

We'll Beg to Differ, Too...

In response to the recent *Ontario Dentist* article, "We Beg To Differ" (October 2018), the authors, Dr. Bernard Dolansky and Mr. Bill Henderson, present their differences in opinion with that of R.K House and Associates and the ODA's *2017 Economic Report to the Dental Profession*, specifically with their perspective that young dentists will not struggle to afford their own practices.

With one of us a practising dentist and a previous owner of a solo practitioner office, and both of us partners at a dental practice brokerage (The Dental Broker Team), we beg to differ with your "beg to differ."

In the article, the authors state, "Given that the average practice owner in our database makes more than twice as much annual income as the average associate..." We have to ask if the owners referred to are recent purchasers or, more likely, dentists who have paid off their practices preparing to sell. If this statement refers to dentists who have paid off their practices, these owners represent an entirely different financial demographic than those carrying the burden and challenge of purchasing and financing at today's practice purchase costs.

We also have a response to the statement, "If it's true that young dentists will not be able to afford practices, then someone should tell the major Canadian banks, who obviously disagree." We say that there are many major Canadian banks that are exercising far more scrutiny in practice financing today, even at the solo practitioner level, which makes sense. A lender's due diligence of appraised value, cash-flow evaluation of a prospective practice to be financed, and analysis of the dentist-to-population ratios are certainly affecting a purchaser's ability to attain financing. The competition to purchase a practice with such high buyer saturation, the increased security measures from lenders, the consequently slower turnaround times for finance approval of major Canadian banks, and in some cases, dare we say it, marketplace-driven inflated practice valuations, all affect the solo practitioner's ability to afford a given practice. We are in complete agreement that conventional bank loans are much more affordable to the average individual dentist than loans from private lenders that work with corporate dentistry, but we are seeing that private lenders have greater term flexibility and turnaround times for financing approval, which makes it more challenging for the young hopeful solo practitioner to present a competitive offer for a practice in a timely fashion. And, in regions saturated with dentists, there still remains very high demand for buyers to purchase these offices, but the risk of loss of goodwill is real in these transitions. This demand combined with the potential loss of patients puts pressure on the young dentist to work more, acquire new patients, and increase services to compensate for any potential loss, which should be considered, but is rarely reported or projected in a practice appraisal.

Where we absolutely agree with your article and the opinion of R.K House is in the statement, "To succeed, individual practice owners need to focus more than ever on effectively running their business." Dental schools will need to increase their focus on practice management in the curriculum in the face of the greater costs of practice, including the costs related to Infection Prevention and Control (IPAC) compliance, the impact of changing labour regulations, the potential for unforeseen capital expenditures after practice purchase, and the high costs of practice purchase and financing.

It is our opinion, as two more contrarians by nature, that we will see dentists working in more collaborative, group and team-based practices, where cost-sharing and compliance with increasing government ministry requirements can be responded to with greater efficiency.

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