“Is it time for an associate?” may be the most frequently asked question we encounter. Dentistry must be the most associate-active of all healthcare professions. Dentists seemingly are always considering bringing an associate into their practice. It is likely because most mature dentists began their careers as an associate. We truly think the associate concept is really engrained into most dentists. There is definitely a right time and a right situation for the addition of an associate to a dental practice. Unfortunately, however, very few dentists bring an associate in at the right time or for the right reason. Before discussing the valid reasons why an associate would be an asset to a practice, let’s first discuss the wrong reasons we frequently encounter.

**THE MOST COMMON REASON THAT DENTISTS BRING AN ASSOCIATE INTO THEIR PRACTICE IS BECAUSE THE HOST DENTIST IS NOT BUSY ENOUGH.**

As silly as this sounds, it is true! Often dentists find that after their practice matures, their clinical load slows down some. As the dentist begins to examine the problem, he or she realizes that the practice is no longer getting as many new patients as it once did. Further examination reveals that the existing patient base is also getting older and older. While mature patients are excellent hygiene recall patients, the amount of new dental work that is needed is limited because the dentist has already done the bulk of the major dental treatment on these patients.

Further examination reveals that the drop in new patient flow is a result of no longer attracting as many younger patients into the practice. So, the dentist decides that if a younger doctor is added to the practice, younger patients will once again start coming into the practice. This is actually a very logical thought. A dentist’s patient base often grows older as the dentist grows older. The age of the bulk of the patients is often within 10 years either side of the dentist’s age. It often happens that a practice begins losing out of the next generation. The logical thought is that this “lost generation” may indeed come back into the practice if a younger dentist is available to them. After all, the new associate is also from this same “lost generation.”

While this is indeed a logical thought, it is certainly not a valid reason to bring an associate into your practice! This type of associateship arrangement will almost always fail. First of all, the reason the host dentist wants an associate is because the host dentist is not busy enough. The younger patients will be coming into the practice to see the younger doctor. How does this help the host dentist resolve the problem?

It is also very common for a dentist to allow a “hired gun” associate into the practice without signing a contract. Even in those rare situations where there is a contract, often the contract does not restrict the associate from leaving and practicing nearby.

Statistically, 90% of the time a “hired gun” associate will leave the practice to set up his or her own practice or move on to another associateship relationship in a nearby practice. When the associate does decide to leave, more than likely these younger patients will follow the associate and not stay with the host’s practice. Why does a “hired gun” associate leave 90% of the time? They eventually discover that they are building a practice within a practice. Once they have their own patient following, the associate realizes that he or she really doesn’t need the relationship with the host dentist any longer. They rationalize: “Why allow the host dentist to profit on my production any longer when I can go out on my own and keep the whole pie.”
ANOTHER COMMON REASON THAT DENTISTS HIRE ASSOCIATES IS TO FULLY UTILIZE THEIR OFFICE FACILITY.

The host dentist in this circumstance is probably as busy as he or she wants to be. The host dentist is likely only working a 4-day week and never evenings or weekends. The host dentist figures that a hungry young associate will be agreeable to working Fridays, Saturdays and some evenings. The facility would then be fully utilized.

This may work for awhile but not in the long run. Again, the associate eventually figures out that he or she is building a practice within a practice and will leave to set up his or her own practice. When the associate leaves he or she often takes some staff and patients with them. This scenario happens frequently and is often very costly to the host dentist. For example, we know of an associate who married the host's hygienist and took the front office person to his new practice across the street. The host dentist lost more than 75% of his practice!

ANOTHER COMMON REASON ASSOCIATES ARE ADDED TO PRACTICE IS BECAUSE THE HOST DENTIST IS ANTICIPATING SELLING THE PRACTICE DOWN THE ROAD AND WANTS TO SEE IF THE YOUNG DOCTOR CAN HANDLE THE PRACTICE.

