

## Orthodontic Practice: Sample Deposition Questions

**Note- This sample list is based on typical questions involving a divorce valuation where both valuation of the professional's interest and active-passive appreciation issues pertaining to the change in the value during the marriage, and from separation to the time of trial might be at issue. This sample list assumes the professional spouse held the ownership interest prior to the marriage. These are sample questions only and will need to be tailored to deal with specific issues present in a particular practice valuation assignment. This list is a starting point and will need to be supplemented with substantive questions involving the management of the Practice, as well as the individual analysis of year-by-year income statement and balance sheet results and performance and factors impacting those results.**

### For Questions Contact:



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### Abbreviations (fill in dates in for each):

DOM- Date of Marriage (\_\_\_\_\_)

DOS- Date of Separation (\_\_\_\_\_)

C- Currently (\_\_\_\_\_)

### Questions:

1. Describe your undergraduate, dental and orthodontic training and that of your colleagues (schools, degrees, specialty training, dates of graduation, etc.).
2. In what states are you licensed to practice? Other practice professionals?
3. After dental school, what special training did you receive where and when? What subspecialty training did you receive and where?
4. How difficult is it to get into training programs in orthodontics?
5. Do you have any special training that would be unusual for your specialty?
6. When were you born? What is your birthdate? How long have you lived in current community where your practice is located?
7. Have you published any articles on dentistry or orthodontics? If so, regarding what, when and in what publication?
8. What positions do you hold and have you held (including at separation) in local, state and national dental or orthodontic societies, and other organizations?
9. What faculty positions, if any do you hold? Where, for how long, and involving what?

**Orthodontic Practice:  
Sample Deposition Questions**

10. What societies are you a member of?
11. Same as above issues for other practice professionals.
12. Explain your employment history upon completion of training- with whom, when, where, what did you work, were you an employee or partner/shareholder, and how did this eventually led to being involved in the present practice.
13. When was your practice formed and by whom?
14. Who were the practice's initial owners?
15. Where was the practice initially located?
16. What were its services?
17. Was it initially incorporated or a sole proprietorship? Were you the sole incorporator, and if not you and whom?
18. Where were you employed at DOM? Were you an owner? Were you the sole owner? Was the practice at DOM involving different professionals, employees, different location, services, etc. than the one at DOS or C? In what ways?
19. When did the practice open its doors to the public? What was your ex spouse's role in the practice when it was opened, what did he/she do for it, what was he/she paid, etc.?
20. Do you focus solely on orthodontic services, and if not, what other services (e.g., dental, implants, oral surgery, etc.) do you offer? How has this changed from DOM to DOS to C?
21. How do you charge for services? How much is paid upfront, monthly, and for how long, etc.? Do you finance orthodontics or do you push this out to outside financing sources?
22. What is the typical cost for a full brace installation and treatment at C, from start to finish? What was it at DOM and DOS?
23. What is the typical or average number of months of total treatment for an orthodontic patient for brace installation?
24. Do you set or approve the fee schedule? How often does your fee schedule change? Has it changed materially from DOM to DOS to C? Do you try to increase fees annually? Do you try to increase them with general inflation? If not, how have you determined the change?
25. What is your approximate payor mix (individual self-pay, third party insurance and dental insurance plans, Medicaid, etc.) in terms of percentage of total a) gross charges, b) collections?
26. How long have you accepted Medicaid patients and how has their proportion of your total practice revenues changed over time, including from DOM to DOS to C? Are you continuing to accept new Medicaid patients at C?
27. Are you a member of any insurance preferred provider or similar networks? What types of contractual discounts have you accepted with these plans off of your stated fee schedule?
28. Do you submit dental insurance claims for patients or do they pay and have the responsibility to submit their claims themselves?
29. What are the payor reimbursement trends impacting your practice (DOM, DOS and C)?

