,893)	(6,893)	(6,893)	(6,893)	(6,893)



<b>INCOME:</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>
Cash Receipts (90%)	45,137	45,137	45,137	45,137	45,137	45,137
Accounts Receivable (10%)	5,015	5,015	5,015	5,015	5,015	5,015
<b>Cost of Goods Sold</b>						
Lab Fees (9%)	(4,514)	(4,514)	(4,514)	(4,514)	(4,514)	(4,514)
Dental Supplies (6%)	(3,009)	(3,009)	(3,009)	(3,009)	(3,009)	(3,009)
<b>GROSS INCOME:</b>	<b>42,629</b>	<b>42,629</b>	<b>42,629</b>	<b>42,629</b>	<b>42,629</b>	<b>42,629</b>
<b>EXPENSES:</b>						
Advertising (3%)	1,505	1,505	1,505	1,505	1,505	1,505
Insurance (3%)	1,505	1,505	1,505	1,505	1,505	1,505
Interest Expense (F)	3,750	3,750	3,750	3,750	3,750	3,750
Legal & Professional Services (F)	833	833	833	833	833	833
Office Supplies (6%)	3,009	3,009	3,009	3,009	3,009	3,009
Mortgage (F)	2,500	2,500	2,500	2,500	2,500	2,500
Taxes & Licenses (10% of salary)	500	500	500	500	500	500
Utilities (2%)	1,003	1,003	1,003	1,003	1,003	1,003
<b>Wages</b>						
Dr. Stanley Kramer (F)	5,000	5,000	5,000	5,000	5,000	5,000
Hygienist #1 (.28 of production)	1,882	1,882	1,882	1,882	1,882	1,882
Hygienist #2 (.25 of production)	1,680	1,680	1,680	1,680	1,680	1,680
Salaried & Benefits (21%)	7,710	7,710	7,710	7,710	7,710	7,710
Other Expenses (F)	417	417	417	417	417	417
<b>TOTAL EXPENSES:</b>	<b>31,292</b>	<b>31,292</b>	<b>31,292</b>	<b>31,292</b>	<b>31,292</b>	<b>31,292</b>
<b>NET PROFIT (LOSS):</b>	<b>11,337</b>	<b>11,337</b>	<b>11,337</b>	<b>11,337</b>	<b>11,337</b>	<b>11,337</b>

Stanley at 10 patients a day at an average of \$183.56/patient	440,544
1 Hygienist at 7 patients a day for 2 days a week averaging \$120/patient	80,640
1 Hygienist at 7 patients a day for 2 days a week averaging \$120/patient	80,640
1 assistant 40 hours a week at \$11.00/hour for 52 weeks	22,880
1 receptionist/ bookkeeper 40 hours a week at \$11.65/hour at 52 weeks	24,232
1 receptionist/ bookkeeper 20 hours a week at \$11.65/hour at 52 weeks	12,116
Weekly wage of assistant and receptionist before benefits	59,228

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1 receptionist/ bookkeeper 20 hours a week at \$11.65/hour at 52 weeks	12,116
<b>Weekly wage of assistant and receptionist before benefits</b>	<b>59,228</b>