While this is a valid reason to bring in an associate, unfortunately, the relationship is rarely structured properly. It is typically a totally ambiguous relationship of “let’s see how we like each other and then if everything works out OK you can buy me out.” There is hardly ever a contract and if there is a contract it is typically inadequate with little to no protection for either the host dentist or the associate and most definitely no real commitments for the host dentist to sell or for the associate to buy the practice. These relationships are generally simply a hand shake arrangement with little to no preplanning at all.

The host dentist in this situation is generally a bit tired and thinks he or she wants to start slowing down. However, the host dentist typically does not slow down at all during this ambiguous “look see” period. Since there is no commitment by either party, the host dentist typically will not refer any quality patients or work to the associate. Thus, the associate is often either not very busy or busy with only the “junk work” that the host dentist does not want to mess with any longer. Even if the intention was to see if the associate could handle the practice, the associate hardly ever gets a chance to prove he or she can do so. The associate also never gets a real taste of what the practice is all about. Doing only the junk work, the associate figures that is all this practice is all about. These relationships often end quite ugly.

THERE ARE ONLY TWO VALID SCENARIOS FOR BRINGING AN ASSOCIATE INTO A DENTAL PRACTICE.

FIRST SCENARIO: You need an associate because you are entirely too busy! You have far more patients than you can handle. You are booked so far out that you are losing patients because they simply can’t get into the practice within a reasonable amount of time. You desperately need another pair of doctor hands just to keep up with the existing patient base. In this scenario the associate will be busy right away, exposed to all kinds of dentistry (junk work and quality dentistry) and will be very appreciative of the opportunity you provided to the associate!

SECOND SCENARIO: You are truly ready to start slowing down and phasing out toward retirement. Maybe because you are tired or maybe because you have fully accomplished your financial goals. Whatever the
reason, you need another pair of doctor hands to handle the patients you are ready (right now) to pass on to the associate. In this scenario, as well, the associate will be busy right away, exposed to all kinds of dentistry (junk work and quality dentistry) and will be very appreciative of the opportunity you provided to the associate!

Did you notice the common denominator? If an associate is brought into a practice and is expected to survive solely from a patient following the associate must create, it is a recipe for failure! However, if an associate is brought into a practice that has a true need of another set of doctor hands, the associate will immediately be busy and will also grow the practice by attracting those younger patients into the practice… a recipe for success!

**WHILE THERE ARE TWO VALID SCENARIOS, THERE IS ONLY ONE RIGHT WAY TO BRING AN ASSOCIATE INTO YOUR PRACTICE...AN EQUITY ASSOCIATESHIP STRUCTURE.**

In an Equity Associate structure, the host and the associate are both contractually committed to the eventual transfer of practice ownership (either full ownership or partial ownership, depending on the desired structure of the transaction).

The Equity Associateship can be structured as either a Deferred PreSale (seller will remain with the practice as the buyer's associate after the sale), or as a Deferred Practice Sale (seller will leave the practice immediately after the sale), or a Deferred Co-Ownership Program (host and associate will eventually become equal co-owners in the practice and operate the practice as partners).

In addition to the desired transition structure of the relationship, an Equity Associateship must have a comprehensive contract between the parties that…

- clearly defines a method of allowing “sweat equity” credit to the associate for what the associate contributes in practice growth over and above what the practice was producing when the associate entered the practice. However, such “sweat equity” credit should never be allowed to be a dollar for dollar growth consideration since the growth was made possible because of the practice environment the host provided to the associate.
- clearly defines the deferral period (time lag until the buy-in or buy-out date).
- clearly defines the exact formula for determining the buy-in or buy-out price.
- clearly defines the terms and conditions of the buy-in or buy-out.
- clearly defines the working relationship of the parties BEFORE the buy-in or buyout occurs.

In an Equity Associateship, there is nothing left to the imagination. The practice is fully analyzed to determine that there is a true need for an associate and, if so, the specific details of the relationship are structured based on both parties’ needs and goals and then clearly defined in a comprehensive contract.

An associateship definitely has its place in a dental practice’s future plans, but only if the relationship is structured properly. There is a whole lot at stake! Don’t become a statistic… contact PARAGON for professional guidance on a successful associate plan for your practice. No obligation, just a very worthwhile education.