

ASSOCIATESHIPS: Is the time right for you?

A mature dental practice usually seeks an associate for one of two reasons. In the first case, the senior dentist's office is so busy the existing staff cannot handle the current work load. There are more patients than they can handle, and the dentist is booked out two to three months in advance. As a result, patients have to wait for treatment and it is difficult to handle emergencies.

The other reason a mature practice seeks an associate is that the dentist is getting close to retirement and wants to start phasing out of his or her practice. The senior dentist may have been practicing for 30 to 40 years, gradually losing the enthusiasm to grow the practice that he or she once had. In this case, the practice can be sold or an associate can be phased in.

Any other reason for bringing in an associate would be premature and could prove to be devastating both financially and emotionally. We have all heard the horror stories relating to failed associateships, and the fact that nearly 90% of them fail. Why is this so?

Associateships fail when expectations of both parties are not met. When expectations are not written down ahead of time, a poorly-structured arrangement is the result. Many times, a handshake and a wish are all that is consummated in the initial stages. A poorly-written contract protects neither the senior doctor nor the "junior" or incoming doctor. Greg Englund's excellent article in this newsletter, "Better Get That Employment Agreement in Writing," addresses the necessity of an employment agreement and all that it entails.

We receive many inquiries from dentists looking for an associate, and from dentists looking for a practice to associate in. With the current economic climate, there are more dentists looking for an associate position than ever before. HMOs and other large dental employers are not hiring, and are even laying off dentists in some cases. As a result, young dentists coming out of school are having a difficult time locating a job.

Recent graduates are only one type of dentist seeking an associateship position.

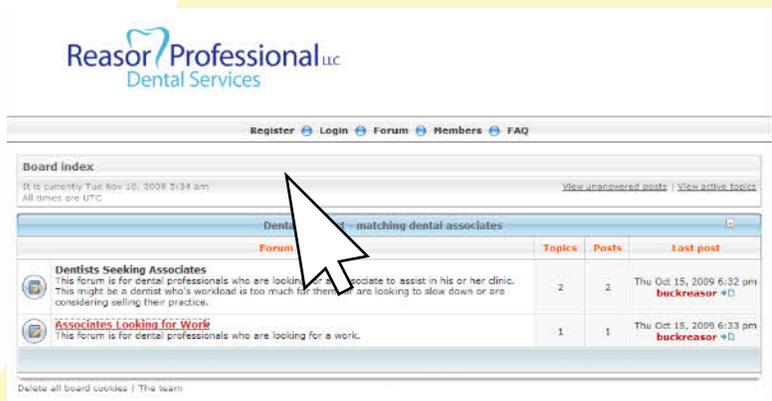
Retired dentists who want to work one or two days per week to keep his/her skills up are also looking. They miss the clinical aspect of the profession and the patient-dentist relationship, but want to avoid the headaches of managing a practice. These dentists often make the best kind of associate. They are experienced, bring skills to the practice, and know how to communicate with patients.

Why do 90% of associateship arrangements fail? Unmet expectations.

We recently launched "Dental Connect," a forum for dentists seeking associates and associates seeking work. It is an online community where members can sign up and communicate with one another via the web. Go to our website, www.reasorprofessional.com, to take advantage of this great opportunity.

Web site update

ReasorProfessionalDental.com



Our web site has been a great success. We are receiving inquiries from dentists all over the United States, from Massachusetts, Nevada, Missouri, Utah, California, Arizona and other areas, seeking a practice to purchase in the Northwest. Our database of potential buyers for the practices we list for sale is constantly growing. In most instances, we have a buyer pre-selected before the appraisal is completed.

This month brings the debut of **Dental Connect**, a forum for dentists seeking associates and associates seeking a position in a dental office. Dental Connect is an online community where members sign up and can communicate via the web. It is a great way to meet dentists who are either looking for work or dentists who are looking for an associate. Dental Connect is a secure way for dentists to speak to other dentists about associateships or any other topic they wish to discuss.

BETTER GET THAT EMPLOYMENT AGREEMENT IN WRITING!

By Greg Englund, Attorney at Law with Hooper, Englund & Weil LLP

A dentist who intends to employ an associate dentist in his or her practice – either full or part-time – should have a written employment agreement with that associate. Certainly the agreement defines the legal relationship between the parties. The agreement also confirms the parties' expectations and responsibilities.