## Statement of Cash Flows-Year 5, June 2006-May 2007

	Jun	Jul	Aug	Sep	Oct	Nov
<b>Cash Inflows</b>						
Beginning Cash Balance	39,471	40,815	42,159	43,503	44,847	46,191
Cash Receipts	68,926	68,926	68,926	68,926	68,926	68,926
<b>Total Cash Inflows</b>	<b>108,397</b>	<b>109,741</b>	<b>111,085</b>	<b>112,429</b>	<b>113,773</b>	<b>115,117</b>
<b>Cash Disbursements</b>						
Lab Fees (9%)	6,893	6,893	6,893	6,893	6,893	6,893
Dental Supplies (6%)	4,595	4,595	4,595	4,595	4,595	4,595
Advertising (3%)	2,298	2,298	2,298	2,298	2,298	2,298
Insurance (3%)	2,298	2,298	2,298	2,298	2,298	2,298
Interest Expense (F)	3,750	3,750	3,750	3,750	3,750	3,750
Legal & Professional Services (F)	833	833	833	833	833	833
Office Supplies (6%)	4,595	4,595	4,595	4,595	4,595	4,595
Mortgage (F)	2,500	2,500	2,500	2,500	2,500	2,500
Taxes & Licenses (10% of salary)	1,083	1,083	1,083	1,083	1,083	1,083
Utilities (2%)	1,532	1,532	1,532	1,532	1,532	1,532
<b>Wages</b>						
Dr. Stanley Kramer (F)	10,833	10,833	10,833	10,833	10,833	10,833
Dr. Jeremiah Kramer	14,685	14,685	14,685	14,685	14,685	14,685
Hygienist #1	1,882	1,882	1,882	1,882	1,882	1,882
Hygienist #2	1,680	1,680	1,680	1,680	1,680	1,680
Salaried & Benefits	7,710	7,710	7,710	7,710	7,710	7,710
Other Expenses (F)	417	417	417	417	417	417
<b>Total Disbursements</b>	<b>67,582</b>	<b>67,582</b>	<b>67,582</b>	<b>67,582</b>	<b>67,582</b>	<b>67,582</b>
<b>Remaining Cash at Month End</b>	<b>40,815</b>	<b>42,159</b>	<b>43,503</b>	<b>44,847</b>	<b>46,191</b>	<b>47,535</b>

	Jun	Jul	Aug	Sep	Oct	Nov
<b>Cash Inflows</b>						
Beginning Cash Balance	39,471	40,815	42,159	43,503	44,847	46,191
Cash Receipts	68,926	68,926	68,926	68,926	68,926	68,926
<b>Total Cash Inflows</b>	<b>108,397</b>	<b>109,741</b>	<b>111,085</b>	<b>112,429</b>	<b>113,773</b>	<b>115,117</b>
<b>Cash Disbursements</b>						
Lab Fees (9%)	6,893	6,893	6,893	6,893	6,893	6,893
Dental Supplies (6%)	4,595	4,595	4,595	4,595	4,595	4,595
Advertising (3%)	2,298	2,298	2,298	2,298	2,298	2,298
Insurance (3%)	2,298	2,298	2,298	2,298	2,298	2,298
Interest Expense (F)	3,750	3,750	3,750	3,750	3,750	3,750
Legal & Professional Services (F)	833	833	833	833	833	833
Office Supplies (6%)	4,595	4,595	4,595	4,595	4,595	4,595
Mortgage (F)	2,500	2,500	2,500	2,500	2,500	2,500
Taxes & Licenses (10% of salary)	1,083	1,083	1,083	1,083	1,083	1,083
Utilities (2%)	1,532	1,532	1,532	1,532	1,532	1,532
<b>Wages</b>						
Dr. Stanley Kramer (F)	10,833	10,833	10,833	10,833	10,833	10,833
Dr. Jeremiah Kramer	14,685	14,685	14,685	14,685	14,685	14,685
Hygienist #1	1,882	1,882	1,882	1,882	1,882	1,882
Hygienist #2	1,680	1,680	1,680	1,680	1,680	1,680
Salaried & Benefits	7,710	7,710	7,710	7,710	7,710	7,710
Other Expenses (F)	417	417	417	417	417	417
<b>Total Disbursements</b>	<b>67,582</b>	<b>67,582</b>	<b>67,582</b>	<b>67,582</b>	<b>67,582</b>	<b>67,582</b>
<b>Remaining Cash at Month End</b>	<b>40,815</b>	<b>42,159</b>	<b>43,503</b>	<b>44,847</b>	<b>46,191</b>	<b>47,535</b>

