

Practice and Estate Protection Against Death and Disability

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INTRODUCTION

Every orthodontist should strive to anticipate the problems that could arise in the event of his premature death or permanent disability. Inadequate planning for the consequences of death or disability can have catastrophic effects on an individual's practice, his family, and his estate. It is, therefore, important for each of us to make preparations now while we can still be instrumental in determining how our practice and other affairs will be managed.

We have been alerted to the necessity for planning such a course of action on a number of occasions. As early as 1955, Parker¹ outlined many of the problems which arise when the orthodontist is no longer present. He discussed the preventive measures which can be taken while the orthodontist is still alive and in good health. He also suggested ways of coping with the problems which arise when the orthodontist dies or becomes seriously ill. In 1960 in a second article,² Parker presented a "Patient- and Practice-Protection Plan" which is probably the prototype of such plans available to our profession. The wording of his study club agreement has been copied, at least in part, by numerous study clubs throughout the country.

In 1962 Hoffman published a noteworthy article³ wherein he outlined a plan that is intended to protect the orthodontist's practice, his patients, and his family against the hazards of death. He stressed that a plan should not only protect the patients and conserve the estate, but also should be de-

signed in such a way that it could quickly be put into action.

Even with this prompting, the planning that is necessary to overcome the problems associated with death and disability is not an easy task for most of us to deal with. Advice is plentiful on how to sell a practice, although there is a wide range of opinion as to how much it might be worth, or how to go about establishing a fair price.^{1,3-6,9} The consensus suggests that there are no definite criteria to use for the appraisal of the worth of a practice. There are too many variables involved, and each office has to be evaluated separately. In the final analysis the selling price will be "what a willing buyer will pay a willing seller."⁴

Unfortunately, it is usually only after we have participated in the maintenance of someone else's practice that we begin to more fully realize what is required in handling the problems related to his death or prolonged disability. Even then, the problems will be more evident than their solutions.

Since Parker and Hoffman published their papers, other articles have appeared and have expanded on the subject.^{4,6-8,12} However, there are still deficiencies in two areas which are of vital importance to the orthodontist, his staff, and his family. First, we need a clear picture of *what* problems develop as a result of death or permanent disability of an orthodontist and second, we need a sequential outline of *how* and *when* these problems can adequately be solved. Simply stated, one needs to know what it is that needs to be done, and how he should go about doing it. It is the purpose of this arti-

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cle to attempt to answer these questions.

MATERIAL AND METHOD

The subject of mutual aid agreements became of interest to me shortly after I finished my graduate education in orthodontics. As many of us did in our early years of practice, I joined a study club. Because of an obvious need to make preparations for the future, one of our first projects was to draw up an agreement whereby we would give mutual assistance to another member of the group in the event of his death or disability. Drafting the agreement took many meetings, many hours, and much hard work. When it was finished, we had what we felt was a workable agreement, one that would be helpful in managing another member's practice in case of an emergency.

Our mutual aid agreement was first put to use a few years later when one member was killed in an accident. The study group met immediately to formulate plans and to assign areas of responsibility to each remaining member. We worked hard, but found we were encountering a number of problems that had not been anticipated. Although our agreement did prove to be valuable, we experienced much confusion and uncertainty. After the practice had been transferred to another orthodontist, a decision was made by the remaining members of the study group to take advantage of our recent experience. We decided to write a manual which would outline the steps necessary in executing our agreement. We were hopeful, should the need arise again, that we could more effectively utilize our time and talents in handling and disposing of a practice.

Some five years later a second member of our study club was killed, and once again we were called upon to fulfill an obligation to a deceased colleague. Although on this occasion we

were more efficient in our handling of the practice and the matters associated with its disposal, a series of problems still presented themselves. Because matters associated with the transfer of the practice did not go as smoothly as we had hoped, we felt there was a need to improve the manual and, as a result, it was modified and reorganized.

