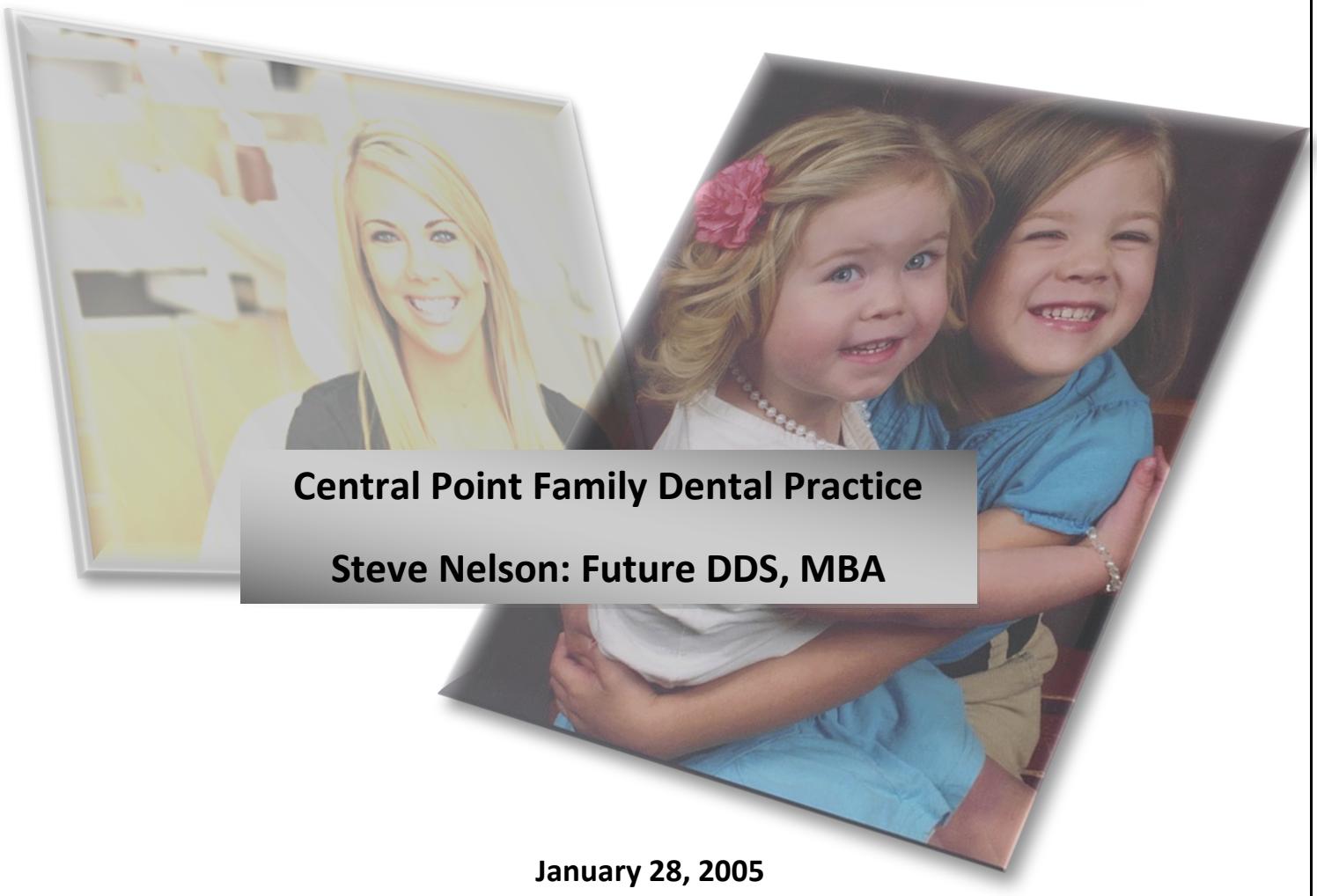
Business Plan for a

General Dental Practice

Servicing the Greater Medford, Oregon area



Central Point Family Dental Practice

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Business Loan Request through

Bank of America

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Bank of America

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Purpose

I am aiming to be a board-certified general dentist eligible to practice in the state of Oregon and am inquiring for a business loan to form a start-up practice in the Medford, Oregon area.

This community is family oriented. It is home to the great outdoors, and the educational system has one of the better districts in the state. There are performing arts like the Shakespear Festivals, the annual Britt Festival, and concerts and productions from the local Southern Oregon University. The weather is mild year round yet has all four seasons, and it is a community poised for growth and great potential. This is a community I want to be a part of, where I want to raise my family, and live through my retirement years.

I first aim to first work in the public health sector for at least two years. This community health venture will provide a unique treatment aspect and business side of dentistry by simply being thrown into the fire. Community health centers see a lot of patients per day and many have a 3-month wait list. This likely will force me to become efficient and effective with my time and skill set. Clinics serve the underserved population who have a dire need for dental care. Cases are more extreme than what most dental practices treat on average especially if compared to a dentist practicing in a high-end dental clinic. With this experience, I will feel capable and ready to take on the next challenge of opening up my own practice.

Practice Type

My intention is to open a privately-owned general dentistry practice geared towards the whole family. Patients of every generation are welcome, but our target population will focus on middle-aged parents with children. The practice will be a start-up facility that will service the greater Medford area. Services provided to patients will include but are not limited to prophylaxis, cosmetics, crown and bridge, full and partial dentures, indirect restorative procedures, implants, endodontics, and extractions.

Our practice will accept most private insurances or PPOs and indemnity plans. Accepting Medicaid patients would be considered dependent on one of two unknowns: the new jurisdiction of healthcare laws enforced by the federal government or the financial instability of the market.

Mission Statement

We will practice personalized general dentistry tailored to every generation in an ethical manner based on a foundation of honesty and the aim to earn our patients' trust. We will treat the patient as we would expect to be treated if we too were the patient.

Positioning Statement

To the residents of the Medford area—our family dental practice seeks to provide optimum treatment and comfort in a patient-friendly environment. Our goal is to offer a competitive option concerning your dental health care and add to the quality of care that can already be found in this growing community.

