

INDUSTRY PROFILE

Dentists

10.1.2018

NAICS CODES: 6212

SIC CODES: 8021

Industry Overview

Companies in this industry provide general and specialized dentistry services. Major companies include US-based American Dental Partners, Smile Brands Group (Bright Now!, Castle Dental, and Monarch Dental), and Western Dental Services, along with Lumino Dental (New Zealand), Bupa Dental Care (UK), and Odontoprev (Brazil).

More than 1 million dentists practice worldwide, according to the World Dental Federation (FDI). Spending on dental services varies from country to country. In the US, dental services account for 4.5% of total health expenditures, compared to 8% in Canada.

About 135,000 dentists' offices operate in the US, generating annual revenue of about \$120 billion.

Competitive Landscape

Demand for dental services is driven largely by population growth, especially among children ages 5 to 19, who may require prophylactic and orthodontic work, and adults over 55, who may need more specialized dental work. Profitability depends on efficient operations. Large practices have advantages in marketing, purchasing, and being able to offer a wider range of services. Small practices can compete successfully by providing superior service or by focusing on an underserved region. The US industry is **highly fragmented**: the 50 largest practices generate about 5% of revenue.

Products, Operations & Technology

Dentists practicing **general dentistry** provide amalgam and composite fillings, regular teeth cleanings, cosmetic dentistry, root canals, sealants, and oral surgery. Other services include orthodontics, gum disease treatment, maxillofacial surgery, temporomandibular joint (TMJ) therapy, tobacco cessation and nutrition counseling, crowns and bridges, dentures, and dental implants.

Nonsurgical interventions (restorative, orthodontic, endodontic, and prosthodontic services) account for about 50% of revenue, followed by routine visits (consultations, preventative care, and diagnostics; 30%) and surgeries (20%).

About 85% of practices are single-dentist offices. Most dentists offices include **dental hygienists and office staff**. A typical office has one dentist and three to five employees (receptionists, chairside assistants, and hygienists). Insurance paperwork, bill collection, scheduling, and restocking supplies are the main concerns of the office staff. Some dental practices join purchasing organizations or franchise groups to simplify procurement and other administrative functions. Typical equipment includes x-ray machines; chair-mounted systems such as drills, suction devices, and sprayers; and computer imaging systems.

During routine cleanings or diagnostic exams, cleanings and x-rays are done by dental hygienists with the dentist reviewing the hygienists' work. In some states, hygienists' roles are expanding to include procedures previously reserved for dentists, allowing dentists to conduct complex procedures and consult with patients on their oral health.

Technology

Rapid technological changes in the last decade have changed dental practices. New dental tools and procedures include ultra-high-speed drills; sand blasting; better analgesics; new filling, bonding, and implant compounds; and computer imaging and laser bleaching systems. "Digital dentistry" describes a practice's incorporation of techniques including computer-aided design and manufacturing (CAD/CAM), digital radiography including wireless sensors and cone beam computed tomography (CBCT), and surgical lasers. Intra-oral TV and t-scan devices are used to educate patients about their teeth and the prescribed treatment. Advances in biological medicine also are leading to improved dental implants.

Computerized management systems have become the norm in most dentist offices. While dentists were slower than physicians to adopt electronic information systems, dentists now use them for patient scheduling, to refer patients to other specialists, and for insurance billing. The number of Americans with dental insurance plans has risen, increasing the need for insurance-processing capabilities. Some dentists use **electronic health records (EHRs)**, which facilitate data sharing among health professionals and can qualify practitioners for federal incentive funding. However, dental EHR adoption lags behind medical fields due to cost and implementation challenges.

Sales & Marketing

Americans with dental insurance typically visit the dentist every six months, as most insurance plans cover semi-annual dental checkups and cleanings.

Most dentists get new customers primarily through **referrals** from existing patients and from inclusion on approved company insurance lists. TV, radio, and newspaper advertising are rare, because most people use a dentist located in their immediate geographic area. Use of **online advertising** has grown, and event sponsorships, direct mailings, and billboard advertising are sometimes used. Specialized dentists may get referrals from doctors and hospitals. Dentists generally spend less than 5% of income for marketing.

Prices for dental procedures vary from around \$100 to \$200 for a normal checkup and cleaning, \$1,000 to \$3,000 for a crown, and \$500 to \$2,000 per tooth for a root canal. Fillings are about \$100 to \$300, depending upon materials.