The manual now also contained a section on disability. During a period of several years another member of our study club suffered repeated episodes of disability which ultimately made it necessary for him to sell his practice. Our involvement with his practice during the period of time that he was incapacitated provided much of the information that was used in this part of the handbook.

A year later a good friend died from a heart attack, and for a fourth time I was called to help take care of a practice. The manual that had recently been revised proved to be of great value in handling and disposing of the practice. While not everything was resolved without difficulty, overall, most of the problems had been recognized in advance, solutions to them had been adequately outlined and, generally, things had been controlled in a satisfactory manner. Perhaps more was learned on how to manage matters of this nature on this last occasion than with the previous ones. The prior experiences had provided a good basic understanding of the types of problems that could be expected in such circumstances. What had been a more difficult matter to solve was how best to handle these problems. The more recent experience provided better insight and more understanding relative to this part of the over-all problem.

To more fully determine how to handle and dispose of a practice, a diary was kept of everything of significance that happened after the death of the

last orthodontist. Things were recorded such as: what were the most immediate problems and how were they managed; what instructions were given to the office staff of the deceased; what instructions and assignments were given to the surviving members of the study club; what letters were sent, when were they sent, and to whom; how the selling price of the practice and equipment was established; how the succeeding orthodontist was selected; what post-sale of practice problems were encountered; and what particular problems presented themselves because the practice was incorporated.

What evolved from this latest experience is a more detailed and better organized manual, one more usable than the earlier versions.

DISCUSSION

Attempting not to duplicate the work of other authors, I have confined my efforts during the preparation of this article to two general areas: first, a description of the types of problems that usually occur in cases of death and disability of an orthodontist and, second, the use of a manual in outlining how these problems can adequately be resolved.

Types of Problems that Usually Occur in Cases of Death and Disability

- A. Those which are very urgent and as a result require immediate attention:
 1. Informing the remaining members of the study group.
 2. Informing and instructing the office staff of the deceased or disabled orthodontist.
 3. Assigning areas of responsibility to study club members.
 4. Deciding what to do with scheduled patients and those requiring immediate attention.
- B. Of considerable importance, but less urgent:

1. Sending out letters to patients (parents), referring dentists, and other orthodontists of the community.
2. Deciding what to do with practice income.
3. Determining who can sign checks and pay bills.
4. Aiding the widow as required.
5. Establishing a schedule for members of the study club to work in the office.
- C. Other problems are those associated with the sale of the practice:
 1. Selecting a succeeding orthodontist.
 2. Establishing a selling price of the practice.
 3. Establishing a selling price of the equipment, supplies and furnishings.
- D. A fourth area of concern involves the practice that is incorporated:
 1. Liquidation of the corporation.
 2. Removing income from the corporation.
 3. Determining how long the corporation can practice dentistry after the death of the orthodontist.
- E. Finally, there are the post-sale of practice problems:
 1. Letters to patients, referring dentists, and other orthodontists.
 2. Treatment mechanics.
 3. Excessive patient load.
 4. Diagnosis and treatment planning.
 5. Practice shrinkage.
 6. Purchasing orthodontist failing to maintain the vitality of the practice.
 7. Administrative problems.

Use of a Mutual Aid Manual in Handling Problems Associated with Death and Disability

As was mentioned earlier, it is important to recognize that many problems arise in the event of an orthodon-

tist's death or disability. Most of these problems can be identified in advance and adequately minimized or eliminated by proper planning. A procedural outline, such as the manual to be discussed in this article, can be effectively utilized to meet this challenge.

For a manual to be of much value it must be available for use when it is needed. It would be worth very little if it could not be located, so it is emphasized that it be kept where it can easily be found. The value of a manual is somewhat limited if it is difficult to understand or cumbersome to use. It is obvious that it should be properly organized and adequately indexed. As an example, if we want to find out what instructions to give to the office staff of a deceased orthodontist, we would look in the table of contents for: Death—instructions to office staff.