Practice Structure

Central Point Family Dental Practice will initially begin as a sole proprietorship. If all the goals are met that are listed in the Benchmark section, then at the five year mark will the option of a partner or associate be heavily considered. In that case the dental practice would most likely evolve from a sole proprietorship to an LLC. This would offer greater self protection as a business owner in the case of a lawsuit.

Concerning a CPA and attorney, both will be required throughout the buying, building, and operating process of the dental practice. The main priority of retaining the same professionals is that they share the similar vision of what this practice is trying to accomplish. Both CPA and attorney are from Medford and are familiar with local and state laws.

As for the practice's operating structure there are a couple of ideas to save money and get more patients in especially during the first few months of opening. The practice will be open four days a week instead of five. This 10-hour work schedule will allow us to work more hours in a day, which may accommodate those patients needing early or later hour appointments. We will stagger the opening and closing hours from day to day, and we will even open Saturdays to start off. This gives patients the freedom to come for a dental visit and not lose wages for skipping work.

Weekly Schedule					
M	**T**	**W**	**Th**	**F**	**S**
		6:30-5:30	8:00-7:00	6:30-5:30	6:30-5:30

Concerning urgent care or emergency appointments, those will be scheduled for the 1st and last hours of the day. The 1st year in operation will not have a hygienist and with five operatories there will always be a chair available. Those designated hours of the day will have lighter treatments scheduled so if the emergency patient is a walk-in or already scheduled then that patient will get treated appropriately.

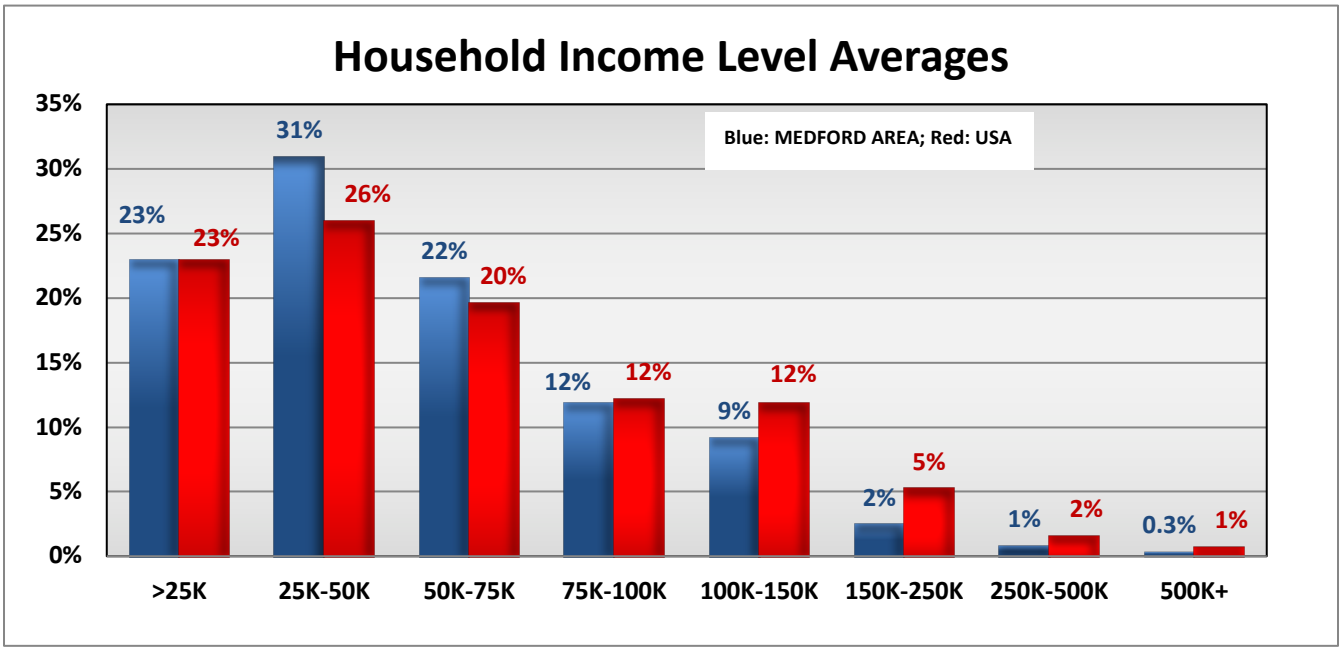
Market Opportunity

The current Medford population is nearly 77,000 and the immediately surrounding cities make the population 109,786 within a 6 miles radius. There are 41 general dentists that are competing in this same area of Medford and its immediate surrounding cities such as CENTRAL POINT, Jacksonville, etc.

While the state of Oregon has 19% uninsured, the Medford area boasts better figures. Only 15.8% of Medford and its surrounding cities are either uninsured or have government-assisted health insurance. Six of the 41 dentists work in the only public health clinic called La Clinica, which serves the underserved population. Excluding those patients that are eligible or that do attend La Clinica that leaves the general dentist to patient population ratio very favorable for a practice that is starting from scratch—1:2,641 for the Medford area. For a general practice to be successful the ratio needs to fall between 1,800-2,000 patients per general dentist (minimum is 1,500). The predicted population in 2015 for the Medford and surrounding areas is predicted to surpass 125,000 people. This favorable growth allows more opportunity for dentists to thrive in an optimal dentist to patient ratio. The opportunity is there!