Finance & Regulation

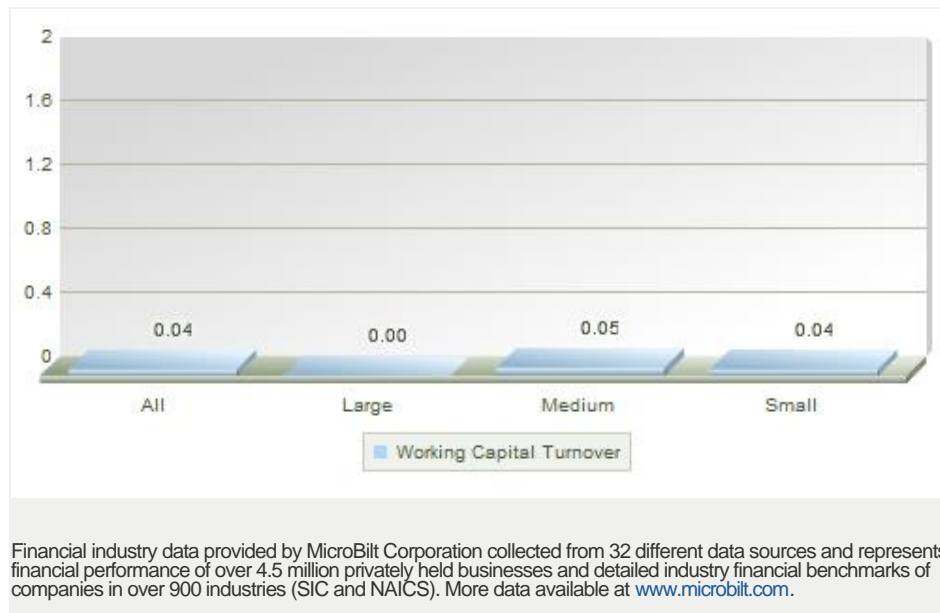
Accounts receivable are low, averaging about 10 days' sales, as even with dental insurance patients pay at the time of each visit. Because of the relatively small charge per visit and lack of catastrophic claims, the issue of cost-containment has been much lower in dentistry than in medicine. About 85% of dentists participate in some form of **dental plan**, whether that is a discount plan or preferred provider network. Dentists receive 55% of payments from private insurance and managed care companies, while about 35% of billings come from direct patient payments, according to the American Dental Association.

Because of rapid advances in technology, dentists periodically need to buy expensive **diagnostic and treatment equipment**. Cash flow can be uneven during the year. Receivables are usually low because most patients pay at the time of service, but expensive procedures, such as orthodontia, may be paid for in installments. The industry is **labor-intensive**: average annual revenue per employee in the US is about \$130,000.

Insurance penetration is increasing, and about 77% of Americans have some form of dental insurance. Two-thirds of Americans have private dental coverage, and about 90% of private dental plans are obtained through employer and other group policies, according to the National Association of Dental Plans. When dentists contract for their services to insurance plans, they incur large recordkeeping responsibilities and must accept the **reimbursement schedules** for the different patient procedures they provide. Many plans require dentists to treat patients based on the **least expensive alternative treatment (LEAT)**, which limits options. Medicare doesn't cover most dental procedures.

Working Capital Turnover by Company Size

The working capital turnover ratio, also known as working capital to sales, is a measure of how efficiently a company uses its capital to generate sales. Companies should be compared to others in their industry.



Regulation

Dentists in the US must obtain a bachelor's degree, attend dental school for four years, and pass an exam to become licensed in the state in which they wish to practice. Dentists wanting to practice in a specialty field must attend school for an additional two to four years and complete a residency program. Other than compliance with licensing requirements, state regulation of dentistry is generally light. Most states prohibit nondentists from owning or operating a practice.

To prescribe certain drugs, dentists must be registered with the Drug Enforcement Administration (DEA). Offices that participate in Medicare and Medicaid programs are subject to investigation by federal and state authorities and can be impacted by changes in **reimbursement rates** under the Affordable Care Act (ACA) and other health reform measures. The Health Insurance Portability and Accountability Act (HIPAA) restricts dentists from releasing patient information and imposes standards on electronic record-keeping and communication practices.

International Insights

More than 1 million dentists practice worldwide, according to the World Dental Federation (FDI). **Spending on dental services** varies from country to country. In the US, dental services account for 4.5% of total health expenditures, compared to 8% in Canada. In Europe, spending on dental services range from 2.4% of health expenditures in Latvia to 8.5% in Denmark.

The way dental care is financed varies by country or region. Treatment is mostly provided by private dental practitioners and can be costly, averaging 20% of out-of-pocket health expenditures in OECD (Organisation for Economic Co-operation and Development) countries. In **Canada**, dental care is not covered under the national health plan but is financed through private insurance, much like in the US. Depending upon the province, some dental care for seniors and children may be covered.

In Europe, **routine dental care** is covered under public health plans in some countries but funded out-of-pocket by consumers in others. Out-of-pocket expenses make up 18% of total dental expenditures in the Netherlands, compared to 97% in Spain, according to the OECD. **Public health programs** that cover dental work for low- and middle-income people are rare in most countries.

The average number of dentists per 100,000 population in OECD nations is 61. In Greece, that figure is 127; in Mexico, 10. **Access to care** is one of the key issues facing the profession. In general, citizens of wealthier nations have more access to dentists and preventive care than those who live in **developing countries**. In Western Europe, around 90% of survey respondents said they lived or worked within 30 minutes of a dentist; however, that percentage dropped among residents of poorer European nations such as Estonia and Latvia, according to a European Commission report.

