

Changing demographics impact dentistry

Consider these changing demographics in the dental industry:

Announcements

Fine Touch Dental is pleased to announce the Canada-wide rollout of its new medical benefits plan to take effect April 1st. This new plan will cover 100% of medical benefits, leaving employees to pay only dispensing fees. The plan also contains life insurance and coverage for health care services such as massage therapy and physiotherapy.

Starting on January 1st 2008

employees can contribute to the Fine Touch Dental Group Registered Retirement Savings Plan ("Group RRSP"), and may contribute directly and/or automatically through ongoing payroll deductions.

Fine Touch Professional Services

Inc. is pleased to announce that, through its ongoing involvement at the New York and Chicago dental meetings, it has secured two international distributorships for dental materials and supplies, from well-established corporations in Japan and the US. Fine Touch is currently developing an online website to enable dental practices to purchase supplies directly over the internet without the need to fax in orders. In addition to dental practices managed by Fine Touch Dental, this online website will be made available to dental practices not managed by Fine Touch Dental. Please watch our Web sites (www.finetouchdental.com and www.finetouchpro.com) for formal announcements and particulars on these new international dental supply arrangements.

Across Canada and the US there is a significant and increasing percentage of dentists who are presently over 50 years of age, and there are thousands who are 55 years of age or older. Assuming that the average age of a selling dentist is 62, this means that the number of dentists exiting dentistry will increase year-over-year for the next decade or two.

The number of female dental graduates is also increasing and historically female dentists tend to retire earlier than their male counterparts. In addition, baby boomer dentists also tend to seek retirement earlier than dentists in the "good old days".

These trends are converging and can readily lead to the prediction that there will be a growing shortage of dentists over the years ahead and, unfortunately for older dentists with established dental practices, one could assume there will be a gradual decline in dental practice values.

Meanwhile, however, the baby boomer patients, those born between 1946 and 1964, are living longer and have high expectations, including for their oral health, and therefore will have increasing dental needs.

When this trend is factored into the equation, it can be predicted that there will be more dental work to be done by this decreasing number of

dentists, which should increase dental practice gross revenues and thereby help increase dental practice values. But let's look at that a bit closer.

Gross revenues are a significant factor in the dental practice value equation. Typically in the US, for example, the selling price of a dental practice is often in the range of 60% to 70% of annual gross revenue.

In Canada, the percentage can be higher, in the 70% to 80% range, although there are indications that the trends identified above are converging to put downward pressure on the selling price of many dental practices.

Please note the emphasis on "gross revenues". Because dental practices generally tend to be profitable, there is often a focus on gross revenues as opposed to net revenues. In the sale of a business in most business sectors, it's net revenues that count. A key factor in determining net revenues, of course, is costs. And the costs of operating a dental practice are rising. And the key to controlling costs is good management, something that many dental practices do not possess.

Next, consider the following information concerning profitability and management of dental practices: most dental practices are sole proprietorships, but there is a

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Dental industry demographics create opportunities

Consider the following information concerning dental practices, first in the US and then in Canada:

The American Dental Association¹, advises that the estimated value of a dental practice peaks when the dentist is between 50 and 54 years of age. “The later a dentist retires [after the age of 54 years] the less the practice is worth.”

The Journal of the American Dental Association, in an article entitled “Selling Your Practice at Retirement—Are there problems Ahead?”², based its research on an average retirement age of 62 years and concluded that, in the next 20 years, the number of retirees will grow faster than the number of graduates, exerting a downward pressure on the value of dental practices.

“The later a dentist retires [after the age of 54 years] the less the practice is worth.”

Combining these two pieces of information, one could assume that the average dentist in the US keeps their dental practice 8 to 12 years too long and, as a result, probably gets less for it than they could have. This will be especially so as the demographic trends ahead continue to work against them year after year.

But does this demographic data and conclusion hold true in Canada?

The Canadian literature on the subject is scant but looking at the trends and numbers of dentists projected to enter and leave the profession over the next few years, it would appear that age 50 to 54 years may be a little low. The age of 55 to 58 years is probably closer to the optimum selling point in Canada,

although that age range may indeed slip as more and more dentists retire and assuming the supply of new dentists does not keep pace with that retirement rate.

Put another way, the US dental industry may be a number of years “ahead” of the Canadian dental industry. But although dentistry in the US may indeed be somewhat ‘ahead’ of Canada in these demographic trends, it is apparent that Canada is ‘catching up’ rather quickly.

Whatever the optimum age to sell a dental practice in Canada may be, and we will assume it to be 57 years of age³, the more important question is how to approach the sale of a dental practice.


It is submitted that, rather than bring in an Associate dentist in hopes they will buy the practice in a few years and instead of an Associate joining the practice in hopes they will get to buy the practice in a few years, it would be better if the retiring dentist were able to get all his/her money out of the practice right away but continue to work in the practice for a period of time, however long or short. Meanwhile, an Associate can be brought into the practice with a view to a managed transition that would enable the Associate to buy the practice, including in stages, over a reasonable period of time.

There are two advantages to this approach:

1. The transition from retiring dentist to Associate dentist is managed as opposed to being left to, well... luck; and
2. The retiring dentist gets his/her money out early and while the practice value is at its peak. That money can then be invested and grown substantially if properly managed because the retiring dentist continues to earn dental fees throughout the process.

This approach is a cornerstone of the Fine Touch Dental® approach to dental management. Our dental colleagues acquire dental practices from retiring dentists and, under our well-crafted Transition Program, we manage both long-term and short-term transitions.

