PRACTICALLY SPEAKING

Space-sharing dentist or employee?

When you bring another dentist into your office, be sure the arrangement is clear before worrying about what constitutes fair compensation, particularly when the dentist is merely sharing office space.

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After reading "Associateship Bliss" the cover story for the March 2002 issue of *Dental Practice Report,* an owner dentist responded this way: "I have personally gone about adding a dentist to my practice in the wrong way. I now have a space-sharing, feels-he-is-part-of-the-practice dentist."

What's more, his practice does not have an overflow of patients nor did he promise the space-sharing dentist a patient flow. The new dentist can work in the office Monday through Thursday after 3 p.m., and all day Friday through Sunday. The owner dentist provides all the supplies, equipment, phones, front-office staff and picks up half the lab bills for the new dentist.

The new dentist, meanwhile, collects all his own production. Last year, the new dentist produced nearly $100,000, of which the owner dentists received 55 percent after deducting lab bills.

Asks the owner dentist: "Is this fair for him, for me? My most burning question, what is fair compensation? I already have a confusing and frustrating arrangement and was hoping you could at least make me feel a little better about one portion of my arrangement."

First, let's try to clear up some of the confusion. The owner said his most pressing question is about fair compensation, but compensation, of course, usually indicates a form of employment status. In this case, the owner indicated the new dentist is a space-sharing doctor. As that is the case, what the owner wants is not fair compensation but fair reimbursement for the use of his facility, equipment and front office help, plus a profit hedge to make it all worthwhile.

Given the relationship is a space sharing, consider the following illustration that is part of materials I co-authored for *Associateships, A Guide for Owners and Prospective Associates*, published by the American Dental Association.

Determine the flat rental rate when an associate or solo dentist pays all variable expenses and staff expenses.

First, determine fixed costs of operating the practice. Say the rent is $30,000, utilities are $4,200; telephone is $3,700; insurance for the premises is $1,200; equipment amortization ($60,000 divided by 12) is $5,000; plus other miscellaneous items are $4,100.

Next, prorate fixed expenses based on production, hours worked or other appropriate factors, such as each dentist is to work 32 hours per week resulting in a 50%-50% split. This could be $22,050.

Then add profit or hedge that owner desires, such as $10,000 a year.. The total comes to $32,050. Divide that by 12 to come up with a monthly rental rate of about $2,700.

Finally determine whether or not there will be a phase-in arrangement allowing for a monthly rent of less than $2,700 per month and, if so, the details of the arrangement.

My suggestion is that the owner take this illustration (without the final step, as he is well into the working arrangement) and work with his accountant using his actual practice numbers. Based on what is prepared by the accountant, the owner should be able to determine if his current arrangement makes business sense or if he should seek a change.