The FDI has called for a change in the way dental care is paid for to increase access to **preventive care** among poor and underserved populations. The FDI has also called for additional research on oral health to improve preventive care among vulnerable populations. The burden of oral diseases including cavities, gum disease, oral cancer, and lesions is increasing in low- and middle-income countries, according to the World Health Organization. Due to limited availability or inaccessibility to oral health services, dental care utilization is especially low among the elderly, people living in rural areas, and people with limited education and income.

Regional Highlights

The US has about 60 dentists per 100,000 people. The District of Columbia, [New Jersey](#), [Alaska](#), [Massachusetts](#), and [California](#) have the highest ratios of dentists per population; [Arkansas](#), [Mississippi](#), [Alabama](#), [Delaware](#), and [Georgia](#) have the lowest, according to data from the American Dental Association. All states have fewer dentists than physicians per 100,000 people.

The US Department of Health and Human Services designates some 5,800 **health professional shortage areas** (HPSAs) in the dental field. These are communities or population groups with ratios of 5,000 or more people per dentist. Shortages are often found in rural or low-income areas.

Human Resources

Employees in dentists' offices and clinics earn wages that are slightly higher than the US average, in part because of the special training that dental hygienists and other office assistants must receive. The median annual salary for dentists in the US is about \$160,000. Dentists often graduate with high debt levels, leading them to settle in densely populated areas where self-paying or commercially insured patients are plentiful. **Injury rates** are about 50% below the national average.

Industry Employment Growth Bureau of Labor Statistics



Average Hourly Earnings & Annual Wage Increase Bureau of Labor Statistics



Industry Growth Rating



Demand: Driven by favorable demographics
Need efficient use of labor, equipment
Risk: Greater insurance penetration limits prices

Quarterly Industry Update

10.1.2018

Trend: Mobile Teeth Cleaning Services on Rise - Mobile dental care services are rising in popularity as companies seek to provide convenient wellness benefits to employees and organizations try to better reach underserved populations. New York City-based Floss Bar, for example, has provided dental services such as cleaning and whitening on site to employers including WeWork, General Electric, and Lego. In addition to New York City, the company has offices in Boston and Connecticut and plans to expand to California and Texas in 2019. Another company, Newton, Massachusetts-based Virtudent, has provided dental care to companies such as Wayfair and Kronos, as well as to non-profits such as the Boys and Girls Clubs of New Hampshire. According to the American Dental Association, a third of patients currently avoid visiting the dentist due to inconvenience. New delivery methods for dental services could increase the number of patients that get care.

Industry Impact - Dentists may want to explore whether mobile dentistry options are a good fit for the company.

7.2.2018

Trend: Computer-aided Dental Restorations on the Rise - Dental practices and laboratories are increasingly relying on computer-aided design and manufacturing (CAD/CAM) technology to improve the accuracy of dental restorations and speed turnaround times. Dentists can quickly design crowns, veneers, inlays, and other restorations on a computer after taking a 3-D image of a patient's teeth with an optical scanner. The digital rendering is then used to manufacture try-in prostheses and final restorations via 3-D printing and other digital manufacturing processes; dentists who have milling capability in their offices can offer same-day delivery. High demand for dental cosmetic surgery, particularly among aging populations, is a key factor driving adoption of CAD/CAM technology in the industry, according to market forecaster Technavio. Countries in the Americas have experienced the most growth in CAD/CAM dental procedures, but countries in the Asia/Pacific region are expected to see the highest growth rates over the next several years. Demand in developing countries is also expected to increase as disposable incomes rise.

Industry Impact - The ability to design and manufacture restorations quickly and accurately provides dentists with a competitive advantage, and investments in CAD/CAM systems will continue to grow as the technology improves.

4.2.2018

Opportunity: Dental Supply Distributors Face Scrutiny on Pricing Activities - Dentists could gain expanded opportunities to save on dental supplies through group purchasing organizations as a result of recent antitrust action against the top three dental suppliers. Henry Schein, Patterson Companies, and Benco Dental Supply were sued by the FTC for allegedly teaming up to reduce competition by boycotting dental group purchasing organizations, which work to negotiate lower prices for small dental practices through bulk purchasing. The three companies control about 85% of the \$10 billion dental supply market. The FTC is calling for suppliers to end anti-competitive practices and is recommending remedies including documentation of communication with competitors, submission of compliance reports, and paying for an independent monitor for 15 years. The companies deny wrongdoing. Health care pricing is under increased scrutiny as regulators look to reduce costs.

Industry Impact - Dentists can save on supplies and equipment by participating in group buying organizations. Increased government scrutiny of supplier pricing strategies should improve buying conditions for dental groups.

1.1.2018

Challenge: Dentists Battle Stigma of Fluoridated Water - Despite evidence that fluoride in tap water can reduce dental cavities, a number of communities in the US are voting to eliminate the practice of fluoridating water supplies. US children who drink tap water have a lower rate of dental cavities than those who don't drink tap water, according to a recent study published in the American Journal of Public Medicine. The American Dental Association (ADA) states that optimal levels of fluoride in community water can prevent tooth decay by at least 25% in children and adults. But public distrust of the practice has led to a number of public measures to eliminate fluoridation practices. Voters in Port Angeles, Washington, and Buda, Texas, recently rejected efforts to reintroduce fluoride into water supplies. However, efforts by dentists to educate the public on the dental benefits of fluoridation can influence municipal policies, such as recent decision in Rugby, North Dakota, to keep fluoride in water supplies.