Misunderstandings which can devolve into disputes or even lawsuits can usually be avoided. Each party should have the agreement reviewed by an attorney.

The agreement must establish how the associate will be compensated. For good reason, compensation provisions are typically the most actively negotiated terms. While the agreement may establish a guaranteed per diem minimum (particularly during the initial months of employment and especially for a new dentist),

usually compensation is a percentage of the associate's actual production. Employers may prefer to base an associate's pay on *collections*, while employees usually prefer pay based upon *production*. In other words, the employer may prefer not paying the associate until the patient has been billed and actually paid for the services. In so doing, the employer is seeking to transfer the risks of collection to the associate. The associate, however, will prefer to have earned his or her portion after treatment, notwithstanding the amount has not been billed or collected.

An employer who insists that compensation be collection-based should expect to pay a higher percentage, guarantee monthly income for the first 3-6 months, or pay draws against future collections during the initial months of employment.

In addition, when compensation is collection-based, the agreement must address employment termination: what happens to payment for services rendered by an associate collected after employment is over? These complications suggest a production-based system may ultimately be more manageable. Another factor is whether the associate should assume the risk of collection when he or she may have little or no authority over the practice's credit policies and the patient's ability to pay.

In addition to establishing compensation, the agreement should also spell out what benefits, if any, are to be provided to the associate dentist. Typically a part-time associate is provided few, if any, benefits. The employer should expect to provide a full-time associate with certain benefits which may include help with the

employee's health insurance, and retirement plan contributions. Typically the agreement addresses vacations (usually unpaid), and specifies who pays for the associate's professional liability insurance (during employment and following employment termination).

Reasonable tuition, meal, travel and lodging expenses associated with the employee's attendance at continuing education programs may be provided. An employer who wants to encourage his associate to promote the practice should expect to reimburse ordinary and reasonable entertainment expenses. This is especially true in a specialty practice when an associate should be encouraged to "wine and dine" referral sources. Finally, payment of professional dues and license fees should be addressed.

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The Right Team

Let our team of experts be your guide to dental practice

Reasor Professional Dental Services offers a rapid-fire, fact-finding presentation on dental practice transitions for local dental component societies, dental study clubs, and other dental organizations. This 80-minute program presents the most informative and up-to-date information on all aspects of practice transitions, including "Ten Steps to a Successful Sale", asset allocation and subsequent tax ramifications, covenant not to compete information, and how to find the money to complete the dental practice transition. This presentation is a must for anyone contemplating selling their practice in the near future and also for buyers looking for that dream practice.

Our presentation team members are the best in their respective fields on practice transitions. The team includes:

Buck Reasor: Retired dentist who practiced dentistry for 28 years in Portland. His firm, Reasor Professional Dental Services, provides various services for successful dental practice transitions. Because of his dental background, Buck understands the wants and needs of both the buyer and the seller in dental practice transitions.

Reasor Professional Dental Services is the only dental brokerage company in the Pacific Northwest with an accredited appraiser on staff. Buck is also a licensed commercial real estate agent in Oregon and Washington.

Greg Englund: Attorney with the Portland law firm of Hooper, Englund, and Weil, LLP, licensed in Oregon and Washington. His business and corporate practice emphasizes the legal needs of dentists. His practice includes practice sales, transitions and



acquisitions, office leases, associate agreements and much more. His experience includes work on well over 200 sales, acquisitions, and transitions.

Bryan Justrom, CPA, ABV, CVA: Accountant and certified business appraiser in Portland. His practice focuses on the financial needs of dentists.

Christopher Kane: Assistant Vice President and Commercial Banking Officer with Pacific Continental Bank.

Commercial Real Estate Corner

Q. How do I go about owning my own dental building?

A: A question I hear frequently from dentists! If you are at a point in your career where you have paid off your school and initial practice loans and are tired of paying your landlord's mortgage payments for him, then now is one of the best times to purchase real estate as an owner-user.

As everyone knows, we are mired in one of the deepest recessions since the Great Depression. The stock market has been down for the last year and is just starting to rebound. Sales in the real estate market have also been down, and are currently close to an all-time low both in the residential and commercial markets. In times like these, there are winners and losers in the investment and real estate world. If you are sitting on real estate and need to move it, you are at quite a disadvantage. If you are in the market for buying real estate, however, now is a golden opportunity. This is definitely a buyer's market and you are in the driver's seat.

