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Associateships

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Introduction

Many recent graduates seek associateships as employment after graduation. They have found that associateships can be an attractive career option!

Associateships provide an opportunity to:

- Gain additional clinical experience
- Practice with a seasoned dentist at hand
- Explore a community and try options before settling down
- Earn an income and tackle student loans before taking on new loans to buy or open a practice

Additionally, you may have the option of buying into the practice a few years down the road or consider other career opportunities, such as dental education, consulting, public health dentistry, or military or other government employment.

Know What You are Looking For

You will have more success in finding what you are looking for when you have clarified what you want. What are **you** looking for in an associateship arrangement?

- Do you want to work a flexible schedule?
- Do you want to build your own patient base?
- Do you want a foot in the door type of a practice where there are ownership opportunities?
- Do you want a long-term arrangement? A short-term agreement?
- Do you love treating kids or loathe cosmetic work—what kind of dentistry do you want to do?

Make a list of what you consider is a deal breaker and what is just desirable. If you have multiple options, consider using a chart to determine which associateship best fits your needs. Making sure that you and the owner dentist are on the same page will enhance the likelihood of a successful associate relationship!

Find an Associateship

Once you have identified your requirements, it's time to think about where to find an associateship. It's a great idea to begin searching early; third year is not too soon! -

- Check the American Student Dental Association Career Board online at www.asdanet.org and the JADA classifieds online at www.ada.org.
- Your school may offer a placement service
- Many state ("Constituent") dental societies offer placement services or listings of open positions. For a list of all constituents, visit www.ada.org/goto/constituents
- Attend a meeting of the local ("Component") dental society in the community where you'd like to associate. For a directory of components, visit www.ada.org/goto/components
- Professionals in the dental community, such as practice brokers, dental supply company representatives and others often know what's happening—network with them.
- Network with new dentists in the area you'd like to practice. Contact the Committee on the New Dentist at newdentist@ada.org for info about state and local new dentist volunteers.

How Do You Narrow The Field?

When you've found a practice (or several) looking to take on an associate, remember that interviewing is a two-way street. While you are answering questions, you can also ask your own. The answers you receive will help determine if the position is a good fit. Some important questions to address include:

- Can the practice support an additional dentist?
- What is the basis for compensation? What will happen if revenues fall short?

What is the practice's experience with associates? Why hiring one now?

Can the Practice Support an Additional Dentist?

Here are some guidelines from the publication *Associateships: A Guide for Owners and Prospective Associate*, available from the ADA.

- An active patient count of 1,500-1,800 per dentist
- 15-25 new patients per month
- Around \$700,000 in gross receipts for a solo practitioner

(Hint: "Gross" means all the income before expenses. "Net" is the amount left over after deducting the various costs of doing business)

What is the Basis for Compensating an Associate?

Although associates can receive a flat salary or hourly rate, it is more likely that an associate's compensation will be a percentage of his/her production or collections.

Production means the gross revenue associated with the quantity of work that a dentist does. If you do ten prophys over the course of a week and patients are billed \$10 each, your **production** is \$100 for the week.

Collection means the amount of money that the office actually receives. If your practice has a contract with a third party payer that gives a 10% discount, and all of your patients have that insurance plan, then your collections for the week will be \$90, not \$100. Another way of expressing this is that the collection to production ratio ("CP ratio") is 90%. Another reason for a difference between production and collection includes patient non-payment.

The CP ratio can vary widely, depending upon the location and type of practice. Ratios of 95% are common, but in some areas of the country, ratios much lower – 65-70% -- are routine.

Of course, you'll want to know how you will get paid. Be sure to clarify everything in writing before beginning an associateship! Getting paid on collections? Be sure to know the CP ratio of the practice.

Here's a simple formula to determine the level of production required for a practice that pays on collection to support a new associate:

$$\text{Production} = \text{Desired Income} \div (\text{Compensation Rate} \times \text{CP Ratio})$$

$$\$271,132 = \$85,000 \div (.33 \times .95)$$

Production is equal to the desired income divided by the compensation rate TIMES the collections to production ratio. So you can see that if your desired income is \$85,000, you would divide \$85,000 by (.33 times .95.) The resulting level of production required is \$271,132.

Obviously, you can see that if the Collections to Production Ratio is lower than .95, production will need to be higher to hit the income target. Similarly, if the associate is looking for an income at the \$100,000 level, the production would have to be just over \$318,979!

In discussing compensation based on collections, how patients are assigned is just as important as just as important as the CP ratio for the practice. If the owner dentist treats all private pay patients and you treat all the managed care patients, the owner's CP ratio may be 98% while yours is 80%. If patients are assigned randomly, both you and the owner dentist will have the same CP ratio.