Industry Impact - Dentists may want to help educate communities about the benefits of fluoridated water supplies, which can improve the oral health of their patients.

Industry Indicators

US consumer prices for medical care commodities, which may impact dentist operational costs for equipment

and supplies, increased 0.6% in November 2018 compared to the same period in 2017.

US consumer prices for medical care services, an indicator of profitability for dentists offices and clinics, rose 2.4% in November 2018 compared to the same month in 2017.

US personal income, which drives consumer ability to pay for dental services, rose 4.3% in October 2018 compared to the same month in 2017.

Industry Forecast

US personal consumption expenditures at dentists offices and clinics are forecast to grow at an annual compounded rate of 6% between 2018 and 2022. Data Published: September 2018



First Research forecasts are based on INFORUM forecasts that are licensed from the Interindustry Economic Research Fund, Inc. (IERF) in College Park, MD. INFORUM's "interindustry-macro" approach to modeling the economy captures the links between industries and the aggregate economy. [Forecast FAQs](#)

Companies

Company	Country	Sales
ONOCHI SHIKA IIN MEDICAL ASSOCIATION	Japan	\$1,857.25M
DENTAL CORPORATION HOLDINGS LIMITED	Australia	\$1,156.72M
Smile Brands Group Inc.	United States	\$540.51M
Odontoprev S/A	Brazil	\$433.69M
DENTOESTETIC CENTRO DE SALUD Y ESTETICA DENTAL SLU	Spain	\$291.38M
Western Dental Services, Inc.	United States	\$279.53M
WHITECROSS DENTAL CARE LIMITED	England	\$271.60M
American Dental Partners, Inc.	United States	\$259.37M
Shila Health Services Ltd.	Israel	\$211.16M
Folktandvården Stockholms län AB	Sweden	\$207.90M
Munoz Dental Resources LLC	United States	\$200.00M
ADESLAS DENTAL SOCIEDAD ANONIMA	Spain	\$194.27M
MITO SHIKA IIN MEDICAL ASSOCIATION	Japan	\$179.96M
Royal Jubilee Maternity Hospital	Northern Ireland	\$178.84M

CITY HEALTH CARE PARTNERSHIP CIC	England	\$163.41M
Folktandvården Skåne AB	Sweden	\$144.16M
LUMINO DENTAL LIMITED	New Zealand	\$143.06M
Aspen Dental Management, Inc.	United States	\$139.63M
BIOMET 3I DENTAL IBERICA SLU	Spain	\$122.13M
PlusTerveys Oy	Finland	\$119.49M
AI MAIDAN CLINIC FOR ORAL HEALTH SERVICES COMPANY K.S.C.P.	Kuwait	\$113.22M
Dental Health Group, P.A.	United States	\$111.50M
H.I.G. Middle Market LLC	United States	\$104.81M
MDDr. Pavla Kramolisová - zubní ordinace s.r.o.	Czech Republic	\$102.59M
Oral Hammaslääkärit Oyj	Finland	\$98.98M
WRIGHT HEALTH GROUP LIMITED	Scotland	\$98.60M
Farahmand, Arta DDS	United States	\$93.38M
Dental Care Alliance, L.L.C.	United States	\$78.23M
Dentistry For Children, Inc.	United States	\$77.41M
PACIFIC SMILES GROUP LIMITED	Australia	\$77.20M

Industry Drivers

Changes in the economic environment that may positively or negatively affect industry growth.

Data provided by First Research analysts and reviewed annually



Technology Innovation Advances in science and technology, including information technology



Government Regulations Changes in federal, state, or local government regulations or business-related policies

Critical Issues

Reduced Demand in Developed Nations - Oral health has vastly improved in developed nations, reducing demand for traditional dental services. Because demand is limited by sluggish population growth in nations including the US, more dentists are looking for new ways to expand revenue, like offering more preventive and cosmetic care, dental implants, integrated health care, and practices that emphasize “gentle dentistry” to help patients overcome fear.

Growing Importance of Dental Insurance Providers - About 85% of dentists participate in a preferred provider network. Dentists who contract with dental insurance plans have to accept the fees dictated by the insurer, which are often lower than fees charged to other customers. As more Americans are covered by managed care plans that include dental care, dentists will have less control over fees and will be pushed to contain costs.

Business Challenges

Potential Disease Transmission - Dentists are at particular risk for disease transmission, both for themselves and their patients. Concerns about HIV infection and AIDS and other blood-transmitted diseases led to stronger regulations for instrument sterilization as well as the use of masks and goggles. H1N1, or swine flu, also caused concerns in the late 2000s.

