BECOMING AN ASSOCIATE
Associateship

The situation whereby a senior dentist with an established practice will admit another dentist to practice with him/her without financial outlay.
Advantages

- No costs to start out
- Ready patient flow
- Quick income
**Benefits**

- Refine clinical skills & philosophy
- Mentoring by host dentist
- Work with experienced staff
- Possibility to buy into the practice
- Establish yourself in a desirable community
- Learn management skills
Disadvantages

- Can’t “choose” location
- Limited hours if practice not busy
- Evenings & weekend coverage
- Possible limited mix of dentistry
- Harder to build patient loyalty
Risks

- No ownership
- Lack of control
- Bad agreement
- Unfair restrictive covenants
- Fewer patients than expected
Why a host dentist may want an Associate

- More time off
- Relieve excess patient load
- Coverage in case of sickness, emergency, etc.
- Prevent burn out
Why a host dentist may want an Associate

- Management help
- Extend office hours
- Better practice utilization
- Lower/redistribute overheads
Why a host dentist may want an Associate

• Increase productivity/profitability
• Vacation coverage
• Long-term growth & transition
Different needs mean different associateships
Types of Associateships

- True associate
- Buy-in associate
- Equity associate
True associateship

- No goodwill
- Simply works in practice
- No guarantees
- First right of refusal if host sells
Buy-in Associateship

- Brought in when host wants to sell
- 6 months to 1 year in advance
  - Help with patient transfer
  - Buys practice from host
- Important that all the details have been worked out prior to entering the practice (i.e. practice valuation and buy-in agreement)
Equity Associateship

- Understanding of future buy-in
- Buy-in negotiated in advance
- Associate builds equity over time
- Ideal for maintaining practice value
- 3 to 5 year process
Concerns of Hosts & Associates

- Patient base
- New patient flow
- Clinical competence
- Restrictive covenants
- Common practice philosophy
Concerns of Associate Dentists

- ‘Baby-sitter’ mentality
- Staff loyalty issues
- Emergency & selective patient transfer
- Involvement in all phases of treatment
- Future earnings potential
Concerns of Host Dentists

- Loss of goodwill
- Clinical and patient management
- Patient loss & referral loss
- Staff focus and loyalty
Concerns of Host Dentists

- Profitability
- Leadership dilution
- Return on investment
- Entire risk
The “Clouded” Reputation

Host & Associate → DENTISTS both

2005-2006 Becoming an Associate
The “Clouded” Reputation

Lack of TRUST!
Why Associateships Fail

Lack of communication
Selective patient transfer
Not enough patients to begin with
New patient allocation
Unfair compensation
Why Associateships Fail

Unrealistic expectations
Not enough production
Time devoted to building practice
No support of each other
Why Associateships Fail

Practice policy & procedure changes
Little or too much advice & mentoring
Why Associateships Fail

Friction between host, staff and associate
Control issues
No written agreement
Goodwill

Less than 1 year ...
  Goodwill owned by host
  Location, staff, patient base
Between 1 & 3 years...
  Associates begins to get referrals
  Goodwill gets mixed up
  ‘Ownership’ becomes blurred
Goodwill

After 3 years
Goodwill is combined
‘Ownership’ becomes meaningless
The Bottom Line

Most associates want ownership!
The Bottom Line

If host cannot provide an opportunity

Associate becomes resentful

Conflict occurs
The Bottom Line

Associateship fails

LOSE-LOSE situation
The Bottom Line

WIN-WIN Associateships

Match long-term goals of both dentists
Finding Associate Opportunities

Set your priorities
  Location
  Income
  Time frame for ownership
  Future opportunities
Finding Associate Opportunities

Which is the most important?

What are the trade-offs?
Objective:

Find a practice that meets your goals!
Passive Searching

Listings posted by:

- dental association
- dental journals
- dental schools
- practice brokers
Passive Searching

Most opportunities are not advertised!
Network Searching

- Dental supply representatives
- Practice management consultants
- Professional community
- Dental faculty
Network Searching

- Other dentists
- Specialists
- Other associates
Your objective is to get the word out!
Active Searching

- Identify desired geographic area
- Research dentists in that area
Active Searching

**Target ...**

- Large practices with large patient bases
- Dentists:
  - At saturation point
  - Dentists approaching retirement (10 years)
  - Dentists with complementary goals
Active Searching

*Remember your objectives!*
Cover Letter

Tell the host dentist who you are:

- Enthusiastic
- Hard-working
- Eager to learn
- Motivated to succeed
- Personal interests
COVER LETTER

• Reasons for considering practice
• Benefits to host dentist
• Suggest pro-active transition
• Must be in your comfort zone
• Must reflect your needs
• Should be no more than one page
Resumé

• Academic record
• References
  – Professional
  – Academic
  – Personal
Resumé

• Previous related:
  – Work history
  – Management experience
• Extra curricular activities
• Courses
• Volunteer work
Making Contact

Send cover letter & resumé
Be clear about your goals
Understand host dentists’ needs
Making Contact

Talk to the dentist
Arrange for an interview
Communicate professionally!
Associate/Host Interview

Clarify and Communicate significant issues during interview

- Needs and goals
- Practice characteristics
- Compatibility
- Logistics
Associate/Host Interview

Clarify needs and goals of both parties:

Why do you want an associateship?
What do you expect in the first year?
What kind of an associateship?
What are your long term goals?
Associate/Host Interview

Are you both compatible?