In an effort to make the manual easy to use and understand, its contents have been divided into ten sections. The ten sections have been separated into two parts, each part containing five of the sections. The first portion is referred to as the working part since it contains the procedural outline to be used in handling and disposing of a practice. The second portion is the non-working part and deals with material of an administrative nature.

As mentioned above the first part or procedural outline is made up of five sections: 1) Table of contents, 2) Death, 3) Disability, 4) Sale of practice, and 5) Post-sale of practice.

The nonworking or administrative part of the manual likewise consists of five sections: 1) Sample contract of sale, 2) Study group agreement, 3) Constitution and by-laws, 4) Annual summary sheet, and 5) Membership roster.

The table of contents outlines the information to be found in the remaining nine sections of the manual (Table I).

TABLE I

Death—Immediate Problems
Death—Instructions to Office Staff
Death—Instructions to Chairman of Orthodontic Study Group
Preliminary Assignments to Study Group Members
Death—Letter to Patients (Parents)
Death—Letter to Referring Dentists
Death—Letter to Other Orthodontists
Disability—Instructions to Office Staff
Disability—Letter to Patients (Parents)
Disability—Letter to Referring Dentists
Disability—Letter to Other Orthodontists
Establishment of Selling Price of Practice
Establishment of Selling Price of Equipment and Furnishings
Methods of Purchasing Practice
Selecting a Purchaser of the Practice
Applicant Evaluation Sheet—Orthodontist
Consideration if Practice is Incorporated
After Transfer of Practice—Letter to Patients (Parents)
After Transfer of Practice—Letter to Referring Dentists
After Transfer of Practice—Letter to Other Orthodontists
Letter to Unsuccessful Applicants (Orthodontists)
Post-Sale Problems
Sample Contract of Sale
Study Group Agreement
Constitution and By-Laws
Annual Summary Sheet
Membership Roster

This table and the tabs that physically divide the manual into its different sections are color coded. Each section is colored the same in the table of contents as the tab which directs the reader to that section. For example, the information in the table of contents dealing with death is colored red, and so is the tab that separates that section from the others.

Death—Immediate Problems

When a member dies, some matters resulting from his death need to be dealt with at once. Since time is such an important factor, samples of problems requiring immediate attention have been listed on a separate page of the manual (Table II).

TABLE II

1. Inform members of the study group immediately.
2. Study group chairman to inform office staff.
3. Instruct office staff.
 - a. Locate the manual.
 - b. What to say to patients, parents, referring dentists, etc.
 - c. What to do with scheduled patients and those requiring immediate attention.
 - d. Who signs checks.
 - e. What to do with practice income.
4. Send out form letters to parents, referring dentists, and other orthodontists as soon as possible. Stationery is located _____.
 - a. Patients (Parents).
 - b. Referring dentists.
 - c. Orthodontists of general area.
5. Aid widow as required.
 - a. Funeral arrangements.
 - b. Notify friends of the family that may otherwise be overlooked or forgotten.
6. Orthodontic study group should meet immediately and outline plans.
 - a. Delineate areas of responsibility if not previously outlined.
 - b. Coordinate with C.P.A., attorney, and widow.
 - c. Follow manual outline starting on page 6.
7. Read manual in its entirety so that its value may be fully realized.

Since one of the most immediate problems arising in cases of emergency is the notification of study club members, the membership roster has been placed on the last page of the manual where it can easily and quickly be found. The roster includes the address and phone number of each member's home and office. The wife's name is enclosed by parentheses after her husband's name.

Once the study club members have been informed, the chairman should inform the office staff of the deceased, if this has not already been done. It is necessary for key staff members to read the manual, especially the part which directly involves them. They are in a position to have considerable influence on how well the practice is held to-

gether. Because it is essential that the practice be maintained intact, this feeling should be communicated to patients and parents. It is not a particularly difficult thing to insure if certain steps are taken.