Mercury in Fillings - Some states may restrict or ban amalgam, the mixture made partially with mercury commonly used for cavity fillings. Environmentalists and health activists point to dentists as large contributors to the problem of poisonous mercury in wastewater, and some states regulate how dentists dispose of dental amalgam. In 2009 the FDA ruled that the mercury in fillings did not pose a health risk, even to children and pregnant women.

Income, Patient Education Barriers to Care - Many low-income patients can't afford to go to a dentist until their problems are severe and require expensive treatment such as extraction, root canals, or treatment for periodontal disease or tooth decay. Dental emergency room visits are a growing problem, as is the limited number of dentists accepting Medicaid due to low reimbursements. Dentists say that basic education on oral health, such as brushing and flossing, could prevent most severe dental problems.

Shortage of Dentists and Dental Educators - Dental colleges are experiencing a shortage of qualified faculty, exacerbating the overall shortage of dentists in some areas. As existing faculty members reach retirement, new dentists are choosing higher-paying private practices that enable them to pay off their education loans faster. The high debt load of graduates and desire for higher profit margins also leads to dental care shortages in low-income or sparsely populated areas. To boost recruitment, dental schools and the US Health Resources and Services Administration are offering loan forgiveness, stipends, and other incentives to dentists who teach or serve in high-need areas.

Business Trends

Selling the Practice - The estimated value of a dental practice peaks when the dentist is 50 to 54, and the later a dentist retires, the less the practice is worth, according to an American Dental Association (ADA) report, Financing the Purchase and Sale of Dental Practices. Typically, practices sell at 1.5 times a dentist's normal take-home income, according to Dental Economics. Sale prices are expected to decrease as the market is flooded with the practices of retiring dentists from the baby-boomer generation. The trend of selling practices to dental management service organizations (DMSO) is small but increasing; specialty dental practices are the most popular acquisition targets. Dentists' offices that adopt modern technologies, such as digital imaging systems, could see a greater sale price.

Increasing Role of Dental Hygienists - With the continued decline in the number of dentists, some states are allowing dental hygienists to perform some dental procedures and provide preventive care without dentist supervision. Dentists allow assistants to perform routine tasks so that they can devote their time to more complex procedures. The Commission on Dental Accreditation supports education programs for a new tier of dental professionals called dental therapists, who are often advanced-trained hygienists. The US Census projects 20% growth in the number of dental hygienists between 2016 and 2026.

Sedation Dentistry - An increasing number of patients are choosing sedation dentistry, a technique to pacify those with dental phobia. In sedation dentistry, patients rarely feel discomfort and believe the treatment lasts only a few minutes. The process provides a relaxing and anxiety-free experience for those who might otherwise neglect their oral hygiene and health. A benefit of sedation dentistry is that in some complex procedures, multiple visits are eliminated.

Insurance Coverage Expansion - Millions of children and adults have gained some level of dental coverage through the Affordable Care Act (ACA), primarily due to the expansion of Medicaid in some states, according to the American Dental Association. By the end of 2015, an estimated 5.4 million adults gained dental benefits through Medicaid expansion under the ACA.

Industry Opportunities

Rising Demand for Implants - Growth in the number of elderly Americans, driven in part by the aging of baby boomers, will continue to increase demand for dental implants. The number of Americans 65 years and older is expected to rise 38% between 2015 and 2025, compared to an 8% increase in the overall population.

Rise of Cosmetic Dentistry - Cosmetic dentistry has risen in importance in many dental practices. Most general dentists offer cosmetic procedures, such as tooth whitening, as part of their practice, and many practices have seen a steady increase in the number of cosmetic procedures. Crowns, bonding, whitening, and veneers are among the most popular treatments, according to the American Academy of Cosmetic Dentistry.

Periodontics Treatments Rise - Gum disease has been linked to heart problems, causing the ADA to recommend periodontal exams along with regular dental checkups. Researchers are comparing nonsurgical and surgical methods to treat periodontal disease; the results could change the treatments dentists offer. Currently, surgery is the standard treatment, although alternative methods, like scaling, root planing, antibiotics, and mouthwashes, are available.

Executive Insight

Chief Executive Officer - CEO

Offering Specialty Services

As traditional cavity work with children decreases, many dentists specialize in orthodontics, cosmetic services, or services to adults. The number of older adults is growing much faster than the number of children. Specialty services often require additional training or hiring partners with specialty skills.

Optimizing Practice Size

Most dentists work as sole practitioners, but group practices have become more common. Groups can take advantage of economies of scale in administrative costs, provide broader services through specialty partners, and negotiate better contract terms with insurers. A large group practice generates more revenue per employee than a solo practice.

Chief Financial Officer - CFO

Determining Participation in Insurance Plans

Dental insurance is less prevalent than health insurance, but is becoming more common. Insurance plans typically give the practice access to a large group of potential customers. Some plans require dentists to accept lower fees, while others provide a partial payment to the practice, but allow additional charges to patients.

Increasing Operational Efficiencies

Pressure on revenues from insurers and from slow demand growth can strain operating expenses. Revenue per employee for dentists is lower than for physicians, although many office tasks are the same. Additional cost demands for Health Insurance Portability and Accountability Act (HIPAA) compliance and insurance processing increase the attractiveness of group practices.