Dec	Jan	Feb	Mar	Apr	May
47,535	48,879	50,223	51,566	52,910	54,254
68,926	68,926	68,926	68,926	68,926	68,926
<b>116,461</b>	<b>117,805</b>	<b>119,149</b>	<b>120,493</b>	<b>121,837</b>	<b>123,181</b>
6,893	6,893	6,893	6,893	6,893	6,893
4,595	4,595	4,595	4,595	4,595	4,595
2,298	2,298	2,298	2,298	2,298	2,298
2,298	2,298	2,298	2,298	2,298	2,298
3,750	3,750	3,750	3,750	3,750	3,750
833	833	833	833	833	833
4,595	4,595	4,595	4,595	4,595	4,595
2,500	2,500	2,500	2,500	2,500	2,500
1,083	1,083	1,083	1,083	1,083	1,083
1,532	1,532	1,532	1,532	1,532	1,532
10,833	10,833	10,833	10,833	10,833	10,833
14,685	14,685	14,685	14,685	14,685	14,685
1,882	1,882	1,882	1,882	1,882	1,882
1,680	1,680	1,680	1,680	1,680	1,680
7,710	7,710	7,710	7,710	7,710	7,710
417	417	417	417	417	417
67,582	67,582	67,582	67,582	67,582	67,582
48,879	50,223	51,566	52,910	54,254	55,598

Dec	Jan	Feb	Mar	Apr	May
47,535	48,879	50,223	51,566	52,910	54,254
68,926	68,926	68,926	68,926	68,926	68,926
<b>116,461</b>	<b>117,805</b>	<b>119,149</b>	<b>120,493</b>	<b>121,837</b>	<b>123,181</b>
6,893	6,893	6,893	6,893	6,893	6,893
4,595	4,595	4,595	4,595	4,595	4,595
2,298	2,298	2,298	2,298	2,298	2,298
2,298	2,298	2,298	2,298	2,298	2,298
3,750	3,750	3,750	3,750	3,750	3,750
833	833	833	833	833	833
4,595	4,595	4,595	4,595	4,595	4,595
2,500	2,500	2,500	2,500	2,500	2,500
1,083	1,083	1,083	1,083	1,083	1,083
1,532	1,532	1,532	1,532	1,532	1,532
10,833	10,833	10,833	10,833	10,833	10,833
14,685	14,685	14,685	14,685	14,685	14,685
1,882	1,882	1,882	1,882	1,882	1,882
1,680	1,680	1,680	1,680	1,680	1,680
7,710	7,710	7,710	7,710	7,710	7,710
417	417	417	417	417	417
<b>67,582</b>	<b>67,582</b>	<b>67,582</b>	<b>67,582</b>	<b>67,582</b>	<b>67,582</b>
<b>48,879</b>	<b>50,223</b>	<b>51,566</b>	<b>52,910</b>	<b>54,254</b>	<b>55,598</b>

## Possible Pitfalls

**Locating a suitable practice** -There is the possibility that the perfect practice does not exist in our desired location. Further, the practice that I do the associateship with may not be optimal for purchase. In that case I will survey the area for a practice to buy or a location to build. Living in the area will give me latitude to do this.

**Not being asked to buy the practice from the present owner** -If the owner does not like my work or decides not to retire, I will weigh my options. I could buy another practice, build a practice or possibly do a partial buyout of the current practice. Fortunately, this decision will be made after I have had a year's experience with the owner to assess his practice, the area, and my goals for the future without any capital outlay.

**Not having a "quality" client base** -I feel that it is optimal to buy a practice with a good client base. Sometimes the goodwill of the client base is overstated. By working in a practice, I will have the opportunity to assess the quality of the clients. If I decide not to buy the practice that I am doing an associateship in, I will have built up a client pool of my own that will hopefully follow me to my new practice.

**Not having large enough initial client base** -We will select a practice only after intense study of its active patient base, collection percentage, etc.

**Possibility of clashing management styles between previous owners and new owners** - We feel that patients will adapt to our style provided we make it a policy to show sincere concern for our patients' well being. Also, we realize that it is likely that the practice will lose a percentage of its original patients in the beginning.

**Possibility of clashing management styles of new owners** -An office manual will be constructed prior to purchase of the practice to determine whether management philosophies are compatible. Any discrepancies will be discussed and documented with employees having say in outcome.

