

Practice and Personal Preservation Strategies

Unfortunately, over the last 32 years of my professional career, I have significant experience in rescuing dentists and their practices from total financial ruin. The purpose of this document is to provide unsolicited and practical advice on how to preserve your practice while also providing strategies to navigate through the economic impacts of this pandemic including tactical steps to take for dentist owners, their employees and people living paycheck to paycheck. There is no way to predict how long this crisis will continue however one should be prepared for it to last up to 60 days and longer. If it is less, it's a win. If it's longer, then the economic devastation will continue, and the strategy and steps outlined herein will be even more applicable.

The overall strategy is comprised of two parts. The first is a personal strategy which may be applicable for you and your employees and the second part is applicable for your practice.

Personal Strategy

So, on the personal side, the immediate future is all about priorities and the basics of cashflow. First and foremost, your personal health is paramount. Without you, those that you love and depend on your strength and guidance will be worse off without you so take care of yourself; rest, exercise, establish a routine, find ways to help others, and do some good in the world. Second, decide what is important to you and your family. I can assure you that the longer this crisis continues, the more critical having access to cash to pay for basic human needs like food, health, transportation and shelter will become.

1. Calculate or add up the weekly and monthly costs for your basic human needs like food, health/medicine, transportation and shelter/housing. A note on shelter, some states are declaring certain counties to implement a "no eviction freeze" for the next 90 days so paying for shelter may not be an immediate cost.
2. Take inventory to understand what resources are available to you but you must know how much cash you have access to in the form of checking, savings, lines of credit, cash value life insurance policies, retirement plans and available credit card lines.
3. Cut all expenses except for basic human needs like food, health, transportation and shelter.



4. Freeze ACH, auto debits and credit card payments. Most utility companies are now sending notices that they will not turn off your utilities, hit you with penalties or and charge you interest. States are beginning to implement no eviction freeze for the next 90 days.
5. Major expenses like mortgage, car payments and student loans will soon enough become late and these institutions will need to work with you if you are furloughed or if you have experienced termination or a lay-off from your job.
6. If you are furloughed or if you have experienced termination or a lay-off from your job, then you will need to file for unemployment in order to have some cashflow coming in.
7. The progression of using cash from your resources is to use cash from checking, savings, lines of credit, available credit card lines, cash value life insurance policies and retirement plans.

Practice/Business Strategy

As for your business, almost the same principles apply but there are clear and actions plans to employ for both income and expense strategies. Again, you need to decide what is important to you. For me, it's always been about taking care and preserving the relationships and employment with my Associate Doctors, Team and trusted, loyal employees. My businesses exist and more importantly my success has come not from me but from my business partners and the employees/team that worked in the company. The next priority is to preserve my relationships with vendors that I like and want to support to see them survive this crisis as well.

Income

The first step is to fully understand what cash you have available on hand to understand what resources are available to you.

- Cash on hand in the form of checking and savings accounts.
- Resources to pull cash from lines of credit and available credit card lines.

Add these two numbers together in order to calculate the amount of cash and liquidity you have available to you. Let's call this "A" for now. In my experience, most companies, be it Fortune 500 or solo dentists, do not keep more than 2 to 4 weeks of operating revenue as cash on hand. Up until one month



ago, the USA had the lowest unemployment in last 50 years with a booming economy and stock markets hitting all-time highs. Confidence could not have been any higher.

Next, calculate the amount of Accounts Receivable and make sure you understand how much is due from Patients and how much is due from/outstanding from Insurance companies. We will come back to this shortly as well.

Expenses

If you know of the 80/20 rule, you will see that 80% of your expenses will come from 20% of your “vendors.” So if you have 100 people you spend money with, you will find that 80% of those expenses come from 20% of the “vendors” such as your associates, employees, your top dental supplier, lab, rent and loan/mortgage expenses. From your vendor list you need to determine who are “critical” vendors besides your doctors and employees. Under normal operating conditions a “critical” vendor is someone like your electric company. If you don’t pay them, they cut you off and shut you down.