Chief Information Officer - CIO

Installing Administrative Computer Systems

To increase the efficiency of office tasks, many dentists buy practice management software specially built for appointment scheduling, billing, and patient file management. In addition to performing basic tasks, some systems analyze operations to improve efficiency, and some can directly capture images from digital x-ray machines or video cameras.

Using Advanced Diagnostic Equipment

Digital x-ray and video systems allow easier visualization of teeth and easier records management, but are more expensive than traditional equipment and require different operating skills. Prices for digital x-ray equipment and the associated software are about double those for traditional equipment. Systems must be easy enough to use that dentists don't need an extra technician.

Human Resources - HR

Hiring and Training Qualified Hygienists

Hygienists are especially important to dental practices because they maintain regular contact with patients and can prevent defections to other dentists. Strong demand for dental hygienists in recent years has made hiring more difficult. Hourly pay for dental workers is moderately higher than the national average.

Retraining Workers to Use New Technologies

The recent trend toward using practice management software has required re-training workers. Digital x-ray and imaging systems also require new skills. Because many dentist offices are small, training can interfere with regular daily activities.

VP Sales/Marketing - Sales

Increasing Referrals from Other Health Practitioners

Because selecting a dentist depends heavily on referrals, many dentists develop relationships with other local health practitioners such as doctors, chiropractors, physical therapists, optometrists, personal trainers, and psychologists. Specialty dentists also seek referrals from solo practitioners with a general practice.

Advertising Specialty Services

Many potential customers are unaware of new services such as cosmetic dentistry. While general dentists usually draw mainly local customers from patient referrals, dentists with special services can serve patients from a much wider market area. Part of the advantage of group practices is greater efficiency of advertising.

Executive Conversation Starters

Chief Executive Officer - CEO

What new services is the practice offering to augment cavity work?

As traditional cavity work with children decreases, many dentists specialize in orthodontics, cosmetic services, or services to adults.

Given local market conditions, what is the optimal size for the practice?

A large group practice generates more revenue per employee than a solo practice.

Chief Financial Officer - CFO

How does the practice decide which dental insurance plans to join?

Insurance plans typically give the practice access to a large group of potential customers but may require dentists to accept lower fees.

What is the practice doing to improve operating margins?

Pressure on revenues from insurers and from slow demand growth can strain operating expenses.

Chief Information Officer - CIO

How is the practice using technology to increase the efficiency of office tasks?

Many dentists buy practice management software specially built for appointment scheduling, billing, and patient file management.

Has the practice been able to justify the additional investment in digital x-ray equipment?

Prices for digital x-ray equipment and the associated software are about double those for traditional equipment.

Human Resources - HR

What challenges has the practice faced hiring hygienists?

Hygienists are especially important to dental practices because they maintain regular contact with patients that can prevent defections to other dentists.

How does the practice schedule worker training on new technologies?

Because many dentist offices are small, training can interfere with regular daily activities.

VP Sales/Marketing - Sales

What are the most important sources of patient referrals?

Because selecting a dentist depends heavily on referrals, many dentists develop relationships with other local health practitioners.

How does the practice educate patients and potential customers about new services?

Many potential customers are unaware of new services such as cosmetic dentistry.

Call Prep Questions

Conversation Starters

What strategies is the practice using to expand beyond traditional dental services?

Oral health has vastly improved in developed nations, reducing demand for traditional dental services.

How do dental insurers' payment terms affect the practice's pricing policies?

About 85% of dentists participate in a preferred provider network.

How does the practice ensure compliance with guidelines for prevention of disease transmission?

Dentists are at particular risk for disease transmission, both for themselves and their patients.

What opportunities does the aging of the US population present for the practice?

Growth in the number of elderly Americans, driven in part by the aging of baby boomers, will continue to increase demand for dental implants.

What portion of visits is for cosmetic reasons? Is that number changing?

Cosmetic dentistry has risen in importance in many dental practices.

How is the practice profiting from advances in dental research?

Gum disease has been linked to heart problems, causing the ADA to recommend periodontal exams along with regular dental checkups.

Quarterly Industry Update

What type of mobile dental care options has the company considered offering, if any?

Mobile dental care services are rising in popularity as companies seek to provide convenient wellness benefits to employees and organizations try to better reach underserved populations.

Operations, Products, and Facilities

How many dentists are in the office, how many hygienists, other staff?

The average dental office has one dentist, a receptionist, and two hygienists or dental assistants.

What services does the office offer?

Dentists provide amalgam and composite fillings, teeth cleanings, cosmetic dentistry, root canals, sealants, oral surgery, gum disease treatment, TMJ therapy, pediatric dentistry, orthodontics, tobacco cessation and nutrition counseling, crowns and bridges, dentures and dental implants.

What proportion are hygiene visits? Has this number been changing?

Oral hygiene services are some of the least costly health services available.

Customers, Marketing, Pricing, Competition

What are the age demographics of the office's patients? Has this been changing?

