

The Dentist Who Died

By Susan A. Spear, SAS Transitions Dental Practice Brokers

The unexpected death of a dentist is devastating. You never think it can happen to you, but it can and it does happen when we least expect it. The result is often a state of chaos that can equate to additional loss both emotionally and financially for those left behind.

In most situations, a response to what is going to happen with the business is put off because of the shock, loss and grieving that naturally occurs. The initial loss of the dentist is about a parent, a spouse, a sibling and a friend. It is also the loss of a caretaker, a boss, a leader, and a mentor. When a dentist dies without warning the loss can be compounded by so many unthinkable events that if we were willing to talk about it and make plans for “just in case” maybe some of the unfortunate outcomes could be minimized. Your death isn’t just about you. It is also about what is going to happen to your living business with patients and staff once you are gone.

Without a plan in place, at the onset of the dentist’s death there is usually a period of time somewhere between four to six weeks (often longer) where there is no activity. The office may close temporarily. Staff members face uncertainty about their jobs while grieving themselves. Patients may hear a sad message on the answering machine or find a note on the door asking that they remain understanding while “someone” figures out what to do. Maybe the staff goes into the office each day trying to replicate some normal operation by running the hygiene department to keep the practice afloat. Unfortunately without guidance, the staff works aimlessly not knowing what to say, how to reassure patients, and all the while unable to comfort themselves. It may be that a few caring dentists volunteer their time to help the practice. But that cannot last indefinitely. All the while, time ticks away.

Not addressing the possibility that you could die suddenly could be a time bomb waiting to happen. Here are some fundamental provisions that every dentist should have in place.

- Acquire a life insurance policy that protects your family from the loss of income the practice provides. If you haven’t reviewed it lately, it is time to make sure it is adequate for where you are financially at this time in your life.
- Create a will that is updated or at least reviewed annually and appoints someone as Power of Attorney. ***Activate the Power of Attorney now!(This is actually executor or Responsible Party)*** If the estate waits to exercise the appointment when the dentist dies, the courts can take several weeks before they approve the designation. Think very carefully about who this person should be. The appointed Power of Attorney who handles the business may not always be the spouse. Remember, your spouse is grieving at the time of your death and will not be thinking about the business. Like your spouse, your brother or sister, father or mother, may not be in a position to respond objectively. They too need to grieve and their emotional responses to business decisions may not serve the estate’s best interests.

This person should have knowledge of your business. He or she should know how you want the process to unfold. Your appointee needs to understand that the process of selling your business will be extremely time consuming. It means he or she will need to be able to answer telephone calls, meet with advisors, make decisions quickly and unilaterally, manage the staff, address the accounts payable, know about liabilities to the practice, assist in keeping the practice operating, etc. If you appoint someone who cannot commit to this process, the result can be painful for everyone involved.

It's now been six weeks since the dentist died and finally a practice broker is asked to come in and sell the practice. Now things will start hopping...or not. The broker acts quickly to profile and value the business. But wait, many of the questions about the practice can't be answered because the staff is unaware of how the business operates. Maybe the accountant knows? The accountant knows about the taxes and can help gather the financials on the practice, but the dentist processed the accounts payable, or maybe the spouse did. Unfortunately, the spouse is in no shape to address these questions. Or what if there is no spouse? A family member has been appointed executor. Great! However, he or she does not have Power of Attorney until the courts approve the request.

Eventually, the broker scrambles to gather the necessary practice information and find a new dentist. News can travel fast in the dental community which is usually a good thing. If lucky, there may be a dentist or a few dentists interested in purchasing the practice. However, more commonly the broker must advertise to find a potential buyer. This may add weeks or more to the process. The value of the business continues to be at risk.

The most effective way to ensure your practice will continue even if you are no longer there is to develop a plan now. The longer the business takes to sell, the more vulnerable the business is to losing patients and those valuable staff members.

- At your next staff meeting, design a contingency transition plan with your team where you can delegate a person or persons who will know how to answer questions about the operation of the practice and work with your representatives to help find a new dentist. This person/s should know how to pull YTD reports, have knowledge about inventory and equipment, provide a list of suppliers and vendors, and know who to contact about the financial position of the business, including taxes, loans and accounts payable.

There should also be communication about when and how to tell the patients. Changing the answering machine to say that the dentist has died and you are unsure of when the practice will reopen, could mean the end of the practice. Instead, and for the good of the practice, the team members should attempt to maintain the practice as normally as possible. Of course, patients are informed about what has happened as they present to the practice. This process, although difficult will minimize panic and mass despair. The team members will need to become grief counselors. They will need to become decision makers. They will need to become triage managers.

Knowing this ahead of time can help to minimize their fears. From their perspective, being able to remain together as a team and continue to treat the patients they have known for years, can be an incentive to do what it takes to carry on.

- Choose a professional licensed practice broker who understands your plan and if possible have a practice valuation completed now. Update the valuation yearly to provide a quick and tangible overview of your business so that a new buyer can purchase quickly. The value of a dental practice when the dentist dies is directly affected by the amount of time it takes to put a new dentist in place. This loss can be minimized if a buyer is found early and the process for purchasing the practice begins as soon as possible. If not, the estate can often expect to lose up to fifty percent of the value of the practice or more!
- Determine a practice (transaction) attorney. If you do not have a practice attorney or attorney that can help manage your estate should you die, now is a good time to find someone you trust. Your attorney should have knowledge of dental practice sales and should be able to work as quickly as possible to support a transaction. Delays in communication with your representatives, extensive negotiation, or debate, have little value in this instance. Find someone who understands the importance of a timely transition.

When someone dies we expect most individuals will be charitable. But, lenders, landlords, and other business entities, although empathetic to the situation, will still hold your family or the estate accountable. If you are leasing space for your dental practice, here is a value recommendation.

- Always negotiate a release clause in your lease that states should you die there will be a period of time to sell your business. However, it should also protect your family from having to pay the remaining balance on the lease if your representatives are unable to bring in another tenant. Although you may have an assignment clause, your estate attorney may want to close the estate as soon as possible to minimize liability or risk for your family. This may only be six months, which will not cover the entire period of your newly negotiated five year lease! Your estate will be responsible to pay the balance. This can be very costly. If the estate can remain on the lease, at least fully understand your lease responsibilities should you die.

If you own the building, again make sure a responsible person can act immediately on your behalf to lease or sell the property, whichever works best for your family. A delay in the lease process can mean a delay in selling the practice.

There are many other situations that can occur when a practice is left suddenly without a leader. Hopefully, knowing how to combat a few problems before they happen will help to prevent the unthinkable from happening to your practice! Death is a real part of life. Don't wait to create a proactive plan.