

# Writing a business plan

Writing a business plan is an important early step in planning for a successful dental practice. Whether you're acquiring an existing practice, expanding a current practice or starting from scratch, a business plan adds the necessary muscle to the skeleton of your idea, allowing prospective lenders and investors to evaluate your request for funds.

The core elements of a business plan include:

## Description of practice

This explains the service you plan to provide in clear terms. It includes the name and address, as well as a list of owners and licensed dentists, and the number of years they have been in practice. It also includes the legal form of ownership of the practice and the state where it is (or will be) registered. Be sure to include details like size, a target number of patients, a breakdown of staffing, and number of locations. If you are acquiring an existing practice, highlight the changes you may be planning to make regarding staffing, hours of operations, locations, and so forth. It can also explain who your target patients are, how you wish to treat them, and your philosophy of care.

## Management and staffing plan

You may need to hire more employees, including a qualified practice manager, as your practice grows. A management and staffing plan identifies:

- Who you intend to hire and how potential employees will be screened (such as background checks).
- All salaried roles, both dental and non-dental.
- The responsibilities you intend to give them.
- The forms of compensation you plan to provide.
- The benefits you plan to provide.

## Operational plan

This explains the day-to-day operations of your practice, including hours of operation, emergency and backup procedures, scheduling of clinical, procedural and administrative blocks of time, and so forth. It also considers payment options for patients, including accepted payer mix (private insurance, Medicare and Medicaid).

## Marketing plan

This includes an analysis of client characteristics such as age and other demographics, treatment pricing, and your strategy to increase the number of new patients and retain existing ones. A marketing plan also discusses advertising and an analysis of other practices in your area. The marketing plan should also outline the geographic area being targeted.

## Let's connect

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## Financial data

This is perhaps the most important element of a business plan and should consider the following:

**Startup and operating budgets.** When starting a practice from scratch, you'll have to pay for the office space, equipment and supplies needed to get up and running. After your initial acquisition, you'll need to estimate the cost to maintain practice operations over a period of time (typically 12 months), otherwise referred to as an operating budget. Until it's earning enough to cover an operating budget, your practice will likely rely on other funds (such as a line of credit or your personal savings) to pay the operating expenses.

**Balance sheet.** This is a graphical representation of your practice's assets, liabilities and equity at a given point in time. Through a process called articulation, the balance sheet is related to the other two major types of financial statements—income and cash flow. Including a set of forecasted financial statements demonstrates an understanding of accounting principles to lenders or investors.

**Break-even analysis.** This examines various combinations of sales and fixed costs necessary for your practice to begin earning a profit. The break-even point is the volume of sales necessary to cover your fixed and variable costs.

**Forecasted income.** The income statement is one of the two financial statements that connect the period of time between two balance sheets. An income statement measures patient collections, expenses and profit or loss over the reporting period. The most common length used for a full reporting period is 12 months.

Because you don't know what your income statement will look like in the future, you have to make a forecast, often referred to as projections. Expect a prospective lender or investor to question your assumptions. To counter such scrutiny, make realistic forecasts.

**Forecasted cash flows.** The cash flow statement is the other financial statement that connects the balance sheet between two points in time. The cash flow statement measures cash inflows and cash outflows from three business activities: operating, investing and financing.

First-time dental practice owners often have great ideas and a willingness to work hard and including a business plan with your request for funds can help demonstrate that you have financial stability with a strategic focus on running and growing the practice.

Note: We recommend practice owners consult qualified professional advisers for legal, finance, accounting and tax guidance when considering starting or acquiring a practice.