First, it is necessary for the office staff to be instructed on how to answer certain questions that will be asked by parents, referring dentists, etc. If those inquiring are assured that the patients' treatment will be continued by well-trained orthodontists until the time that a qualified person can be found to assume responsibility for the entire practice, then there will be little reason for deterioration of the practice. The patients might be reminded that this is where their records are, that they are familiar with the office and the office staff, and that there is more likelihood that their treatment will be continued in a manner similar to the one that was originally outlined if they remain with the practice.

So that matters after the death of a member don't become too chaotic, it may be necessary to relieve the office from the pressure of treating patients as originally scheduled. Cancelling and reappointing patients for from several days to a week will allow the schedule reorganization needed to give this relief. Emergencies should be handled in a manner familiar to the office. Patients should be rescheduled according to the following priority: 1) emergency problems, 2) patients in active treatment, and 3) patients not in active treatment.

Death—Assignment of Responsibilities to Study Group Members

One of the first things that needs to be accomplished after the death of a member is the delineation of areas of responsibility, and assignment of this responsibility to members of the group.

For smoother execution of each member's obligation, these assignments could be made ahead of time, before

an emergency arises, and included in the study club's mutual aid manual. Then when the group is called into action, each member would know exactly what part of the work load was his to handle.

Under this plan the assignment of the chairman of the study group would be to coordinate all the other assignments. He would probably also act as the liaison between the group and the estate (widow), and between the group and the attorney for the estate.

One member would not be assigned any specific area of responsibility. Instead, he would assume the assignment of the member who became deceased or disabled. Should this person with no specific assignment become the deceased member, his death would have no influence on the other assignments, since those assignments would already have been made to the remaining members of the group.

Other assignments could include:

1. Candidates for the purchase of the practice.
 - a. Interviews
 - b. Collecting curriculum vitae, letters of recommendation, etc.
 - c. Follow-up communication with applicants
2. Establishment of a selling price of the practice.
3. Establishment of a selling price of equipment, supplies, and furnishings.
4. Liaison with C.P.A.
5. Liaison with office staff.
6. Liaison with referring dentists and other orthodontists.
7. Coordinate care of the patients.

Death—Letters to be Sent to Patients

Letters should be sent to all patients and parents notifying them of the doctor's death. The letters should explain that because of his feeling of obligation to his patients, he had made adequate provisions with certain practicing orthodontists of similar training and ideals to assure continuity of treatment for his patients. It should also stress that these same orthodontists, along

with the office staff, will assist during the transition to the succeeding orthodontist who will then complete their treatment. This information should provide reassurance to the family that everything possible is being done for their best interest, and will give them the feeling it is to their advantage to remain with the practice.

Similar letters should be sent to referring dentists and other orthodontists of the community. Soliciting their aid is vital to maintain the integrity of the practice. The referring dentist can assist by assuring his patients that their orthodontic treatment will be continued at the deceased orthodontist's office, and by encouraging these patients to keep their appointments. Other orthodontists can help by not accepting patients into their practice, at least until the patients have had an opportunity to meet the orthodontist who will be taking over the practice. Even then, the patients should be encouraged to remain with the decedent's office for the continuation of their treatment.

If possible, it is suggested that these letters be typed on stationery that has the letterhead of the study club with the names of all the members of the group. It is reassuring to the recipient to see that the study club is truly an organized group. In many instances the recipient will recognize the name or names of one or more of the members listed on the stationery and, because of it, feel confident that matters are being properly handled.

The office staff should be instructed what to do with the practice income, who is to sign checks and pay bills, what to do regarding newly-referred patients and with patients who have had records taken but are not yet in treatment.

The office staff should be assured that their services are needed, their employment will continue, and their sal-

aries will be paid. It is very important that key personnel, such as the receptionist and the most highly-trained chairside assistant, remain on the job. It is obvious that these employees are very valuable to the practice. Their services should be retained if at all possible, even if it becomes necessary to offer a monetary incentive such as raising their salaries or giving them bonuses. Most employees are quite loyal and more than likely the use of a monetary incentive will not be required, but if the need arises, this option is available for consideration.