**Orthodontic Practice:  
Sample Deposition Questions**

30. Orthodontists typically rely for new patients both on referrals from existing and past patients, as well as referrals from local dentists. Is this true in your practice as well? What would you estimate to be the proportion from each and how has this changed over time and why from DOM to DOS to C?
31. Who are your most significant referring dentists at DOM, DOS and C? Is there a dominant referral source of those dentists or one or several that account for the bulk? If so, who are they and what estimated proportion of total referrals do they account for?
32. Do you keep a record of referrals by dentist? If so, where are they kept and in what type of software or other format?
33. What kinds of marketing do you do to obtain referrals from dentists (e.g., gifts, newsletters, entertaining, etc.) and the employees of their practices? How much time each week do you spend, on average, in those activities? How has this changed from DOM to DOS to C?
34. What kinds of advertising does the practice do and how has this changed over time from DOM to DOS to C (e.g., yellow pages, direct mail, TV, radio, website, email marketing, Facebook, Twitter, LinkedIn, etc.)? What is your involvement in this process? Who approves the advertising and has the final say?
35. Have you hired any third party consultants to provide advice to the Practice on marketing, advertising, internal operations or management, pricing of services, transition planning (purchase, sale, buy-ins by other professionals, etc.), valuation, or for any other reason? Explain who was hired, for what reason, when, and what recommendations were made or findings resulted? Who made the decision to hire them? Were written recommendations provided from the consultant? Provide copies.
36. Have you or members of the practice ever been the subject of a disciplinary proceeding or inquiry of any kind? Explain.
37. Has the practice or its professionals ever been the subject of a malpractice claim or litigation? Explain when, regarding what, involving whom, the allegation, and the result?
38. How much (at DOM, DOS and C) do you or the practice pay for malpractice insurance? With whom is the insurance? How much is the total coverage? When do the policies expire? Are premiums anticipated to change materially? If so, by how much? Do you anticipate continued access to coverage?
39. Were there any pending or threatened malpractice claims, litigation, workers compensation, OSHA, IRS, or other actual or contingent claims at DOM, DOS, C? If so, provide details.
40. How much typical time, in hours (prior to marriage, at DOM, at DOS, and C) do you spend each week working on professional matters? How many of these hours were a) in the office seeing patients for follow-up, b) on call, and c) marketing?
41. What are the practice hours and days open each week at DOM, DOS, C? How and why have these changed, if they have?
42. Who sees or treats your patients when you are on vacation? Call? How did this differ prior to marriage, at DOM, at DOS, and at C?

**Orthodontic Practice:  
Sample Deposition Questions**

43. Describe the types of procedures performed (prior to marriage, DOM, DOS, C). Which ones are the most predominate? Which ones require the most skill? Are there any types of procedures that you do not perform that are common to other orthodontic practices? Why?
44. What is the age range of the cases you treat? Is there a predominate age range of patients?
45. Is it accurate to say that the vast majority of your orthodontic patients are there for the course of their treatment for braces for several years and then finished and must be replaced by new patients?
46. Does the need to replace patients that finish the braces period mean that this places the burden on you to generate new patients over and over again?
47. Are the patients that existed at the DOM largely not the same patients at the practice being treated at the DOS?
48. Are the patients that existed at the DOS largely not the same patients at the practice being treated at C?
49. What types of special amenities, if do you offer patients (e.g., computers, gaming consoles for children, etc.) and how did this differ prior to marriage, at DOM, DOS and C?
50. From what geographic area do your patients come? What is a typical radius of the draw of most of them? How did this differ, if it did, at DOM, DOS, and C, and why?
51. Has the practice moved its location from its initial location? When? Why?
52. Who owns the real property used by the Practice? What lease rate is charged to the practice monthly? Does this rent include taxes, maintenance and insurance? If not, does the practice pay those items or the landlord?
53. If a related party entity owns the real property and leases it to the practice, what is the entity and who owns it? How is the lease rate set? Is the lease rate at a market rate? Why or why not? Is there an appraisal available with which to test whether the lease rate is it at a market rate?
54. Does the present facility have the capacity to see new patients? Attractiveness? Efficiency in treating patients? Is it in a good area from which patients are drawn? What are the demographics of area from which patients are drawn?
55. Who is your competition at DOM, DOS, C? What are your practice's competitive strengths or weaknesses relative to them? Are all of these orthodontists? Are any of them dentists doing orthodontic procedures?
56. What would lead a new patient to come to you versus another local orthodontist? How do your prices differ?
57. How much does insurance or dental managed care impact whether a patient goes to your practice or another one?
58. Who do you consider to be the most significant competitor? Who has the largest market share in your specialty in your practice market area and why?
59. Have you ever sought to recruit an associate or partner to the practice to join? If so, discuss who, when, why, and the results?