As I said earlier, I believe your Doctors and Employees are critical to your business. Of all the expenses, your biggest expense is Associate and Team/Staff compensation, benefits and Taxes. For a majority of entrepreneurial dentists, dental groups, and DSO’s, this expense will be approximately 50-55% of Income. If, on the Personal side of the previous section, you require cash for your personal you will need to add that cash requirement as well. Let’s call this total “B” for now.

The first step in this overall practice preservation strategy is to understand what “A” minus “B” comes out to be. Let’s call that number “C.” If you are like Mark Cuban, who is paying his staff/employees for as long as this crisis remains, you more than likely have all the cash and liquidity you need to cover all your expenses and keep your Doctors, Team and Vendors paid. If I were you, I would stop reading at this point. The reality is, however, this pandemic has caught much of the world off guard, and very few of us will be able to support our teams indefinitely. Hypothetically, if “A” was \$100,000 and “B” is \$60,000 then “C” is \$40,000, your practice and business is now in dental emergency services only, and the only real revenue coming in is from your accounts receivable. Unless another \$20,000 comes in before your next payroll is due, its game over. The heart of this discussion is how to handle this.

Dividing “B” into “A” will tell you, more or less, how many payroll cycles you have before you completely run of cash.

We now need to face the difficult facts regarding your team/employees; we are now in a recession. The length of this recession will be determined by the exponential length of this shutdown. We will eventually emerge from this crisis however we will not be back to pre-covid-19 economy for years to come.

1. Now is the time to terminate or permanently lay-off employees who have not added value to you and your business.
2. Decide which of your employees are;
 1. Needed to continue to work in a reduced dental emergency services
 2. Going to work to;
 1. Schedule/Reschedule patients
 2. Collect money from your Accounts Receivable. More on this later
 3. Support your business with HR, Accounting, IT, Vendor management.
 3. All other employees will be need to be furloughed or go through a lay-off. A lay-off is a considered a termination. What Is a Furlough?
 1. An employee furlough is a mandatory suspension from work without pay.
 2. An organization will furlough employees as a cost-saving measure when it doesn't want to lay off staff but lacks the resources to continue paying them.
 3. An employer typically will use a furlough to retain staff that they can't afford but don't want to lay off.
 4. A furloughed employee may also take unemployment benefits for their time without pay.
 5. An employee furlough can be as brief or as long as the employer wants.
 6. Furloughed employees are absolutely banned from doing any work on behalf of their employer whatsoever.
 7. Furloughs vs. Layoffs: There are four key differences between a furlough and a layoff
 - i. Furloughed employees have an expectation that they will return to work. Typically, an employer will give furloughed employees either a specific date or a specific condition for resuming duties.

- ii. Furloughed employees typically retain their benefits. Most notably, employees usually retain access to any health and life insurance during the furlough.
- iii. A furloughed public employee retains their employment rights. For a public employee who has been furloughed, rather than laid off, this means that they have a presumptive right to return to that position if they choose and it exists.
- iv. A furlough is relatively seamless. Laying off employees requires significant process, as does hiring new staff. This can be time consuming and expensive. By contrast, a furloughed employee can come and go fairly easily.

Once this is completed, recalculate your projected payroll expense so the “B” number will be now revised and updated to let’s call it “D.”

Dividing “D” into “A” will again tell you, more or less, how many more payroll cycles you have before you completely run of cash. If “D” is \$10,000 and you have \$40,000 left in “A” then you have enough cash to pay your employees for the next 8 weeks. If you believe there is enough cash for the next 60 days then what is left can be used to pay “critical” vendors.

During this period of decreased revenue, it is highly recommended to suspend or cut all non-essential services such as marketing. To that end;

1. Freeze ACH, auto debits and credit card payments. This will cause vendors to contact you about their service and as such you will determine how critical or essential it is. Some credit card companies are offering zero minimum payment and 0% interest for a month or more. This may be a way to better leverage the cash on hand if payment can be delayed.
2. Most utility companies are now sending notices that they will not turn off your utilities, hit you with penalties or charge you interest.
3. Rent. States are beginning to implement no eviction freeze for the next 90 days. Write a letter or an email to your Landlords asking to defer paying rent until this crisis resolves. You can negotiate the payment and terms of this deferment at a later stage.