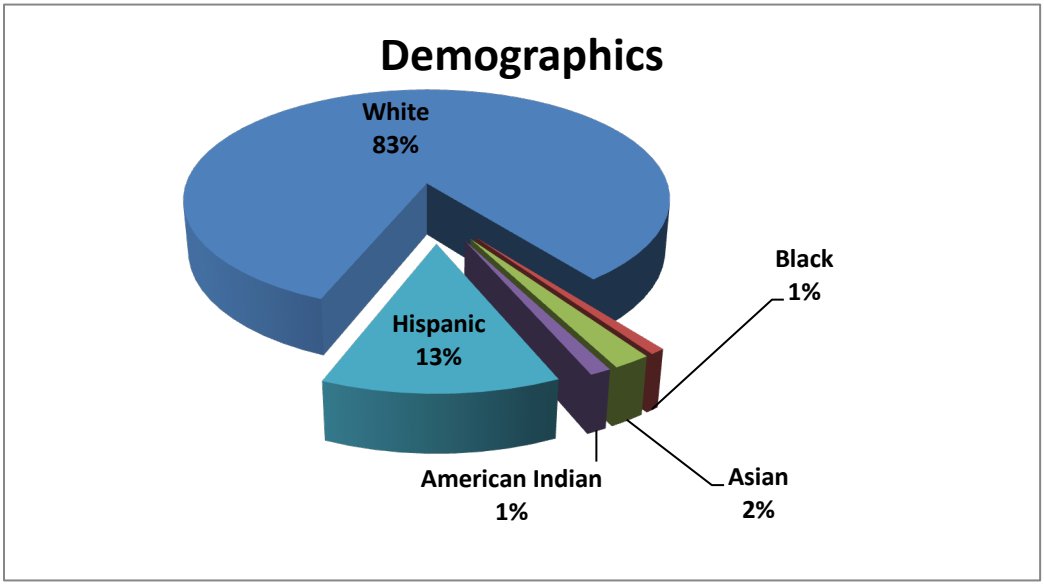
Dentist to Patient Ratio: 1:2,641

The average income for the Medford area has a greater number of people earning less than the American average. Around 50% of locals earn between the ranges of $25,000-$75,000. This means high-end dentistry will be a more competitive market and potentially less in demand; however with the dentist to patient ratio, competition should not be as restrictive compared to Southern California per say. La Clinica serves those patients on government assistance making up 15% of the community; mixed with those residents making less than $25,000/year makes up a fourth of the population. That leaves the greater percentage of 75% of the community can truly afford to pay for dental care or insurance.



One advantage our clinic will thrive in is based on the demographics of the area. The 2nd largest race is Hispanic, which makes up 13% of the population. Though it seems like a small number, it is the language that has been shown to be a barrier for a good portion of that population. Half of the 13% feel

more comfortable communicating in Spanish than English, and a third of those patients only speak Spanish according to the federal data base. This is advantageous for my perspective. I am fluent in Spanish so there is no need to hire a translator, and this skill provides the patient with greater comfort knowing their provider understands their native tongue. Thus I can advertise as a bilingual dentist and reach out to many more potential patients.



Treatment Analysis

As a dental practice entrepreneur there are two sides of dentistry—the treatment side and the business side. There are several treatment possibilities for almost every dental problem a patient may present with. Ultimately the patient should have the final say concerning what type of restoration should be placed after having been given a sound understanding of the pros and cons of each restorative possibility. As a business person I also need to keep my doors open to the public by being aware of the roles certain procedures play concerning the longevity of the practice. This table to the side is a BCG Matrix that identifies the values of particular services. They are appropriately labeled: Stars, Cash Cow, Problem Child, and Dog.

BCG Matrix- Dental Services	
Stars	**Problem Child**
Implants **Indirect restorations** **Cosmetics (restorative)** **Endo**	**Dentures**
Cash Cow	**Dogs**
Direct Restorations **Prophylaxis** **Extractions**	**Bleaching** **Exams** **Radiography**

Stars are services that provide the greatest bang for their buck. Implants, indirect restorations like crowns or onlays, endodontic treatments, and cosmetics all have the greatest return on

investment compared to other dental services. That incentive entices most dentists to advertise solely on these services. They are more costly to the patient and thus do not come by as often as Cash Cows. Endodontics is also considered a Star even though the procedure may take longer than a one-hour visit. That is because many times further treatment is needed after a root canal like a post, buildup, restoration, or a crown. Advertising will focus on these types of products. A patient can still decide if they want to have a different treatment besides a Star but we would be even more excited if the patient chose any one of those Star services.

Cash Cows keep our practice rolling. These are the work horses of dentistry, the staple of the practice, which keeps the business afloat. These are amalgams and composites, cleanings, and extractions. These will always be needed in our practice, and these services will carry the practice especially at the very beginning years.

Problem Child is a treatment that can be a good service to the clinic and patient but do not actually bring in great revenue. In fact, the practice could easily lose money if it relied heavily on these services. Are these services worth keeping? What they provide is a means of bringing patients in to the practice and set the stage to provide further services. The biggest reason why bleaching, x-rays, or comprehensive exams are not money makers is because the time required to provide service and the amount of money it costs the patient do not offset. If the clinic is to gross $736,890 in the first year of practice, the practice needs to gross $384 per hour to reach the annual goal. An FMX and comprehensive exam can take enough time where financially it does not pay the bills. However, by providing services like bleaching and exams, other services can come to fruition that creates a mutual benefit for the patient and practice.

Our practice will need to generate $384/hour to reach our projected total annual gross of $736,890

Regardless if you are a dog person, the Dog in the BCG matrix is a listing of procedures or services that could potentially lose enough money. We do not like Dogs. These treatments could most likely be removed all together from our dental practice if they continue to outweigh the benefits. Our practice will still be willing to treat patients in need of removable prosthesis but we will not actively promote or advertise that service. The primary reason has less to do with the number of visits required to deliver quality prosthesis though that too is a valid reason. The patient pays the same whether a denture is delivered in four visits or 20 visits and since time is money that eats our profits. It has more to do with the further maintenance required after the denture is delivered. Costs are associated with those repairs or maintenance, but patients have more aggravation with those outcomes and become less content with the treatment provided. This emits a negative impression or correlation with the dentist that provided the treatment. Starting out a new practice where impressions are almost everything, I would prefer to do less removable prosthesis until the 3rd year when the practice has been established and thriving more than the 1st year.

Management Team

The following includes the different positions and basic responsibilities for the dental clinic staff:

- Office manager—responsible for financing, scheduling, insurance, managing daily operations, and ordering supplies.
- Front desk specialist—responsible for scheduling, transitioning patients from reception to chair (including forms distribution, cashier, etc), cleaning front lobby at end of day.
- Dental assistants—responsible for sterilization, set-up and take down before and after patients, assisting during procedures, cleaning clinic areas and bathroom at the end of the day.
- Dental hygienist—responsible for dental cleanings, administering anesthesia for DDS when needed, patient education and hygiene.