Philosophy
Clinical
Career goals
Value placed on continuing education
Management styles
Control issues
Community and special interests
Associate/Host Interview

Practice characteristics

Demographics:
  Community
  Patient base
Associate/Host Interview

Practice characteristics

Demographics:

Patient

# active within past year
# active within past 2 years
# inactive – has a recent chart audit been done?
Associate/Host Interview

Practice characteristics

New patient flow
Service mix analysis
Ongoing care & hygiene statistics
Retention rate
Associate/Host Interview

Logistics

Condition of facility/practice
Hours of operation
Vacations & holidays
Emergency coverage
Associate/Host Interview

*Logistics*

Staff profiles & projections
Chair time & calendar
Marketing programs and procedures
Associate/Host Interview

Logistics

Previous associates in practice
Why did they leave?
## Recognizing Needs & Objectives

### Associate
- Needs income
- No initial investment
- Usually wants to build equity

### Host dentist
- Needs productivity
- Wants to build value
- May sell all or part
WIN-WIN agreement essential, otherwise both parties eventually lose.
WIN-WIN Agreements

Protect and increase value of practice
Recognize:
• Host dentist’s value
• Associate’s contribution
WIN-WIN Agreements

Motivate combined growth

Structure any buy-in into the agreement
WIN-WIN Agreements

Based on genuine concern for each other’s long-term success
Factors in an Agreement

Employee or contractor?
Tax implications
Involve your accountant & lawyer
Factors in an Agreement

Staff allocation

Management structure

Schedule & vacations
Factors in an Agreement

Termination conditions
Trial period
- 3 months
- 6 months
Factors in an Agreement

Hygiene treatment
Chair time & calendar
New patient allocation & marketing
Factors in an Agreement

Emergency patients
Control of treatment delivery
Ownership of patient records & referrals
Factors in an Agreement

Financial reporting & auditing
Insurance, benefits & disability
First right of refusal
Factors in an Agreement

Compensation
Restrictive covenant
Written agreement forces discussion
Associate Compensation

Is remuneration comparable to colleagues?
Does it meet personal needs?
Does it reflect associate’s contribution to the practice?
Is Associate simply paid to do a job?
Compensation Methods

Fixed wage

- Paid on hourly, daily, or monthly rate
  - Financial stability for associate
  - Easy budgeting for the host
Compensation Methods

Fixed Wage:

• Only used in employee relationships

• No reward for motivated associate
  • Bonus structure can be added
  • Only used in special circumstances
Compensation Methods

Commission
% of production or collections
Provides incentive for associate
Provides some protection for host
Compensation Methods

Advances against future earnings

Potential to earn a bonus

Usually 25% - 40% of collections
Compensation Factors

Employee or contractor
Start-up costs of host
Laboratory fees
Hygiene revenue
Compensation Factors

Profit margin for host
Future buy-in opportunity
Market factors
The Final Cut (i.e. percentage)

Host should...

- Determine start-up costs
- Estimate incremental costs
  - Costs
  - Revenues
The Final Cut

Host should...
Determine reasonable profit
Remainder can go to associate
The Final Cut

Associate should...

• Analyze host’s estimates
• Estimate income
  • Minimum
  • Maximum
The Final Cut

Associate should...

Estimate income

Month 1
Month 12
Month 24
The Final Cut

Associate should...

Compare with
- Marketplace
- Personal needs
The Final Cut

Is the compensation plan acceptable?

(Sliding scale may be the solution!)
Many associateships fail because the associate feels underpaid exploited
Think ahead to avoid unpleasant situations.
Restrictive Covenants

Designed to protect host’s:
  Value
  Business
  Goodwill
  Patient base
  Referral network
Every part of associate agreement must be reasonable!
Approaches to Restriction

Radius
Prohibited from practicing in the area
Financial penalty for practicing in the area
Approaches to Restriction

Time period
Limited period of time
Financial penalty for practicing within time period
Restrictive Covenants must be reasonable

Patient options
Public interest
Ability to earn a living
Scope is appropriate
Restrictive Covenants must be reasonable

In context of associateship
Duress was not a factor
Legal advice was sought
Can it be enforced?
Enforcement Remedies for Hosts

Injunction

Court order

Close your practice
Enforcement Remedies for Hosts

Actual damages
You pay penalty
You agree to formula in advance
Restrictive Covenants

Enforceability varies around the country

Don’t get locked out of your own community
Restrictive Covenants

Carefully consider possible damages
Expert advice is required
Summary - Associateships

Understand your priorities

Consider the future

Find a host with compatible needs

• Understand your host’s priorities

• Negotiate everything in advance
CDA Resources

- Dental Services Agreement
- CDA Practice Management Manual