It should be determined what amount of time each participating orthodontist will contribute to keep the practice active. Each member of the group should be prepared to contribute from one-half to a full day each week in the office of the deceased member. Participating members should be assigned on a rotational basis. In most instances, even with a large practice, the schedule can be condensed so that all the patients are seen in four working days or less. Depending upon the circumstances, a decision may be made to eliminate performing some procedures, such as initial bandings. Most important, at least during the first month, is that the patients are seen, checked for loose bands and breakage, and reassured that their treatment will continue uninterrupted. Changing archwires, etc. may best be deferred until the succeeding orthodontist assumes the responsibility for treatment, unless the selection of this person takes an unusually long time.

Past experience has shown that it is better to hire one or more orthodontists to care for the patients than to have study club members do it. This approach has several advantages. It is easier for the office staff since they only have to adapt to the personality, different operating technique, etc. of one or two new orthodontists rather than

to the large number of members usually found in most study groups. It is best for the patients, in that they do not see as many new faces in the practice. This minimizes the tendency of their becoming confused, or their lacking confidence that things are being handled properly. It is also an advantage to the study club because it frees its members to direct their energies to the administrative problems of handling and disposing of the practice. Usually it is not difficult to find someone to work in the practice, unless it is located in an area where there are few other orthodontists. Recently-graduated orthodontists are usually available, eager for additional work, and very willing to help out. It is suggested that they be paid a minimum of one hundred dollars per day. There are several ways to provide for this expense. Money can be taken from the income generated from the practice or, in the case of death, it can be derived from a life insurance policy previously taken out on the life of each member. This insurance should be separate from a member's regular insurance program. The study club could also fund a program of their own by making quarterly contributions to a common account until a figure is reached that they feel would adequately cover anticipated expenses.

Disability

If the disability is prolonged indefinitely or becomes permanent, the problems that develop are quite similar to those involved at death. However, the continuation of a practice in the event of a lengthy disability, where it is anticipated that the orthodontist will return to his practice, requires the study club to gear itself differently. In this instance the primary concerns are to insure that the practice remains active and that the patients are properly cared for. This would necessitate a rotational

scheduling of the participating members, or the hiring of an orthodontist or two, to insure adequate coverage of the practice. Condensing the schedule would not be indicated, but instead an attempt should be made to conduct the practice as if the incapacitated orthodontist were present. That is, see new exams, secure orthodontic records, present diagnoses and treatment plans, band new cases, continue the treatment of active patients, and handle retention patients in a manner familiar to the office.

The patients and the referring dentists should be informed of the disability and made aware that a substitute orthodontist would be performing the orthodontic service until the incapacitated member is able to return. Instructions to the office staff would be similar to those discussed in the aforementioned section on death, with the exception that because the doctor did not die and because the practice would not be sold, there would be no need to discuss problems related to either of these two matters. Letters should be sent to patients and parents, referring dentists, and orthodontists in the area as soon as it is determined that someone else, under the direction of the study club, will be seeing the patients on an interim basis.

Selecting the purchaser of the practice

As far as contacting orthodontists for the sale of the practice is concerned, word usually spreads rapidly. However, it is advisable to look to other sources. Dental supply houses and major orthodontic manufacturing companies often have a list of people who are looking for a location. Recent orthodontic graduates or those soon to be graduated are good prospects. They are most easily approached through the chairmen of the orthodontic departments in the various dental schools of the general geographic area. Local

orthodontic societies are also potential sources.

Experience has shown that prospective buyers generally fall into three categories. There are those who have already started a private practice, but are not happy with its growth. They feel that the advantages of purchasing an existing practice outweigh the advantages of retaining their own. Depending upon the circumstances, they may or may not be good candidates. If they have located in a highly competitive area, it may be almost impossible to establish a full practice. In such instances lack of success does not necessarily mean that the orthodontist is a poor prospect. If, however, the practice has not been successful because of personality problems, then there may be reason to doubt that this person would have been successful regardless of where he had located his practice. A second category includes recent graduates or those who are about to complete their graduate training. Often the best candidates come from this group. Deficiencies found in this group mainly are twofold: minimal clinical experience and lack of experience in handling the business aspect of a practice. The third group involves those who have been out of graduate school for one or several years, either practicing in the armed forces or as an associate with another orthodontist. They are not as frequently available as those in the other two categories, but offer good potential when they are.