Interest rates are currently at an historic low for real estate loans. Construction costs, including both labor and materials, are lower than they have been in a long time. Banks have money to lend to owner-users, both for purchasing an existing building and for constructing a new facility. SBA loans offer low down payments for owner-users that occupy at least 51% of their building, and the usually-high loan fees are

currently being waived. Because banks want to attract dental clients, many offer traditional loans with flexible terms and requirements especially targeted to the dental market.

Dentists looking to purchase their own buildings have two options. One is to look for an existing building that can be converted over to dental use, and the other is to find vacant land on which a dental office can be built. There are advantages and disadvantage to both.

**Buy or build?
Which is right for you?**

The main advantage of buying an existing building and converting it is time. It takes considerably less time to convert an existing building into a dental office than to start from the ground up. The largest disadvantage is the commitment to the basic structure of the building and the existing lot.

The main advantage of starting from the ground up is that the building can be designed and built to exactly meet the dentist's needs. The disadvantage is that it takes

much more time to find the land, to have the building designed and permitted, and to construct the building.

As a commercial real estate broker, I can help you with the process of purchasing an existing building or land on which to build your ideal dental building. The biggest mistake a dentist can make is to start the process with time running out on his/her lease. The process should be started at least 18 to 24 months before the end of your lease. It can take up to 6 months or more to find the ideal building or land, and then an additional 1 to 2 years to convert an existing building or build from the ground up.

It is also important to assemble a team that can support you throughout the entire process. I can act as a resource in helping you assemble your team. Your team should include people experienced in the dental field, who are familiar with dentist's wants and needs. Your team should include a general contractor, and may or may not include an architect, depending on the scale of the project. Your team should also include an attorney and a lender.

The key to any successful venture is planning. Picking an experienced team of experts and working closely with them is critical to making a successful transition to owning your own office space. If you think this might be the time for you to start looking for that ideal dental building, give me a call and we can sit down and start the process.



Associateship Employment Agreements

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An employer will usually want to prohibit a full-time associate from competing during his or her period of employment, and for a one or two-year period of following employment, within a specified geographic area. Oregon law requires an employer to inform the employee in a written employment offer, provided at least two weeks in advance, that a non-competition agreement will be a requirement of employment. New annual gross salary requirements may mean that traditional "time and space" restrictions on a part-time employee are no longer possible. Accordingly, many employers now concede time and space, while imposing restrictions on departing employees from soliciting or treating patients of the practice.

Usually the agreement will allow either the employer or the employee to terminate the agreement after some period of advance written notice. In addition, the agreement should define a "for cause" termination, allowing for immediate termination for particularly onerous acts by the employee (i.e., fraud, misconduct, refusal to comply with policies, loss of license).

Gregory J. Englund, licensed in Oregon and Washington, is an attorney with the Portland firm of Hooper, Englund & Weil LLP (www.hooplaw.com). His business and corporate practice emphasizes the legal needs of dentists. His practice includes practice sales, acquisitions and transitions, succession planning, office leases, associate agreements, professional business entities (i.e. PC's, LLC's), employment law and estate planning. His experience includes work on well over 200 sales, acquisitions and transitions.

ALL ABOUT ASSOCIATESHIPS

Welcome to our second newsletter on practice transitions. Our first newsletter was a resounding success. We received a huge amount of positive feedback to our first newsletter, and we are excited to bring this edition to you. There is so much to talk about in dentistry now that we can't possibly fit it all in one newsletter. In this edition, we focus on associateships. Why is it that 80 to 90% of all associateship arrangements fail within 1 to 2 years? Our cover story deals with this problem.

The response to our last guest article was very positive, so we invited back highly

respected attorney, Greg Englund, to write an article in keeping with our theme. His contribution, "Better Get That Employment Agreement In Writing," is a must-read, and can be found on page 2.

We have just launched **Dental Connect**, an associateship forum within our web site that allows both a dentist looking for an associate and a dentist looking for an office to work in a platform to communicate with each other. The forum is a free service to both parties, to make it easier for dentists to connect and communicate. You can learn more about our forum on page 1 and online at ReasorProfessionalDental.com/phpBB3.

Our continuing hope is that this newsletter furthers the Reasor Professional Dental Services goal of successful practice transitions. Look to Reasor Professional Dental Services to meet your dental practice transition needs and help you to the next level of success.

Sincerely,

Buck Reasor



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