

the net present value of the after-tax cost to the buyer by over \$76,000 compared to Option 2. Accordingly, unless a compromise could be reached, the revised structure would not work since it represented a win-lose for the doctors involved.

Using a proprietary tax-optimizing formula he developed, Hassan recast the proposed transaction (Option 5 below), reducing the intangible (goodwill) value so that the buyer’s net present value of after-tax cost did not change from the deferred compensation approach under Option 2. Despite lowering the sale price, the seller came out much better, since the net present value of his after-tax take increased by over \$178,000!

Option	Description	NPV – After-Tax Proceeds (Seller)	NPV – After-Tax Cost (Buyer)
1	Stock + Deferred Compensation (no FICA special rule)	\$794,777	\$912,675
2	Stock + Deferred Compensation (FICA special rule)	\$804,541	\$902,492
3	Stock + Restrictive Covenant	\$844,636	\$1,064,601
4	Tangible Assets + Goodwill Sale	\$1,066,540	\$979,012
5	Tangible Assets + Goodwill Sale (reduced value)	\$983,188	\$902,422
Advantage Option 5 over Option 2		\$178,647	\$70

It’s important for group practice doctors to enter into a Shareholder Agreement containing buy-sell agreements outlining how each doctor will be paid for his ownership interest in the event of death, disability, or retirement. However, these agreements need to be reviewed periodically, since tax laws (and related tax rates) are constantly changing.

Hassan recommends that doctors begin reviewing practice transition options at least 12-24 months before the expected sale date. This provides time for the doctors to get sophisticated tax advice which may necessitate a change in the transaction structure. Planning ahead can save hundreds of thousands of dollars in federal and state income and payroll taxes, as shown in the chart above. ➡

* For more information regarding Hassan’s transition legal services, contact Amy Johnson, Paralegal, of McGill and Hassan, P.A. at 704.424.5450 or email amy.johnson@mcgillhillgroup.com.

*** Don’t try this at home! There are several legal requirements necessary to achieve a tax-free corporate split up, so be sure to consult with a competent tax attorney before proceeding.*

MARKETING

How To Respond To The Growing Threat Of Corporate Dentistry

By: Dr. Leon Klempler*

Situation

Corporate dentistry poses a real threat to traditional practices: they’re commoditizing dental care, challenging us to compete on price and convenience. In response, the inclination is often to discount fees, encourage more patients to accept treatment, or sign up for discounted managed care plans.

While these tactics may have been effective in defending against private dental competitors in the past, they won’t work against corporate dentistry. They have sophisticated marketing programs, centralized systems, purchasing power, extended facility hours... the list goes on. They’re out to grab market share of the fee-sensitive patient and they’ve been successful.

So we’re faced with a decision: compete against corporate dentistry in delivering commoditized dental care, or forge another way forward.

Strategy

Unless we want to get swallowed up in the commodity segment, we can’t lower our fees. Rather, we have to up our game. We have to make our fees clearly worthwhile to our patients by effectively communicating the value of the services we provide to them. Patients need to know that the investment they’re making will yield benefits beyond what the corporate dental chains can provide.

So how do we up our game?

- **Improve responsiveness** – We can’t keep patients waiting and must speed up response times to phone and email inquiries.
- **Employ staff that care** – They must not only have clinical and administrative skills but also warmth, empathy, and interpersonal skills.

- **Listen to your patients and communicate with them regularly** – Not just when they're in the office. Respond to their concerns and make them part of your practice's ongoing effort to improve.
- **Invest in technology** – Your office needs to convey that you're current.
- **Differentiate your practice from the corporate competition** – This is most important - making building your practice's brand critical; you want patients to instantly recognize and remember you and what makes you different.

This means clarifying your practice's positioning – what you and your practice stand for. It should be something you're better at than the rest, something on which you enjoy focusing your energy, and can deliver with excellence. Perhaps helping to boost self-esteem through cosmetic dentistry or occlusions. Or something less clinical, like child-friendliness. Then make it your practice's goal to become synonymous with it.

Actions

Once these elements are in place, it's all about communicating to current and prospective patients, using the following three methods:

1. Manage your reputation.

A patient's comments about their positive experience in your practice are significantly more credible than anything you can say about yourself. So positive online reviews telling a story about what it's like to be your patient are critical. Reviews may seem hard to get, but they're definitely worth the energy.

We've developed a system for the safe collection of feedback on an iPad, where only the glowing reviews have the potential to be publicly viewable on searchable sites like Google and Yelp. These positive reviews are also streamed directly, in real time, to a widget we integrate onto the homepage of your website. Moreover, the system also "catches" potentially negative feedback, allowing for timely offline resolution before it has the chance to go public.

Finally, it pinpoints your happiest patients, allowing staff to invite them to repost their positive feedback publicly, supporting visibility of your practice by way of the positive reviews.

2. Target your market.

Once you identify your strengths, target the patients you want to serve, primarily through digital advertising. Facebook advertising is proving to be very advantageous, since more than 1.5 billion people use Facebook, with over 900 million visits every day. Facebook allows you to select audience characteristics like age, gender, distance from your office, ages of children in the home, etc. You can add additional demographic parameters as well, depending on the services you want to promote. This allows doctors to spend time and money marketing the ad to only those people they want and who are most likely to become patients.

With Facebook, you can deliver smart, compelling, content-driven ads to create awareness for your practice among potential new patients who are not yet connected to your office, and may not even know about it.

3. Be strategic with social media.

People looking for a doctor want data to make an informed decision. But they're not just looking for the hard facts; they're also trying to understand what it's like to be a patient in your practice. That's where social media comes into play. These platforms provide a virtual window into your practice. By maintaining your social profiles in a meaningful and authentic way, you can take the office experience online. Social media provides an opportunity to learn about your office's unique focus, culture, personality, activities, and community involvement. Potential patients want to see how you relate to patients and how patients relate to you. It's a major part of how you're evaluated.

Conclusion

Dentistry is changing rapidly and traditional practice must change too, in order to effectively compete against corporate dentistry. Prospective patients must understand the added value that you provide. That's accomplished through ensuring that your online reputation is solid, effectively connecting with your current and prospective patients on the media they use, and targeting your audience using all of the right tools. In this way, you'll be on solid footing to forge your way forward with a thriving practice. 

** Dr. Leon Klempner is the founder and CEO of People & Practice (www.pplpractice.com), a marketing consultancy that builds and manages the online reputations of dental practices in the U.S. and Canada. Through authentic positive reviews, a strong digital presence, credible content, and engaging social media, Dr. Klempner helps attract new patients while building loyalty among existing patients. He can be reached at leon@pplpractice.com or 347.762.6330.*