An applicant evaluation sheet is necessary for effective screening of the candidates. Letters of recommendation, a curriculum vitae, the clinical background of the applicant in orthodontics or other areas of dentistry, and conversations with acquaintances such as orthodontic instructors are helpful in the evaluation. A personal interview with the applicant may prove to be the

single most important factor in the appraisal. If there are many candidates, it may be desirable to meet with the two most promising a second time. If practical, have these two applicants work in the practice for a day. See how they handle patients and any unusual problems which may arise.

It is necessary to keep good communication with the applicants. Failure to do so may discourage a candidate to the extent that he loses interest. Applicants should be informed where they stand relative to what the study group is doing or thinking.

Establishment of a Selling Price of the Practice

This can be a most difficult task to accomplish because there are so many variables.

A. Factors which add to the value of the practice:

1. Where nearly all patients under treatment remain with the practice.
2. Where there is a broad base of referral sources and it appears likely that this base will remain.
3. Where the vitality of the practice appears good. That is, where a count of new exams, patients scheduled for records, and patients scheduled for consultations equals a number that would provide a practice with enough patients for at least a six month period.
4. Where there are enough patients available and there is obvious need for an orthodontist to assume the practice.
5. Where the age of the purchasing orthodontist is compatible with that of the referring dentists. There seems to be a tendency for dentists to refer to other dentists of similar age.

B. Factors which detract from the value of the practice:

1. Where little or no attempt has been made to keep the practice together.
2. Where the base of referrals is founded mainly on an unusual or special quality of the previous orthodontist. A quality such as expertise in surgical matters, cleft palate, etc.
3. Where there is keen competition among orthodontists in the area.
4. Where there is a lot of "dead wood." That is, where the total fee has been collected and the patient is still in treatment.
5. Where there is no monetary compensation for observing patients in retention.
6. Where there is an obvious difference in personality, interests, and age between the purchasing and deceased orthodontist.

Naturally, how well the practice sells depends a great deal upon the law of supply and demand. The demand that exists for the purchase of the practice is also a modifying factor in the establishment of the selling price. In addition, a most important variable is the way the practice is held together after it becomes available for sale. If no attempt is made to keep the practice intact, it may ultimately be worth only the value of the equipment, supplies and furnishings, plus that which can be collected from the accounts receivable. In such instances the estate would be fortunate to get someone to take over the treatment of any remaining patients and assume the responsibility of those who are in retention.^{1,13} If a practice is held together, there is a better cash flow generated from current patients, there is more good will existing because of the likelihood of patient to patient referrals and perhaps referrals from dentists. In addition, newly referred patients and patients on recall are more apt to stay with the practice.

In the final analysis, regardless of how well the practice may have been held together, the selling price is negotiable. Because so many factors can influence the final price, it is nearly impossible to arbitrarily establish a fixed guide in determining the value.

An individual can decide beforehand what he thinks his practice is worth and include this information on a yearly updated summary sheet. In the event of a member's death, his evaluation would provide a good basis from which a final price would be determined. It could be altered as circumstances require.

There are a number of formulas that can be used in establishing the selling price of a practice. They are complex to the extent that they are a subject unto themselves, and it is not the purpose of this article to explore this area. The reader is referred to the bibliography for references.^{1,3-6,8,9,11}

Many of us are in study clubs, at least in part because of their mutual assistance benefits. Since time becomes such a significant consideration once a practice needs to be sold, it is obvious that the sooner it can be transferred to another orthodontist, the better. This is one of the reasons why a procedural guide or outline, such as the manual described herein, is so valuable. It is the vehicle by which the various problems can most effectively be solved.