Below outlines the 5-year plan for the number of employees needed:

- **1st year will have 1 dentist and 4 employees**—1 office manager, 1 front desk specialist, and 2 assistants.
- **3rd year will have 1 dentist and 7 employees**—1 office manager, 1 front desk specialist, 2 hygienist, and 3 assistants.
- **5th year** after the practice opens I will consider a **business partner or associate**. By that time I would be in position to have an adequately trained and functional staff able to take on a second practitioner.

Wages for staff:

- Dental assistants' wages $15/hour (31,200/year)
- Office staff wages $20/hour ($41,600/year)
- Hygienists $30/hour ($62,400/year).

The table below addresses the staff budgeted and the minimum number of staff needed.

Staff Needed				
	# of staff needed 1st year	Total Salary	# of staff needed 3rd year	Total Salary
Dental Assistant	**2**	**$62,400**	**3**	**$93,600**
Dental Hygienist	**0**	**$0**	**2**	**$124,800**
Front Office	**2**	**$83,200**	**2**	**$83,200**
Totals	**4**	**$145,600**	**7**	**$301,600**

Two plans are also set in place to encourage quality assurance:

- Provide a comments card available for patients to fill out and express their feelings, likes or dislikes, and areas where the practice can improve on.

- Instead of raises or expected bonuses, gift or rewards cards will be distributed according to merit, proactive behavior, and/or no specific reason at all.

Benchmarks

Here are the following expectations or primary goals for the first five years of starting the practice. If these are met then I will be on the right track of reaching every attainable goal that has been outlined throughout this business plan:

- **$500,000**-expected total loan needed to start up the dental practice
- **2,000 ft^2** building—land and building will be purchased.
- **5 total operatories** (two fully equipped chairs to start off and the remaining will become fully equipped with time).
- **Accounts receivables** should be no more than 65% of one month's production
- See a minimum of at least **1,500 individual patients in 2 years**.
- **Retain the great employees** and rid the practice of employees that do not share the same vision. The interviewing process per interviewee will include three separate interviews by three separate interviewers.
- **1st year-gross $736,000**, 3rd year- gross $1.13 million. If in the first year I am not in progress to reach this financial measure due to lack of patient pool size, a contingency plan will come into effect. This would include working as an associate or independent contractor part time (possibly 2 days) at a separate private practice to make up for lost income. This would spare money that would generally go towards staffing a practice and paying other overhead costs. This avenue would allow for my private practice to survive, and this contingency plan would continue until I returned back on track financially.

Capital Requirements

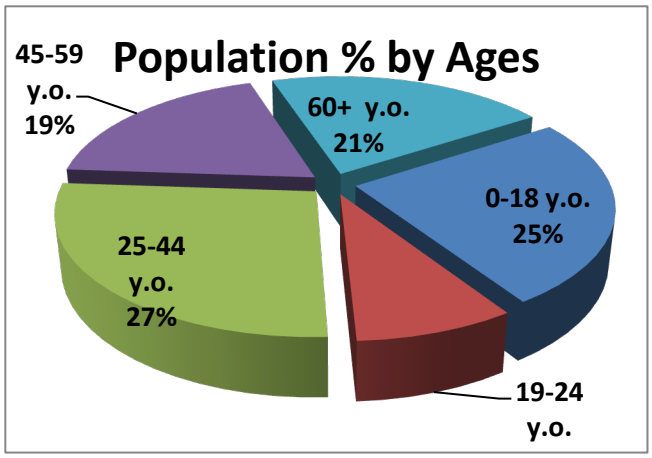
The needed $500,000 in loans asked of you will provide my dental practice with the appropriate amount of funds to start up. The loan will cover the preliminary dental equipment, supplies, initial purchase of the building, remodeling to suit a dental practice, the necessary fees and charges prior to opening a practice, and the first three months of wages for employees.

Target Market

Medford actually falls behind in many categories compared to the national average: the average household income ($43,527 vs. $51,660), income per capita ($2,000 less than national average),

recent and future job growths (3% less), and unemployment rate (11.5% vs. 10.2%). This is part of the reason why this practice will focus on the needs of the community. It will be a family practice, not a cosmetics dental practice.

Southern Oregon University in the city of Ashland and Rogue Community College in Grants Pass are neighboring communities that will constantly bring in an influx of young adult patients. The largest group of demographics though is not college students but those ranging from 25-45 years old (27% of all locals). These are family oriented individuals that have reached a point in their lives where they want to settle down and raise a family. A quarter of the population is also under 18-years old. The demographics are nearly evenly split (excluding college-age adults), which is why the emphasis on family practice. We will treat all ages, but focus our advertisements towards that age group between 25-44 years old.



Strategic Opportunities

Besides being fluent in Spanish in a community where that language is becoming more prominent, I also consider being a younger dentist an advantage. Innovation, creativity, imagination, willingness, and technology-savvy are perks that most young dentists bring to the table. A third competitive advantage is choosing the right niche. The specific niche is to treat the middle-aged adults and their families, but how I arrived to focus has to do with one of the most important facets of business—location. Mapping out the population of Medford and the immediate surrounding area, there are a series of data that have led me to the conclusion on what population to target and where to open my practice.

The target populations I will be focusing on are those from a higher income or a salaried income where dental insurance could be included with their employment benefits since my practice will be accepting PPOs and indemnities, but not Medicaid patients. According to the median home income (Figure 1) and home value (Figure 2) maps, the more financially well-off homeowners live on the outskirts of the community, primarily in the CENTRAL POINT community and the east side of Medford. The darker the green shades, the more affluent the area.