**Orthodontic Practice:  
Sample Deposition Questions**

60. Do you have any plans for the future to recruit a new associate or partner? Why? What are the plans? What arrangement would be available for a buy-in and how would that work?
61. What are your long-term personal plans regarding the practice? What are your plans for transition to others (such as through a buy-in or sale)?
62. Were you in good health at DOM, DOS and C? Explain.
63. How do you determine your pay and distributions? Is there a formula used (e.g., tied to revenue production, etc.)? Explain how it is used.
64. Same question as above with respect to other practice professionals.
65. How many employees (besides you) were there at DOM, DOS and C? What were the job responsibilities of each? What did you do versus what they did?
66. What benefits are available to you and employees of the practice at DOM, DOS, C? Health insurance? Profit sharing, pension plan or 401K?
67. Could you handle additional volume of patients at DOM, DOS and C without adding another orthodontist? How much more?
68. Have you had any conversations ever concerning the possible purchase, sale or merger of the practice? Give details of discussions, offers received, negotiations undertaken, valuations performed, etc.?
69. Are you paid by any hospitals for any services? Explain.
70. What loans were outstanding to the practice at DOM, at DOS, at C? What were their terms, interest rate, security, are guarantees required, repayment arrangement, etc.? Are banking relationships good and sufficient to support practice needs?
71. Accounts receivable—following questions (at DOM, DOS, C):
  - Do you write off accounts receivable? If not, do they stay on the aging indefinitely? If removed, how are they tracked for collection purposes? What collection processes does the practice follow?
  - Who handles the billing and management of receivables?
  - How often are bills generated?
  - Is there any unbilled work in process at the valuation date that represents work that has been done, but for which bills have not been generated and are therefore not reflected in accounts receivables?
  - What is the procedure for following up on past due receivables?
  - Does the practice file any claims electronically? If so, to whom? When did you start doing this? How fast does the practice collect on electronic filings?
  - How are Medicaid receivables billed? How fast are they collected, on average, in days?
  - What is your estimate of the average typical turnover time (in days) of your practices overall receivables at separation and presently?

**Orthodontic Practice:  
Sample Deposition Questions**

- How much in supplies do you normally maintain on hand in inventory (e.g., a month worth of annual purchases, etc.)?
  - Accounts receivable—following questions (at DOM, DOS, C): **Here the attorney will need to go over receivables agings with the professional to discuss past dues, etc. This will be specific to the practice, so it is not possible to come up with a standard question here.**
72. Does the practice receive any capitated payments from dental HMOs? Please explain.
73. How has dental managed care impacted your practice over time, if at all and why?
74. Are any practice expenses personal or non-business in nature? **(Note- this will be highly specific to a particular practice. The valuator will need to examine year-by-year results prior to the session to identify any unusual items that suggest personal expenses may be run through the practice and then address those in specific additional questions for the deposition. This can often be a major part of the deposition questioning in a professional practice).**
75. Does the practice own any vehicles which are used by your or any family members during the marriage, at separation, or currently? Same as to lease vehicles?
76. Does the practice pay any salaries or provide any benefits to family members, or relatives at DOM, DOS or C? For what, how much and how booked on practice financial records? Do these individuals work in the practice? If so, what did they do at the time the benefits were provided?
77. Did you have a disability insurance policy on yourself at DOM, DOS or C? Who paid the premiums? How much were they?
78. Is there any seasonality in patient visits, charges and collections? Explain.
79. When do you take vacation and for how long, and how does that impact practice results that month? Same for others?
80. Are there any assets not on the practice balance sheets at DOM, DOS or C? Explain.
81. Does the practice have any life insurance that has cash value, which is not included on the balance sheet at DOM, DOS or C?
82. Does the practice have any seat licenses or similar arrangements for sports teams? Get details about which seats and where, how many? How much is expensed annually in the form of ticket expense in the practice and where can it be found in the financial statements?
83. Has the practice had any unusual or non-recurring revenue or expenses of any kind since its inception? Explain **(Note- this will be highly specific to a particular practice. The valuator will need to examine year-by-year results prior to the session to identify any unusual items and then address those in specific additional questions for the attorney to use in the deposition).**
84. Has the practice prepared any budgets or forecasts of any kind for banks or others or has its accountants or consultants done so?

**Orthodontic Practice:  
Sample Deposition Questions**

85. Standing at a) DOM, b) DOS, and c) C, what would you forecast your practice's total collections would be for the next few years? Your compensation? Why?
86. Who were the officers and directors of the practice and their titles at formation? At DOM? At DOS? At C?
87. How fast do you think the practice will grow in the future and why? What are the expansion plans of the practice?
88. Are there any material factors that we have not talked about which you feel positively or negatively impact the practice, its outlook, or its value at DOM, DOS or C? If so, what are they and what is their impact, actual or perceived?
89. Financial Questions- **This will be highly specific to the particular practice. After having spread the financial statements year-by-year in detail, the valuator will need to prepare a list of specific questions for the attorney related to some of the following issues (the result will often be a lengthy list of questions):**
- Trends in revenues and the reasons for the results seen, growth, etc.
  - Same for individual expenses.
  - Ask about what specific expense items are for if it is not apparent.
  - Ask about any unusual looking expense items or ones that increase or decrease materially. Why did these changes occur? Are any of them including unusual or non-recurring expense items for which the valuator may need to make normalizing adjustments might be needed (e.g., a large jump in professional fees due to a lawsuit, large travel and entertainment expenses that might suggest non-business related expenses, etc.)
90. What has not been asked, but which you think is relevant for the valuation of the practice at the DOM, DOS, or C, or in the change between the dates?