Many practices specialize in children or adults. With an aging population, gum care, caps, and tooth replacements have become more important.

Does the practice concentrate on adding more new patients or on providing more care for fewer?

In a comprehensive care practice, patients are seen for more complicated and expensive procedures, resulting in a greater production per hour for the dentist.

What marketing or advertising does the office do?

Many practices rely solely on referrals from existing patients.

How many other dentists operate in the same market area?

In urban and suburban markets, usually several dentists are available to consumers.

How does the office differentiate itself?

Specialization of services is an important differentiator.

Regulations, R&D, Imports and Exports

How does the dental office address ergonomic concerns for dental workers?

Dentists and dental workers face significant risks for upper-extremity musculo-skeletal disorders from working in awkward positions with hand tools. However, few ergonomic training programs have been developed to help dental workers combat these risks.

What procedures does the practice use to avoid contamination and germ or disease transmission?

Concern among dentists, hygienists, and patients about becoming infected with blood-borne diseases or flu has led to increased use of masks, goggles, and shields.

How has the dentist addressed concern over mercury used with dental amalgam?

Increased legislation may require doctors to post product warnings, ban amalgam altogether, or buy costly filtration and separation equipment, reports *AGD Impact*, the news magazine of the Academy of General Dentistry (AGD).

Organization and Management

Is the office managed internally or by an outside firm?

Some dentists outsource office management services.

Has the dentist authorized general supervision for a hygienist in the office?

Many states require that dental hygienists work under direct supervision of a dentist, so that all work is done with a dentist present or with a dentist's inspection afterward. General supervision means that a dentist has authorized a dental hygienist to perform certain procedures, but the dentist doesn't need to be present during treatment, allowing business continuity when a dentist is absent.

Financial Analysis

What proportion of patient payments are through insurance plans compared to private pay?

Out-of-pocket payments by consumers account for about 35% of total dental care payments; third-party payers account for the rest.

How much is invested annually in equipment? What are planned capital expenditures?

Rapid technological advances are changing the industry.

Business and Technology Strategies

If a sole practitioner, has the dentist considered joining a group practice?

Groups have lower overhead and more efficient operations.

If a sole practitioner, does the dentist plan to eventually sell the practice?

Many dentists depend on the sale of their practice for retirement.

If a group practice, how large does the group plan to get?

Groups are limited by the size of the geographical area from which they can draw patients.

What is the dentist's opinion of managed care? Has managed care greatly affected the practice?

An increasing number of dentists are becoming employees of HMOs or other MCOs to concentrate on providing care rather than managing a practice.

Has the dentist invested in computer-imaging technology?

Computer-imaging programs help patients visualize what they might look like once treatment is completed and help dentists plan treatment.

Does the dentist use computerized milling devices for restorative dentistry?

Although computer-driven milling devices for inlays, onlays, crowns, and fixed prostheses have advantages, the dental market has been slow to accept the technology.

Financial Information

COMPANY BENCHMARK TRENDS

Quick Ratio by Company Size

The quick ratio, also known as the acid test ratio, measures a company's ability to meet short-term obligations with liquid assets. The higher the ratio, the better; a number below 1 signals financial distress. Use the quick ratio to determine if companies in an industry are typically able to pay off their current liabilities.



Financial industry data provided by MicroBilt Corporation collected from 32 different data sources and represents financial performance of over 4.5 million privately held businesses and detailed industry financial benchmarks of companies in over 900 industries (SIC and NAICS). More data available at www.microbilt.com.

Current Liabilities to Net Worth by Company Size

The ratio of current liabilities to net worth, also called current liabilities to equity, indicates the amount due creditors within a year as a percentage of stockholders' equity in a company. A high ratio (above 80 percent) can indicate trouble.



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COMPANY BENCHMARK INFORMATION

NAICS: 6212

Data Period: 2016

Last Update December 2017

Table Data Format

Mean

Company Size	All	Large	Medium	Small
Size by Revenue		Over \$50M	\$5M - \$50M	Under \$5M
Company Count	76398	-	236	76162

Income Statement

Net Sales	100%	-	100%	100%
Gross Margin	100.0%	-	100.0%	100.0%
Officer Compensation	6.3%	-	5.1%	6.4%
Advertising & Sales	1.5%	-	1.6%	1.5%
Other Operating Expenses	87.8%	-	87.6%	87.9%
Operating Expenses	95.7%	-	94.3%	95.8%
Operating Income	4.3%	-	5.7%	4.2%

Net Income	1.8%	-	2.7%	1.8%
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Balance Sheet

Cash	15.4%	-	15.0%	15.4%
Accounts Receivable	6.7%	-	8.6%	6.6%
Inventory	0.5%	-	0.5%	0.5%
Total Current Assets	29.2%	-	30.7%	29.0%
Property, Plant & Equipment	29.3%	-	27.6%	29.4%
Other Non-Current Assets	41.6%	-	41.7%	41.6%
Total Assets	100.0%	-	100.0%	100.0%
Accounts Payable	1.9%	-	2.0%	1.9%
Total Current Liabilities	18.5%	-	19.4%	18.4%
Total Long Term Liabilities	40.1%	-	39.8%	40.1%
Net Worth	41.4%	-	40.9%	41.5%