Figure 1 Median Household Income

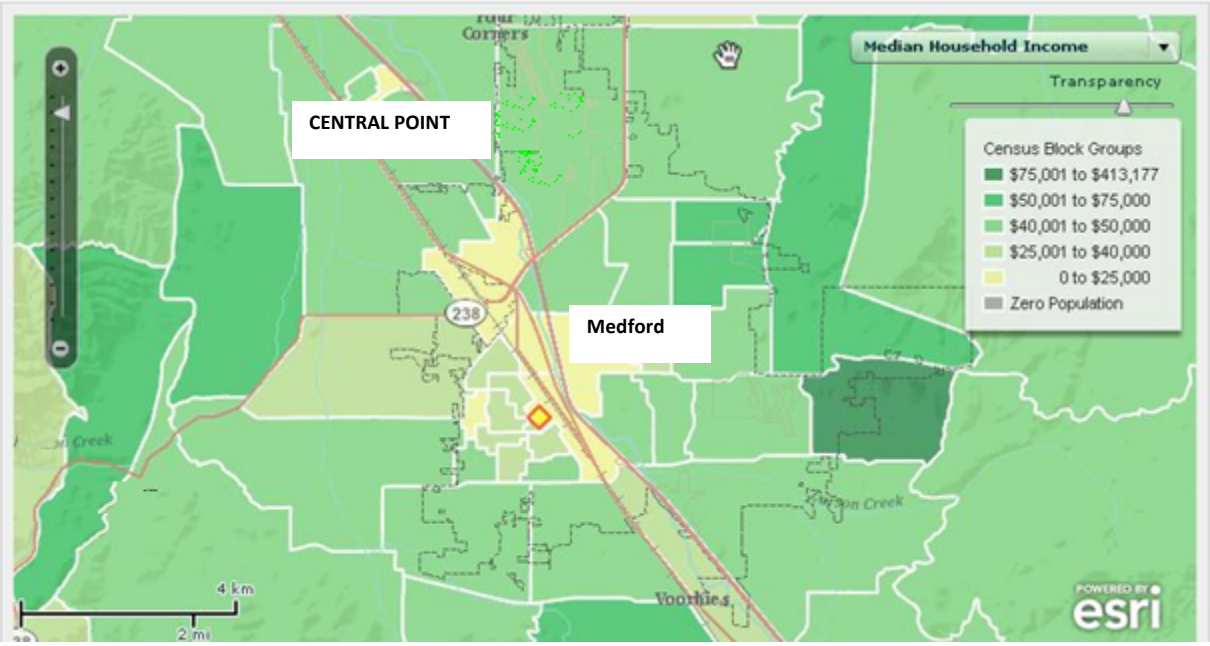
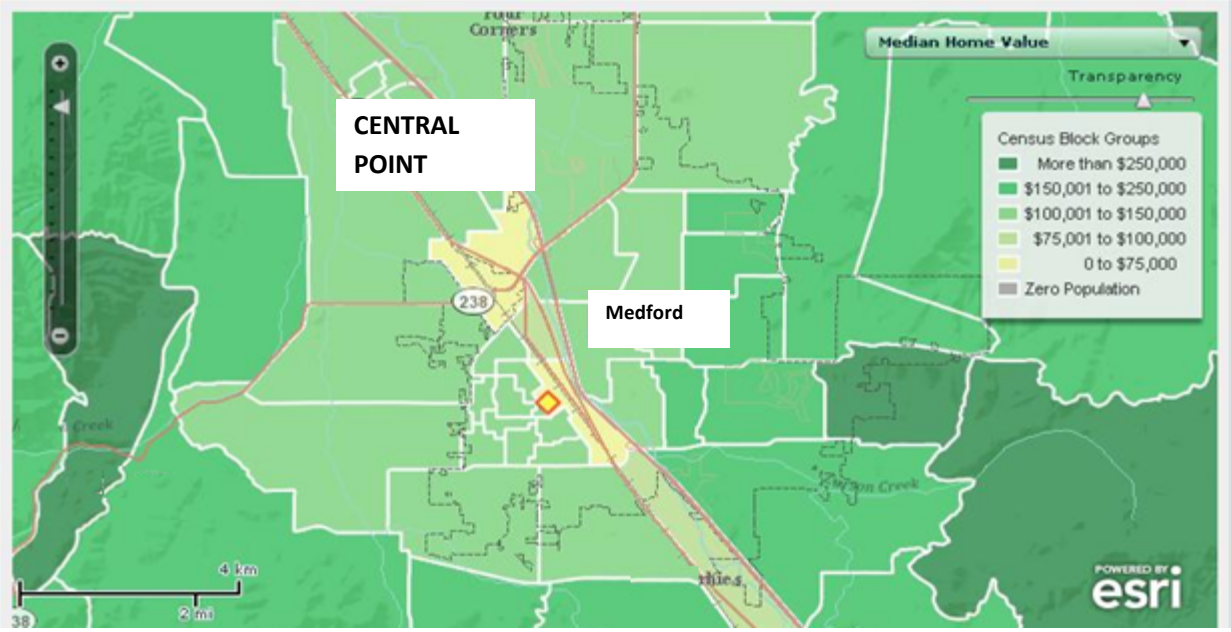


Figure 2 Median Home Value



Focusing on those two areas previously mentioned it would seem ideal to open a practice just east of Medford that targets the wealthiest neighborhoods of that city. However, the next two maps direct my attention to open a practice in a different area due to the population trends over time. Figure 3 shows that CENTRAL POINT has a more densely populated area than the east side of Medford. Figure 4 shows the major growth is occurring in CENTRAL POINT and the poorer areas of Medford, but not in the more affluent part of Eastern Medford.