Another question to address is "What if productivity falls short?" Will the owner-dentist take home less money? Will you need to find an additional, part-time position? Again, it's important to clarify these points in writing.

Employee or Independent Contractor?

A written associateship agreement can be used to help clarify the status of the associate - an employee or an independent contractor.

Largely, the difference between the two types of employment is control. Employees have less control and are typically subject to follow the instruction put forth by the employer, such as when and where to work, where to purchase supplies, what work is required and other procedures. Conversely, employees may not have to invest in their own materials and may be eligible for benefits, like insurance. Independent contractors usually have more control and are paid a flat fee for their work – and therefore they are not as likely to be reimbursed for expenses nor receive benefits. The IRS looks closely at the workers' relationship with the employer to determine if he/she is an employee or independent contractor. It is important for employing dentists to understand the criteria for tax purposes.

For an employee, the employer dentist must generally withhold income taxes, withhold and pay social security and Medicare taxes, and pay unemployment tax. There is generally no requirement to withhold or pay taxes for independent contractors- the burden is on the independent contractor.

Complications may arise if a senior dentist wants to do both things at once—regard an associate as an independent contractor when it comes to compensation, while regarding the associate as an employee when it comes to management. If the senior dentist controls the work the associate does and how it is done, trains the associate to do things in a certain way, has financial control over the associate, limits his or her ability to work elsewhere, pays benefits, has expectations about how long the relationship will last – these are all factors which can indicate to the IRS that the associate is an employee, not an independent contractor.

Because independent contractors have much more control over their own work than employees do; they also bear the responsibilities for their own taxes, their own insurance, etc. There can certainly be potentially serious legal or tax consequences, particularly for the owner dentist, if an employee is misclassified as an independent contractor.

What is the Practice's Experience with Associates?

A frank discussion of goals—both yours and the employing dentist's—will help to ensure a successful associateship. If you're looking for a hands-on mentor, while the owner-dentist is looking for someone to cover evenings and weekends, you're not a fit!

Remember, an associateship is a partnership. Like any long-term partnership, both parties will want to give plenty of consideration before jumping in!

Why Associateships Sometimes Don't Work Out

A recent survey showed that 63% of new dentist associates have a written contract —so that means that 37% do not! A contract can help to sort out questions about the relationship in advance, and minimize the potential for misunderstandings that can arise.

Here are some other factors:

- The owner and the associate may have different philosophies of care.
- Either party may have unrealistic income expectations (but it's more likely to be the associate).
- The associate may wish to buy in at some point, but the owner is not interested in relinquishing sole ownership.
- Either party may reject the other's overtures towards the development of a mentoring relationship.
- The dental team may not support the associate.

What Owner Dentists Look For

When senior dentists evaluate different associateship candidates, they are looking for

- A new dentist with a similar philosophy
- A C.V. that reflects experience and accomplishments
- A candidate interested in becoming involved in the community (because that reflects positively on the practice)
- Good references -- both professional and personal
- And finally, an interview that shows the candidate is a professional.

Part of being a professional includes a willingness to take on practice responsibilities; some of these may not inspire a lot of passion. For instance, the senior dentist may want an associate who will cover emergency calls, participate in marketing efforts or handle some paperwork obligations.

Certainly the senior dentist wants a candidate who is a good listener and is enthusiastic about becoming part of the team— because these candidates will communicate well with patients, the dental team, and the senior dentist!

Additional Resources

ADA New Dentist Conference

Meet hundreds of other new dentists and learn more about associateship relationships from your peers. Conference programming includes half-day workshops on practice management, clinical issues and professional/leadership issues. Significantly reduced

registration fees are available for ADA members.

- For more information, call the Committee on the New Dentist at 800.621.8099, ext. 2779 or visit www.ada.org/goto/newdentconf

Networking

Your own dentist, your dental school faculty, dentists you meet at state and local dental society meetings...they can all help! Ask your state dental society about the new dentist committee and mentoring options available.

- www.ada.org/goto/constituents

Associateships: A Guide for Owners and Prospective Associates

This book and CD-ROM, available from the ADA Catalog, provides useful resources for the future associate. The guide touches all the bases of associateships: locating opportunities and candidates, how to make an associateship work, options for financial arrangements. The CD-ROM features sample contracts to edit in Word, plus Excel worksheets to help with cash flow projections, break-even analysis, and determining an associate's compensation.

- www.adacatalog.org (search word: Associateship)
800.947.4746

JADA Classifieds

Review the classifieds for the *Journal of the American Dental Association (JADA)* for Associateship opportunities.

- www.ada.org/goto/jada

ASDA Career Board

Check out the American Student Dental Association's Career Board online at www.asdanet.org.