Financial Ratios

Quick Ratio	1.33	-	1.35	1.33
Current Ratio	1.58	-	1.59	1.58
Current Liabilities to Net Worth	44.5%	-	47.3%	44.3%
Current Liabilities to Inventory	x41.01	-	x40.31	x40.87
Total Debt to Net Worth	x1.41	-	x1.44	x1.41
Fixed Assets to Net Worth	x0.71	-	x0.67	x0.71
Days Accounts Receivable	10	-	13	10
Inventory Turnover	x0.00	-	x0.00	x0.00
Total Assets to Sales	40.5%	-	41.6%	40.4%
Working Capital to Sales	4.3%	-	4.7%	4.3%
Accounts Payable to Sales	0.8%	-	0.8%	0.8%
Pre-Tax Return on Sales	3.0%	-	4.4%	2.9%
Pre-Tax Return on Assets	7.4%	-	10.6%	7.2%
Pre-Tax Return on Net Worth	17.8%	-	25.9%	17.3%
Interest Coverage	x3.00	-	x4.12	x2.92
EBITDA to Sales	7.5%	-	8.7%	7.4%
Capital Expenditures to Sales	4.3%	-	4.1%	4.3%

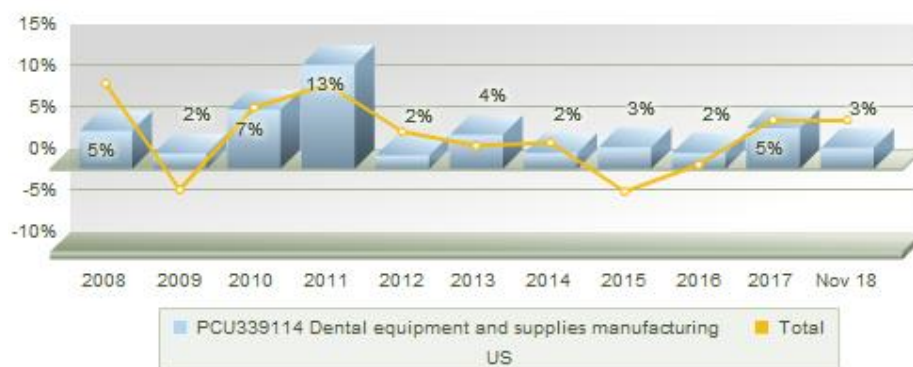
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ECONOMIC STATISTICS AND INFORMATION

Annual Construction put into place - Census Bureau



Change in Producer Prices - Bureau of Labor Statistics



Change in Consumer Prices - Bureau of Labor Statistics



VALUATION MULTIPLES

Dentists

Acquisition multiples below are calculated medians using at least 3 US private industry transactions completed between 1/2007 and 10/2018 and are based on middle-market transactions where the market value of invested capital (the selling price) was less than \$1B. Data updated annually. Last updated: December 2018.

Valuation Multiple

MVIC/Net Sales

MVIC/Gross Profit

MVIC/EBIT

MVIC/EBITDA

Median Value

0.6

0.6

3.8

5

MVIC (Market Value of Invested Capital) = Also known as the selling price, the MVIC is the total consideration paid to the seller and includes any cash, notes and/or securities that were used as a form of payment plus any interest-bearing liabilities assumed by the buyer.

Net Sales = Annual Gross Sales, net of returns and discounts allowed, if any.

Gross Profit = Net Sales - Cost of Goods Sold

EBIT = Operating Profit

EBITDA = Operating Profit + Noncash Charges



SOURCE: DealStats (formerly Pratt's Stats), 2018 (Portland, OR: Business Valuation Resources, LLC). Used with permission. DealStats is available at <https://www.bvresources.com/learn/dealstats>

Industry Websites

Academy of General Dentistry

News, publications, hot issues, conventions, consumer information, and links.

American Academy of Cosmetic Dentistry

News and industry information.

American Dental Association

General information and news on issues facing dentists.

American Dental Hygienists' Association

Articles and news on oral health, industry issues, FAQs, and a newsletter.

Canadian Association of Orthodontists

News, events and links.

Canadian Dental Association

News and information on dentistry and oral health.

Canadian Dental Hygienists Association

News and information.

Dental Icon

Reference library, product and dealer guides, insurance information, dental journals and organizations.

Dental-Related Internet Resources

Latest dental online websites.

DentistryIQ

Articles and news for the dental profession.

DrBicuspid.com

News and features on dentistry.

National Association of Dental Laboratories

News, calendars, directories and information on technician and laboratory certification.

National Association of Dental Plans

Industry information and news on dental benefits programs and services.

World Dental Federation

World issues, research, and statistics.

Glossary of Acronyms

DMSO - Dental Management Service Organization

HIPAA - Health Insurance Portability and Accountability Act

LEAT - least expensive alternative treatment

NADL - National Association of Dental Laboratories

TMJ - temporomandibular joint