Figure 3 Population Density

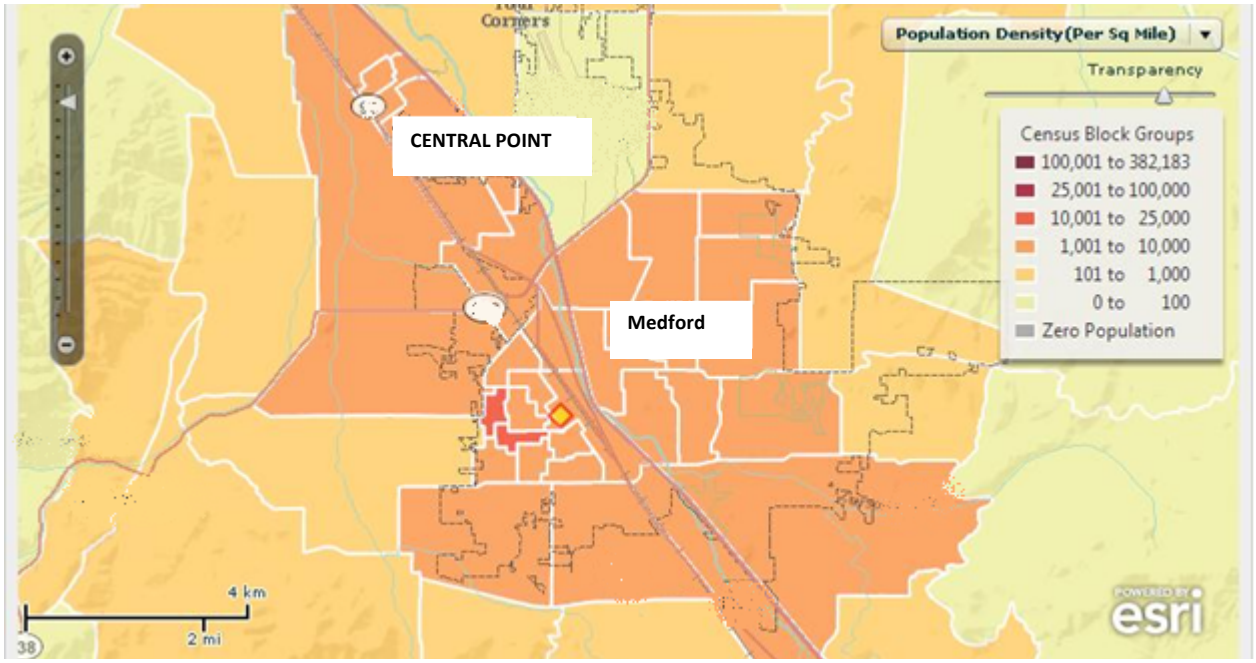
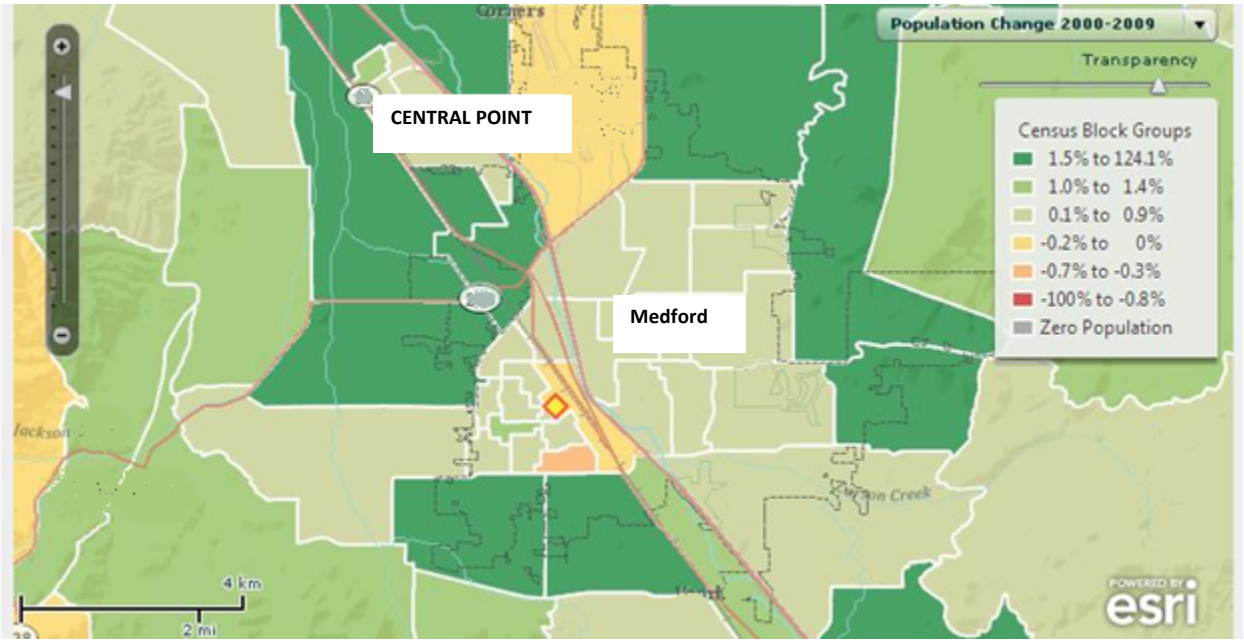


Figure 4 Population Change



In figure 5 the median age shows the CENTRAL POINT is ideal for the young families older than 35 years old. With the affluent retirement community just five miles away and densely populated in Jacksonville, I could service the older patients as well even if the targeted population is the young married families with children.

My final decision where to open practice will be in CENTRAL POINT, just northwest neighboring Medford. What helped determine why I selected CENTRAL POINT as a location to serve the Medford area is capped off by mapping all of the general dentist offices in this area (Figure 7). Compared to CENTRAL POINT, Medford is swamped with dental practices in the heart of the older district, and there is a large cluster of dental practices in the closest business district to the most affluent community in Medford. Looking at the zip code map (Figure 6), the 12345 area has a ratio of 1:1,367 (under the 1,500 patient threshold to have a practice thrive). Both the 54321 and 55311 area codes have ideal scenarios with limited dentists and the same number of practices—**three**. Jacksonville is a neighboring island city that is known for being a place where well-to-do retirees live, which is nearest to CENTRAL POINT. Also the fact that the **DDS: patient** population ratio is **1:13,631** and there are only three dental practices in that city had a lot to do with the decision to practice in CENTRAL POINT.

