3Q | 2026

The Dental Transition

NEWSLETTER

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Best Practices of The Best Practices

Two dentists purchase nearly identical practices in the same market, at nearly the same price, with comparable staff, patient bases, and transition support. One struggles almost immediately. The other grows rapidly and thrives.

We have observed this scenario repeatedly over the years. And it raises an uncomfortable—but critical—question: if the practice isn't the problem, what is?

We have been fortunate to facilitate the sale of hundreds of dental practices and to work with just as many outstanding dentists and dental specialists. Observing the outcomes of these practice transitions over time has reinforced a consistent truth: the long-term success of a dental practice is rarely determined by the practice itself.

In some cases, a dentist acquires a thriving practice only to see it decline—sometimes rapidly, and occasionally to the point of insolvency. In other cases, a dentist purchases a struggling practice and, within months or a few short years, transforms it into a highly successful operation—often to the point of needing an associate to meet patient demand.

So what accounts for the difference? Is it the market? The location? The type of practice? The purchase price? The way the transition was handled? Or something else entirely?

As we continued to observe and ask these questions, we began systematically eliminating external factors we initially believed might explain the disparity in outcomes. In one particularly telling example, two nearly identical practices located next door in the same building were sold within a year of one another. We facilitated both transitions, understood the similarities between the practices, and ensured each transition was handled properly and consistently. Yet within months, the buyer of the second practice was struggling and facing insolvency, while the buyer of the first had grown the practice by nearly 40 percent. The difference was not the practice. It was the dentist.

The final stanza of William Ernest Henley's poem, *Invictus*, reads:

It matters not how strait the gate,
How charged with punishments the scroll,
I am the master of my fate,
I am the captain of my soul.

For some, these words inspire courage and optimism; for others, they provoke discomfort or even fear. The message is clear: our success is largely of our own making. We are responsible for it. The encouraging reality is that every dentist has the capacity to thrive—if they understand what is required and are willing to put in the effort.

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Best Practices of The Best Practices

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So why do some dentists consistently succeed in private practice while others struggle? Based on our experience, here are three common traits we see in what we might call the "best practices of the best practices."

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First and foremost, successful dentists genuinely care about people. Theodore Roosevelt is often credited with saying, "People don't care how much you know until they know how much you care." A dentist may be an exceptional clinician, but without sincere concern for the people they work with and serve, that expertise rarely translates into long-term success. Dentistry is, first and foremost, a people business—and only secondarily a business of fixing teeth.

That care begins with the dental team before it ever reaches patients. Dentists who thrive often adopt the mindset described in The Customer Comes Second by Hal Rosenbluth and Diane McFerrin Peters. The premise is simple: put your people first, and they will take care of your patients—and your practice.

Second, successful dentists prioritize principles and people over profits. This may seem counterintuitive in a profession where success is often measured financially, but one of the most successful dentists we have worked with offered this advice to the buyer of his practice: "Take care of the patient, and everything else will take care of itself."

In practice, this mindset can take many forms. It may mean redoing a procedure when a result falls short, even if the issue was not entirely your fault. It may involve finding meaningful ways to show appreciation to your team. It may also include giving back to the community by providing care to those who might not otherwise be able to afford it. While these actions may not maximize short-term profits, they almost always pay dividends over the long term.

Finally, successful dentists simply do good dentistry. Most patients will never know the technical difference between a great restoration and a mediocre one. Their perception of quality is largely shaped by how they are treated, which is why the first two principles matter so much. Staff members, however, do notice. They see when corners are cut, inferior materials are used, or when the doctor appears disengaged. It is often telling when staff members work in a practice but choose not to bring their own family members in as patients.

As with most things in life and business, these principles are not applied in a perfectly linear or predictable way. Some dentists appear to do all of these things well yet still struggle, just as some practices seem to thrive despite ignoring them altogether. Life is unpredictable and, at times, unfair. But we have yet to work with a dentist who, at the end of their career, regardless of how much money they made or how large their practice was, did not feel that their career was an unqualified success.

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Practice transitions are among the most significant financial and professional decisions a dentist will ever make. Experienced brokers help reduce the risk inherent in these decisions—not only by structuring sound transactions, but by helping buyers and sellers understand the human factors that ultimately determine success.

When done well, brokerage is not just about facilitating a sale; it is about setting the stage for a sustainable and fulfilling career.

I Have a Buyer, Why do I Need a Broker?