Establishing the Selling Price of Equipment and Furnishings

Because there is usually little demand for used dental equipment and office furnishings, their resale value may be limited. This may be true whether they are sold separately or together with the practice. Orthodontic supplies fall into the same category. Anyone who has worked in another dentist's office is certainly aware that seldom, if ever, do two people work alike or use exactly

the same equipment and supplies. Because of this it is unlikely that these items will be of as much value to someone else.

The equipment, supplies, and furnishings will probably be worth more to a new orthodontist who has not started a practice than to one with a partially established practice where the equipment and furnishings already exist.

Having a dental supply house appraise the equipment and supplies is suggested as a method of establishing a price for them. Preferably at least two opinions should be sought. The advantage of having a third party doing the appraisal is that he functions as a go-between for the prospective buyer and the estate. This should lessen or eliminate second thoughts as to whether or not the selling price is fair.

Some unopened and/or unused supplies may possibly be returned for credit. Depending upon the circumstances, items such as used and old office furnishings may be included with the purchase of the practice at no cost to the purchaser as a good will gesture.

It is possible to predetermine the selling price of the equipment and furnishings. This is done on a per operator cost basis, where the value of all equipment, supplies, and furnishings is assigned to the operating areas. It is then determined how much value each operator has, and this value is referred to as the "unit price." The unit price is multiplied by the number of operatories to get the final selling price of the practice. Since it is essential to take into consideration depreciation of existing equipment and furnishings, and to account for new purchases, it would be necessary to re-establish the value of these items periodically. This evaluation should also be recorded in the annual summary sheet.

Possible Methods of Purchasing a Practice

The simplest way for the practice to be sold as far as the estate is concerned is on a cash basis. There may be tax problems to consider, but experience has shown that they are not too significant. A second method is a pay-off over an extended period of time. Although there are differing opinions on the subject,^{3,4,11} it is recommended that when this method is used, interest, similar to bank rates, should be charged.

Another way of purchasing a practice is by means of a buy-sell agreement^{14,15} with the study group. This method involves a life insurance policy on each member for an amount equal to the worth of his practice. The remaining members of the group are the beneficiaries. Upon the death of a member, the proceeds from the policy are used by the group to purchase the practice from the estate. The study group then resells the practice. This method has several distinct advantages to the estate. It predetermines the selling price of the practice so it is known ahead of time what money will be available from its sale. In addition, the estate (widow) is relieved of any responsibility relative to the sale of the practice. It is an advantage to the study club in that the group does not have to coordinate activities with the estate, but instead has complete freedom to dispose of the practice as it sees fit. At first glance it might seem that there could be tax consequences to the group, but expert opinion has advised that this is not a problem. Something has been purchased and then resold. If money is made because of the transaction, there may be taxes to pay. If money is lost, there more than likely would be a tax loss. A disadvantage to all members of the group from the outset would be the premiums that would have to be paid on the life insurance policies.

Considerations if the Practice is Incorporated

This information is not intended to replace the expert opinion of a capable attorney. If a practice is incorporated, it is advised that an attorney review the Articles of Incorporation. There may be reason to add to or modify the content.

- A. An attorney is needed who is:
 1. Knowledgeable of professional corporations.
 2. Willing and able to handle problems promptly so the transfer of the practice may be expedited.
 3. Willing to listen to the study group and, when indicated, follow its direction.
- B. Other areas of concern:
 1. Liquidation of the corporation.
 - a. May have only thirty days (or less) within a calendar month.
 - b. New officers of the corporation may need to be elected.
 2. Should have a provision, such as a contractual salary to the orthodontist, to make possible the removal of income from the corporation immediately after death, and for a period of time following the death (up to six months).
 - a. Avoid corporate tax.
 - b. Avoid corporation being classified as a personal holding company.
 3. Understand the mechanics necessary in stepping up the basis or establishing a new basis to the value of the assets of the corporation.
 - a. Transfer the title of the assets of the corporation to the estate (wife).
 - b. Estate (wife) sells the practice.
 - c. Eliminate corporate tax.
 4. A declaration that the orthodontist is holding shares of the corporation as trustee of his estate.
 - a. Wife as successor or co-trustee.
 - b. Less complicated to sell practice.
 - c. Makes it a nonprobate entity.
 - d. A living trust.
 5. The corporation may only be able to practice dentistry a limited period of time (six months) after the death of the orthodontist.