Competition			
zip	**DDS**	**population**	**DDS:Pop ratio**
55311	3	41,035	**13,631**
54321	5	23,499	**4,671**
12345	33	45,253	**1,367**
	41	**109,786**	

Figure 5 Median Age

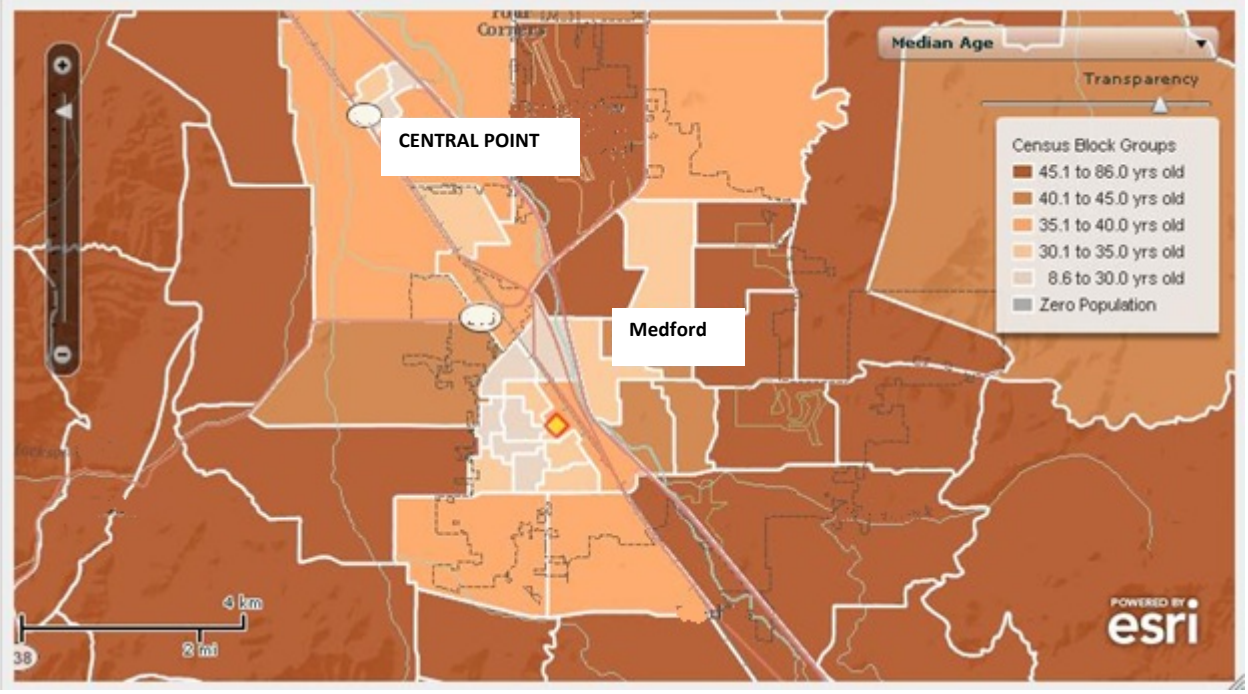


Figure 6 Zip Code Mapping

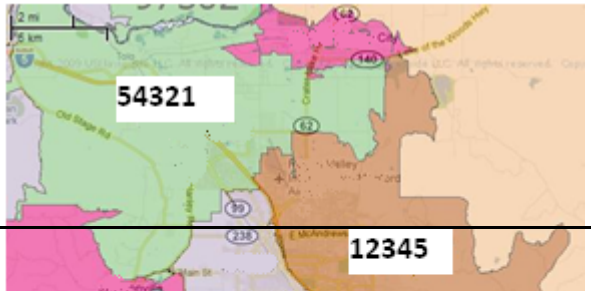
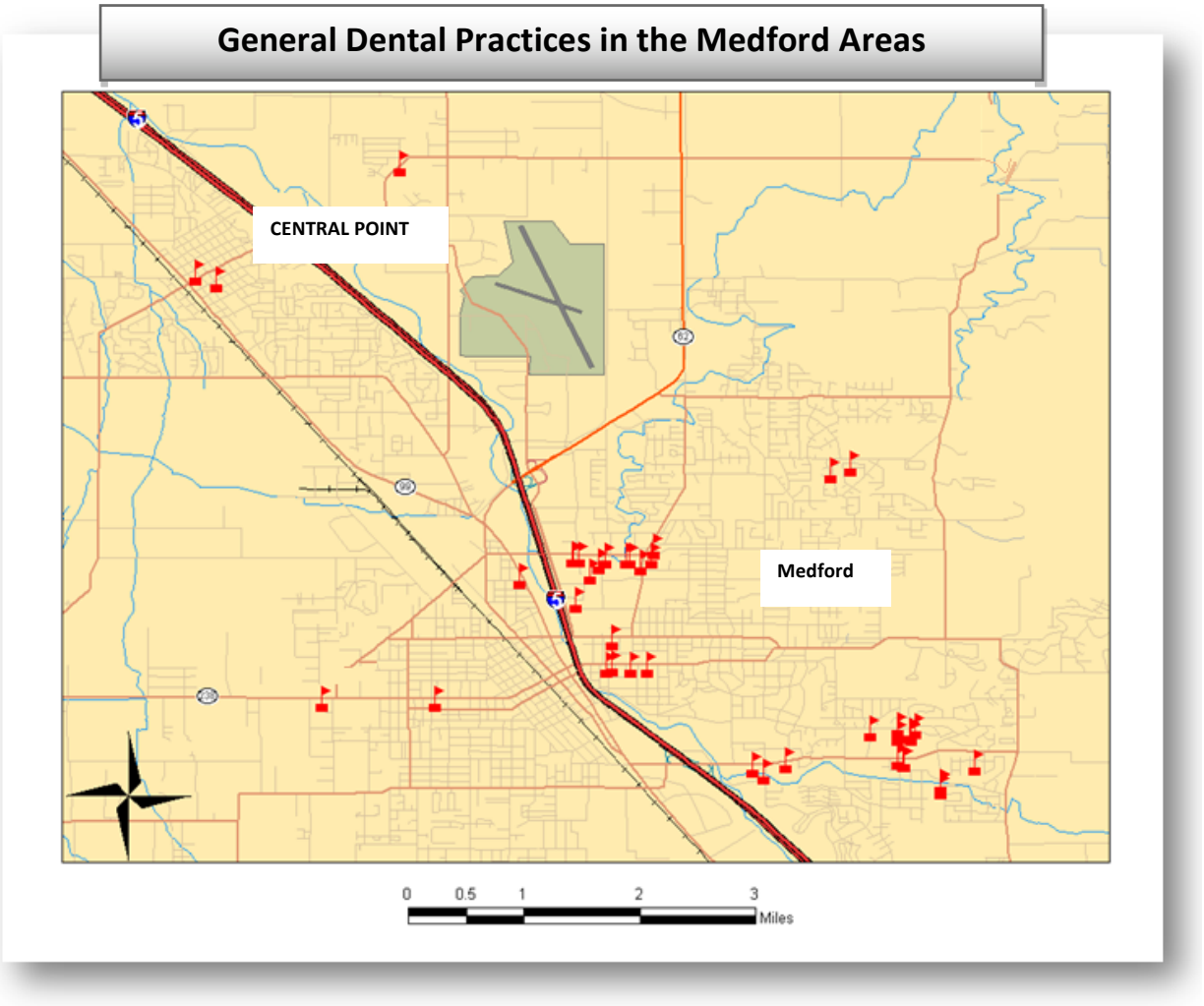