## Positive Aspects

- Market conditions are right for location selected
- Pre-existing client base
- A business agreement that meets both my father's and my personal and professional goals
- Industry trends are favorable (see Appendix)

## APPENDIX

### Managed Care

As in the medical profession, over the past couple of years, the dental industry has been bombarded with Preferred Provider Organizations (PPO) and Dental Health Maintenance Organizations (DHMO). Not surprising, after a couple years' trial of these services, many dentists are going back to traditional, independent practices. In 1995, 44 percent of dentists surveyed participated in at least one PPO and 19 percent participated in a DHMO as compared to 37.1 percent and 15.5 percent respectively in 1996 (Kehoe, pp. 28-29). Dr. Gordon Christensen, a leading researcher, clinician, and lecturer in dentistry, feels that the move to managed care has "degenerated the quality of dentistry, particularly the dentistry delivered by less-mature dentists" and that it has only proven beneficial for those patients that might not have had access to dentistry previously (Bonner, p.74). He predicts a movement away from managed care in the next 15 years as the American public becomes disgruntled with the poor quality and reduced alternatives offered by managed care much like it has in the medical profession. "We will see free-enterprise dentistry finally win, and therefore, the American public wins because quality will remain. This will happen because of the elective nature of many dental services, and the lack of most managed care programs to provide care in the elective area" (Bonner, p. 78).

### Consolidation

One current trend in the dental industry is the linking together or networking of separate dental practices. This is called consolidation and is normally instigated by nondentist entrepreneurs who have recognized a potential income source in uniting dentists with managed care organizations (MCO). The dentists either act as salaried employees to the MCO or get paid a percentage of the collections or production. Obviously this is not the

scenario that the dentist hoped for when attending eight years of school. This is only an alternative that the dentist will consider when faced with the choice of staying in private practice and losing a large percentage of the patient base to managed care or joining managed care and losing money. Consolidators act as brokers that see to it that the MCO gets the much needed managed care dental providers and that the dentists get a fair contract. This is done by networking dental practices. The consolidator is called a network administrator and he/she "evaluates the proposed contract, negotiates the terms and sets up the agreement." These consolidations are very similar to the activity taking place in the physician managed-care networks.

There are various benefits derived from the use of consolidation networks. Dentists in the managed care network receive an increase in patients. Although most consolidations that have been made include already practicing dentists, many recent graduates see it as an appealing alternative. The main benefit that they see is the elimination of the expenses associated with setting up a practice. Also it greatly reduces the necessity of making business decisions. As many dental students have had little or no business experience or instruction, and have had an education based almost entirely in science, the prospect of running a business is frightening. Speculators expect a trend toward recent graduates joining MCO networks right out of school. One other benefit of the networks is that consolidators focus on using "economies of scale" to save money. Network dental offices within a given location will see reduced lab expenses, supplies and equipment costs by volume purchasing.

Consolidation also has many obstacles. Neither dentists nor patients of managed care have as much freedom of choice in the dental care given or received. As dentistry is becoming more elective and is offering more alternatives for each diagnosis, both the patient and dentist want more freedom of choice. There is also the question of legal liability for treatment. If the dentist is merely acting as an employee of a MCO, who is liable in a case of malpractice? "Managed care companies usually cannot be directly sued for malpractice because they do not practice dentistry, but rather 'arrange' for treatment or pay for services. Consolidation companies may work with network dentists as independent contractors or employees. If a dentist is an employee or 'agent' of a company, that company may be held liable." Finally, some states have laws stating that only a dentist can own a dental practice. "Challenges to the law are expected to be made by consolidators in 'dentist-ownership only' states."

## **Baby Boomer Dentists Retiring**

As the baby boomers are starting to turn 50, there is much interest in the effect that this will have on dentistry. Many dentists retire between the ages of 55 and 65 and as the baby boomers near these ages, there are many questions that need to be answered about the competitive factors involved. For instance, will there be a surplus of dental practices for sale in the next 10 years, making a shift to a buyer's market? Imtiaz Manji, president of ExperDent Consultants, Inc. says that eventually the dental practice market will be a buyer's market. He speculates that the only practices that will sell at close to what their value is today are those that have "exceptionally well-managed patient bases and goodwill assets" (Manji, p. 12).