Either way, the cornerstone is to transition dental practices from retiring dentists to Associate dentists while providing the management/administration services essential to a well-run business operation. We thereby “lift the administrative burden” and enable dentists, whether in the process of retiring or in the process of becoming established, to focus on the practice of dentistry.

It’s just what the doctor ordered... 

¹ ADA Second Report in the Dental Health Policy Analysis Series, in an article entitled “Financing the Purchase and Sale of Dental Practices,” (2000).

² J Am Dent Assoc, Vol 131, No 12, 1693-1698, (2000).

³ assumed to be the same for men & women although women often retire earlier.

Offsite electronic data backup—a critical issue

The electronic backup of data is critical to any business. To a dental business it is all the more critical because it involves both business data and private, confidential patient data. Did you know that you have a legal responsibility to protect your dental practice electronic data? (*Dentistry Act*, 1991).

Consider this statement from page 36 of the December 2007 edition of the prominent dental industry publication *Ontario Dentist*:

“Operating your [dental] practice management software on computers without automatic daily offsite backup is a **recipe for disaster**, as it risks the loss of private patient records and digital radiographs.”

Readers may be surprised to learn that many dental practices in fact do not have offsite electronic data backup. But it is not just a matter of having backup. The backup must be effective and secure. Please permit us to address those two elements, effectiveness and security.

To be effective a backup system must be easy to use and capture a copy of all relevant data with the least amount of time between backups to minimize the risk of data loss.

Many older, more traditional data backup systems such as tape backup technology appear easy to use but significant time is lost operating the system. Such systems are also prone to human error and require someone to remember to do the backup and, more importantly, to bring a copy of that data to a safe offsite storage facility such as a fireproof safe at home.

One good example of human error comes from the experience of our own Technical Support Department at Fine Touch Dental. We received a phone call from a panicked office manager at a dental practice saying that she just found out from her dental practice management software company that her tape backups she had been doing for years were effectively useless. Someone had modified the settings of the program and the proper data was not being backed up. Fortunately her computers had not crashed and in a few days a new backup solution was in place.

To be secure a data backup system must be installed properly and be operated by skilled technicians, familiar with the dental industry. When we were first searching for a solution to the data backup

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technology challenge we looked at companies that offered online data backup and realized that many did not meet the unique needs of the dental industry.

At Fine Touch Dental we believe in backing up data in real time as the data files are being created and modified. We do this over the internet using encrypted virtual private networks (VPN). These VPN connections are secured using similar technology used by the

major banks to secure your information during online banking and are considered very secure by the industry today.

We consider all of our electronic data valuable, especially our system of automated electronic data backup which is always on and allows us to ensure that every time an employee creates or modifies a file, including a patient record, that change is automatically saved to one of our central backup servers.

Fine Touch Dental offers its **Automated Offsite Electronic Data Backup System** to dental practices it administers¹ and also to other dental practices which may opt to take advantage of just one or two of the full array of the Fine Touch Dental administrative services available.

For more information about our **Automated Offsite Electronic Data Backup System**, please visit our Fine Touch Web site at www.FineTouchPro.com. 

¹Fine Touch Dental Management Corporation is a corporation dedicated to providing an impressive array of administrative services to dental practices and, in that context, offers certain of those administrative services, such as offsite electronic data backup and bulk buying, to dental practices to which it does not provide a full array of administrative services.

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significant trend toward group practices and groups of practices. This trend in an industry is commonly called “consolidation”. The dental industry is consolidating. This is true in Canada and the US, with the US being perhaps 5 to 10 years “ahead” of Canada in this regard.

Group practices (and groups of practices) can take advantage of economies of scale in administrative costs, and this is an increasingly important factor in dental practice

value as profit margins are squeezed. For example, an Industry Profile of 12/03/2007 by First Research indicates that “a large group practice generates 40 percent more revenue per employee than a solo practice”.

The Dental Group Management Association of Phoenix, Arizona, indicates that “as dental group practices are growing in number, size and complexity, it has become clear that there is a need for professional management of these organizations. The dental group

manager should be responsible for the effective and efficient administrative operation, so that dentists are free to provide quality dental care without the rigours and interruptions of business management.”

Hence the approach taken by Fine Touch Dental in its mission to “lift the administrative burden” from dental practitioners as dental practices are transitioned from retiring dentists to the next generation. 

Upcoming events

Fine Touch Dental will be hosting a Spring Open House Wine and Cheese to showcase its new products and services to other professionals. Please visit our Web site for additional information (www.finetouchdental.com) from time to time over the next few weeks.

Planning has now commenced for the **Fine Touch Annual Convention 2009** to be held in February, 2009, at a date and location to be announced on our Web site (www.finetouchdental.com) and in the Fall Edition of the *Fine Touch News* to be distributed at the beginning of September.

If you are a dentist or a dental industry provider (e.g.: an industry supplier, banker, consultant or other dental industry service provider) and are interested in pursuing the possibility of presenting or exhibiting at the **Fine Touch Annual Convention 2009**, please visit our Web site (www.finetouchdental.com) for updated information over the next few months as plans are finalized. We look forward to making the **Fine Touch Annual Convention 2009** an event not to be missed.

Planning is now under way to secure a keynote speaker for the **Fine Touch Annual Convention 2009**, to be a prominent player at the leading edge of the practice of dentistry. If you have suggestions for such a keynote speaker, or additional keynote speakers, please e-mail Andy, in confidence, at info@finetouchdental.com.



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