Post-Sale of Practice Problems

After the practice has been sold and the responsibility for the treatment of

patients has been assumed by the purchasing orthodontist, problems still frequently arise.

The practice having been sold, it is necessary to inform interested parties that the responsibility of the practice has been assumed by a well-qualified orthodontist. Letters should be sent to patients, referring dentists, and other orthodontists of the area. These letters should be written by the study club on behalf of the estate and with the succeeding orthodontist's permission. It is to the purchaser's benefit that these letters be written since they improve the probability that the practice will remain intact.

If the treatment mechanics used in the practice are not completely familiar to the purchasing orthodontist, he may need help from the study club. Treatment procedures used in the deceased member's practice will probably be understood by other members of the group and they are, therefore, in a position to render assistance.

It is possible that the patient work load may be in excess of that which the new orthodontist can handle, particularly if he is a recent graduate. The study club can give assistance to the purchaser by helping him organize his time so he functions efficiently. The group can also aid by helping adjust the schedule to permit effective treatment of patients as well as to provide openings for new patients. It is important not only to take care of current patients, but also to make sure that new patients are not neglected in the process. Finally, the study group can assist by working in the office if it becomes necessary.

If the purchasing orthodontist lacks experience in diagnosis and treatment planning, he may desire counsel from members of the study club. As most of us well know, it is not only reassuring, but sometimes essential to get opinions

from other orthodontists. This is especially true in our early years of practice.

When a practice is sold, there is the possibility that some patients will be lost to other practices. Before the practice is transferred to the succeeding orthodontist, there are steps which can be taken by the study club to minimize this problem. After the practice is sold, keeping it intact becomes the responsibility of the purchaser. He can protect against ensuing shrinkage in several ways. He should portray confidence that he can handle the practice. Sufficient time should be provided for the treatment of patients. They should not feel that they are being neglected. The purchaser should be available to handle the many problems that arise. This may require his spending additional time with the practice during the first few weeks or months after he takes possession.

Failure of the purchasing orthodontist to maintain the vitality of the practice is a real possibility. Probably the best way to minimize this as a problem is for the study club and estate to exercise good judgment in selecting the succeeding orthodontist. If possible, matching the personality of the purchasing orthodontist with that of the deceased is desirable. It is also an advantage if the age and interests of the new orthodontist are compatible with those of the referring dentists. As was mentioned earlier, factors such as previous clinical experience, familiarity with the treatment mechanics used in the deceased's practice, etc. are also important considerations.

Most administrative problems are of the nuisance variety and are usually adequately handled by the new orthodontist and his staff. As an example, it is not unusual for checks to be made out to the deceased instead of the pur-

chasing orthodontist. Placing the purchaser's name on the passbook, obtaining new statement forms, return envelopes, stationery, etc. are necessary changes. It is basically a matter of informing the patients and parents.

SUMMARY AND CONCLUSIONS

1. Many problems beset an orthodontist's practice and his heirs in the event of his premature death or permanent disability.
2. Inadequate planning for the consequences of death or disability can have catastrophic effects on an individual's practice, his family, and his estate.
3. By planning now, each of us can be instrumental in determining how our practice and other affairs will be managed.
4. Common sense dictates that most of these problems can be recognized in advance.
5. Recognizing potential problems in advance and outlining solutions to them can greatly aid in their being handled in a smooth and logical manner.
6. A procedural guide or outline, such as the manual described in this paper, can be effectively used to help meet this challenge.
7. The manual should be properly indexed so that it is easy to use and to understand. Color coding of the different sections is recommended.
8. The manual should be kept where it can easily be found. It is worth very little if it cannot be located.

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