Another question concerning the retirement of baby boomer dentists is whether there will be a shortage of dentists in 10 years. This question can be looked at by discussing the number of active dentists that will be over 50 in 10 years and the number of dental students graduating in the next few years. In 1996, there were 152,575 professionally active dentists in the United States. Of the active dentists, only 45,580 or 30 percent were under age 40. That means that within 10 years, 70 percent of the current active dentists will either be retired or preparing for retirement. Will this number be offset by an abnormally high market influx of recent graduates? Currently there are 55 dental schools in the United States and the current trend is that it is more likely for a school to close down than for a new school to be instituted. In 1996, there were 16,570 undergraduate dental students of which 3,810 graduated. Applications to dental schools have increased from 5,123 to 8,872 between 1990 and 1996; however, class sizes have remained relatively the same size ("Key Dental Facts, pp. 14-16).

## **Bigger Bottom Line**

The current trend in dentistry is increased wealth. Between 1995 and 1996, 73.2 percent of dentists noted increased take home pay, 76.8 percent reported their gross personal income increased by a median of 10 percent, and more than 50 percent of respondents claimed unchanged or decreased overhead costs. When the dentists surveyed were asked the reason for this increase in wealth, they typically diagnosed it as a "combination of working harder, working smarter, and increasing fees" (Kehoe, p. 28).

## **Globalization**

As we enter a new millennium, we are forced to expand our viewpoint to include the international perspective. "Globalization can be defined as a process of change stemming from a combination of increasing cross-border activity and information technology enabling virtually instantaneous communication worldwide." There is a greater global immigration among dentists, and countries are becoming more lenient with their accreditation of immigrant dentists. Furthermore, many students are receiving their education internationally. The Internet has become an integral part of international communication among dentists. The more developed nations claim to be becoming more "Americanized" in dentistry. This is important since American dentistry has led the way in most dental advancements in the last several decades. There is also a push for the developed nations to make dental practices and education available to underdeveloped countries due to a great feeling of international social responsibility among the dental profession. This push toward globalization is opening vistas worldwide in such avenues as business opportunities, education and training, and social conscious.

## **Technology**

More and more dentists are embracing the new innovations that have reached the industry. Nearly 93 percent of respondents to a survey done by Dental Practice and Finance magazine use computers in the daily operations of their practice. As the doctor's income level increased, so did the spending on new technologies. A listing of percentages of high-tech instrumentation used by respondents is as follows ("Examining Incomes," p. 32):

Intraoral video camera	37.1%
Air abrasion cavity preparation systems	5.0%
Digital radiography	2.8%
Cosmetic imaging software	5.5%

## **New Products**

In an interview conducted with Dr. Gordon Christensen, he addressed the most important changes in dentistry in the last 15 years and how they will affect the next 15 years. In his discussion, he talks of an abundance of new product innovation and dental procedure improvements that are shaping dentistry of the future. For instance, the vast use of fluoride in community water and by direct application to teeth by means of toothpaste and rinses has greatly controlled the cases of gross caries that have been seen in past generations. This has promoted dentistry to a point of being largely preventative rather than restorative. With the new preventative stance taken, doctors can spend more time doing some form of aesthetic or cosmetic dentistry, which is where the true profit comes into play. For example, due to preventative measures, the average person retains his or her teeth longer. Since people age 50 and older have more discretionary money, they are more prone to take advantage of new products and processes, such as tooth whitening and implants. As the baby boomers hit this age, dentists will see an even bigger trend toward aesthetic and cosmetic services. Dr. Christensen gives a listing of the areas that have seen the most change in dentistry over the last 15 years. This list includes (Bonner, p. 74):

## 20 Areas That Have Changed Dentistry Over the Last 15 Years

1. Infection control
2. Orthognathic surgery
3. Adult orthodontics
4. Lighted handpieces
5. Magnifying Loupes
6. Aesthetic Dentistry
7. Bleaching teeth
8. Composite resin restoration
9. Controlling caries among children
10. The maturation of dental implants
11. Intraoral cameras
12. Digital radiography
13. Ceramic restorations in fixed prosthodontics
14. Polymer-based fixed prosthodontic restorations
15. The maturation of class II resins
16. Microscopic endodontics
17. Air abrasion
18. Resin-reinforced glass ionomers
19. The refinement of impression materials
20. Managed Care

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