Recently, we've worked with multiple sellers who already found a buyer for their practice before they hired Otten-Rey Dental Sales. In the past, when a selling dentist approached us to help after a buyer was engaged, we told them they didn't need to pay us, as a good dental attorney could walk them through the deal. It used to be that finding the buyer was the hardest part, and once you had a buyer and a price, it was just a matter of putting together standard purchase documents. Today, this is not always the case, and without a qualified broker involved, many deals fall apart before the closing or encounter numerous issues afterward, causing unnecessary distress for both the buyer and seller.

In today's world, once a buyer is interested in a practice, the real work toward a sale begins. When a buyer starts their due diligence on a practice, they'll request many reports and financials, and oftentimes, the selling doctor needs assistance on how much and what to provide to the buying doctor. Buyers have recently started hiring consultants to assist them through the process, and many want to have access to the seller's computer system to pull requested reports. Without a qualified broker, the seller may give the buyer the keys to the castle without any protection or supervision. At this point, the buyer does not need all reports and should not have access to patient information unless they have signed a HIPAA agreement. A good broker will make sure that the buyer and their advisor have signed the necessary agreements, and they pre-determine what information is actually necessary.

During the negotiating period, the selling dentist often needs someone to advocate for them as a buffer if negotiations become contentious. Not only do they need to decide the practice's sales price, but also how to handle the accounts receivable, the seller's transition, and the lease or real estate purchase amount. A broker can gently handle the back and forth so that the buyer and seller do not need to have those awkward conversations. The attorneys can also handle this, but it does not always go as well, as the attorneys are only looking out for their own client's best interest. While we, as the broker, do represent the seller, we are working toward the best outcome for both parties, so we have a bit of a different perspective than the attorney.

After the letter of intent is signed and prices are finalized, there is still more work to do. Having a qualified broker can reduce attorney fees for both the buyer and the seller, as a broker has been through the process many times and can work with both attorneys and doctors to streamline the process. Otten-Rey Dental Sales can also assist the buyer in obtaining financing by facilitating their loan requests with the banks, providing the practice information, and keeping the process moving, as we have strong relationships with all of the healthcare bankers and attorneys in the state.

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For more complex deals, we can speak with banks before anything is submitted to identify the best fit for the buyer. This saves the buyer time and effort by avoiding banks that are unlikely to be interested or competitive at that time. Banks' financing priorities and competitiveness change regularly, and it is not the attorney's role to track those shifts. Brokers work closely with banks and are well positioned to match the buyer with the right lender for the deal.

Before the closing, Otten-Rey Dental Sales will also keep the doctors on track with everything else that needs to be done for the transition, including when and how to tell the staff, transferring vendors and utilities, drafting a patient letter, and registering the x-rays. Many of these items are often overlooked in a transition but can cause issues if not done correctly. They are also items that your attorney may not know how to handle or may not want to handle with you. Over the years, we have heard of transitions that go sour after the closing because seemingly small tasks were not complete – the seller didn't really understand how and when to send out the patient letter, the buyer didn't know about service contracts and got stuck paying for something they don't want, or the buyer didn't transfer a sensor warranty and then had to pay for a brand new sensor. These may not seem like big items, but they add up and can contribute

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I Have a Buyer, Why do I Need a Broker?

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to ill will between the buyer and seller or even the buyer and staff. A good broker will find solutions for both sides before the closing, so there are no issues after the closing.

There is also an emotional aspect to a practice sale, especially for the selling doctor. You are not just selling an asset; in many cases, this is the only time you will ever sell a practice. You are selling your life's work, and no matter how ready you think you are, this is a difficult task to get through. Every seller reacts a little differently, and a good broker will adapt to your needs and help you through this time. Selling your practice is a huge change in your professional life, your financial life, and your personal life, not to mention how it will change the lives of your staff and patients. A good broker will listen to your worries and give you an honest opinion and help you process and cope with the change. It may be how to tell a worried staff member about the sale or a concern that the buyer is going to change procedures in the office. Whatever it is, a good broker can help you determine if it's something you really do need to be concerned about, how to deal with it, or if it's something that you just must let go. Sometimes, just accepting that you must let go is the hardest part, and that is what a good broker can help you achieve.

Practice transitions have more moving parts than ever before. It's no longer just setting a price and signing documents. Even the smallest of practice sales need an expert to get it done right. Do yourself a favor and talk to a qualified practice broker for peace of mind.

Contact us TODAY to schedule a free consultation!

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