Figure 7 General Dental Practice Location



Marketing Strategies

It is obvious that a start-up practice is at an extreme disadvantage compared to other practices because they already have a patient population and the start up is beginning with nothing. A successful

practice already in full swing could get away with spending 1-2% of gross income towards marketing pursuits. A start up practice needs to get its name publicized and thus needs a larger budget—perhaps even closer to 10% of the generated income for the first year.

Advertising to patients will be heavily compounded especially during the months leading up to opening our doors to even the first year of practicing. The patient pool needs to have a strong base to the point where we see 1,500 different patients over the span of two years to be on the right track of reaching our goals. Several advertising techniques we will utilize are the following:

- $100 off of treatment for every person a patient refers to our practice. If a family were to spend on average nearly $1,000 per year on dental care, which comes out to at least a 10% discount if a family were to refer one person.
- Free teeth whitening for life if a patient continues to receive prophylaxis treatment at least every six months. If a patient breaks that contract, he or she can be eligible for teeth whitening once again after a year when the patient returns for two 6-month intervals for cleanings.
- Website is a must. Only 11 (25%) of the 41 local general dentists have a website. Four of those dentists use Prosites.com, which has a pre-formatted website. It is the most user friendly website of all the other dentists' sites. The problem is the dentists that use Prosites.com have not replaced the pre-populated text in the home page. It is funny that all four dentists "genuinely hope this site is helpful to you in learning more about our practice…" and "when you visit our office, your smile is our top priority." If I were to use prosites.com I would definitely change the pre-populated info to set myself apart.
- Host or sponsor a 5K, triathlon, or any other community event
- Support the local rotary, city of commerce, YMCA, youth sports, or charity events.
- Elementary school sealant programs
- Volunteer once every three months giving free dental care to individuals recommended from charitable groups

Personal Budget

As a general rule, a person's total debts should be no more than 38% of the total income. This includes school loans, home loans, business loans, credit card loans, etc. Fortunately, my credit card debt is zero, my school loans are half of what my classmates owe, my credit score is high, and my total debit is between 13-15% (excluding the future business loan) of my monthly income in the 1st-year of my predicted budget plan.

Business Budget

According to the ADA website, a working general dentist with less than 11 years of graduation and who is just opening a startup practice has annual bills of $736,890 on average. When the business is finally up and running their annual gross billing averages $1,130,110 (2007). The average salary for a start-up general dentist is $212,000 (28.7% of gross income) in the Midwest Region. However, with the new practice, I am willing to drop the dental personal income for the first year of practice to 13% of the total gross and put the remaining 15.7% of potential income back into the business. By dropping my personal income and hiring the bare minimum staff necessary, this will allow the total overhead to be at the ideal 65% for the first few years. This high percentage puts more finances back into the business and gives a greater potential for future growth and ROI. If I could live off of loans at $1,800/month as a dental student with a family of four, it should not be irrational to keep a lower salary at first to get the practice successful.

Within three years the practice will be rolling in such a manner that advertisements and overhead can be slimmed back and profits can be distributed elsewhere. Overhead production by the 3rd year is targeted to be scaled back from 65% to 52%.

The annual budget for the seven employee benefits between the 3rd and 5th year also needed to be dissected. Note also the 1st year in practice health insurance will not be offered by the practice until the 3rd year due to financial constraints. Granted if any new health care laws comes into effect that mandate a different policy then obviously health care insurance to the dental staff will be calculated into the overall budget for the 1st year. The values set for each criteria are negotiable with employees. Hours are calculated using a 10-hour 4-day working week. Here are the main bullet points and table concerning the basic benefits package for all non-DDS staff:

- $3,000 per employee towards our insurance group plan or a private insurance of their choice. This amount will be the cap so if staff wants to include family members, the greatest amount the dental practice will offer towards health insurance is maxed out at $3,000.
- 4 hours accrued PTO (paid time off) per paycheck. Staff begins at zero and each paycheck can earn PTO, which accrues over fiscal year.
- Remaining benefits-$3,542 is the remainder of the allotted $31,302 in benefits for non-DDS staff. This excess is to cover awards, presents or perks like gift cards, bonuses, vacation trips.

The following is a predicted annual budget of how the funds are expected to be allocated:

Annual Benefits for Non-DDS staff 3rd year in Practice	
Salary (7 employees)	$301,600

Medical insurance	$21,000
PTO (Paid Time Off)	$6,760
Awards, presents, bonus', trips	$3,542
Total	$31,302

Conclusion

My skills are polished enough to be efficient with my time and practice. This report outlines exhaustive efforts made to find the most ideal location and to treat the right target of patients. Medford is a beautiful area with a need for dental care. However, CENTRAL POINT is starving for general dentists with the ratio at 1:13,631. Competition in this area would merely be felt and would actually be encouraged so the other dentists could keep up with the high demand and limited supply that they provide. La Clinica has a practice also based in Central Point, which removes the majority of patients we are not targeting anyway. Central Point Family Dental Practice is a win-win for the community, for the other general dentists in the area, and for my family that want to reside there long term. Receiving this loan from Bank of America simply facilitates this vision that will help unite a community, improve your business, and provide a sustaining service to those in need.