4. Mortgages. The federal government will most likely banning lenders from foreclosing on Borrowers. Most banks are offering relief to dental clients who have loans. These options vary, bank to bank. This will be an important help during the coming months.

Now back to working ways to increase the “A” coffers. Besides revenue from seeing dental emergencies, and possibly Teledentistry services, there needs to be a work plan for collecting revenue from the Accounts Receivable. You will need to decide, as a creditor now, how you want to deal with patients that owe you and the practice money. Being aggressive at this time, I believe, will only hurt you by demonstrating a lack of sensitivity during this crisis. Granted, working and cleaning up the Accounts Receivable during this time is very practical and resourceful thing to do during this shut down. Regardless, this all starts with understanding your Accounts Receivable in total and by office as applicable.

1. AR aging totals
2. Outstanding Ins Aging totals
3. Claims status
4. Claims needing information to resubmit

The spread of the disease caused by the virus, COVID-19, has sent financial markets into a tailspin and created a global financial crisis. The panic is clear in stocks, bonds, gold and commodity prices and underlining expectations of severe economic damage from the outbreak. Almost everyone will be impacted by this crisis, including the super-rich. To them, this may feel like a bump in the road, maybe even an opportunity, but for the rest of us this will range from significant loss of cash, equity and of capital in retirement funds to possible bankruptcy.

If your total cash resources are not enough to sustain your total basic human needs costs then you will need to turn to family, friends or the government for additional assistance. No doubt all will have to make some serious choices and sacrifices the longer this crisis lasts.



About Dr. Alex A. Giannini



Dr. Alex Giannini has founded and served as CEO of several dental groups and DSOs. He has over 32 years of experience in the clinical, administration and management of dental practices, across 10 states, including its related businesses. Dr. Giannini has historically doubled and quadrupled dental practice revenue and profitability within a year while creating a platform with national prominence. Dr. Giannini was the founder of Comfortable Care Dental Group's initial office in 1989 which in turn became the first group in Florida as part of the Heartland Dental growth at the turn of century. In 2008, he founded Dynamic Dental Partners Group (DDPG) which in 2014 was listed at #14 on the Inc. 500 list for the fastest-growing private companies in America. Dr. Giannini

practiced high-end fee for service dentistry in Florida for 9 years, after which time he co-owned and managed dental practices in Florida, Arizona, Virginia, New Jersey, Pennsylvania, and Georgia. In addition, Dr. Giannini has been featured as a guest speaker at many Practice Management conferences throughout the nation. Dr. Giannini has worked with Institutional, Private Equity, and Family-Office Investors. He has turned around hundreds of practices including distressed Dental Groups and DSO's. His role is strategic, and includes shaping the philosophy and delivery of quality dental care along with implementing Clinical and Operational Policies, Structure and Protocols for his Management Team to deliver productive and profitable dental offices. He has also been involved in Doctor Recruitment, complete business development, and strategic planning as a business analyst. This has allowed him to oversee the financial operations including the dental systems, forecasting, budgeting, and goal setting of each individual affiliated office and company. Dr. Giannini is immediate past President of the AAGDP (American Academy of Dental Group Practice, www.aadgp.org) and a former member of the ADSO.

About Aligned Dental Partners.

As a leader in dental consulting, Aligned Dental Partners works with emerging DSOs, group practices, and entrepreneurial dentists. Practitioners work with Aligned Dental Partners to reduce their stress, become more productive and efficient, and drastically increase their practice or group's value. We help dental companies centralize their non-clinical functions and support their management teams, allowing dentists to focus on patient care. Every dental office has its own unique culture and way of practicing. Our philosophy is to maintain a doctor-owned and doctor-led model and provide support in areas that the dentist wishes not to focus.