

Coast Expands Market, Touts DM, Training Programs

Tampa's Coast Dental PA is expanding into South Florida, with plans to saturate its existing markets in the Sunshine State and elsewhere throughout the rest of 2006. In addition, the aggressive dental practice manager, which took itself private last year after a 1997 initial public offering, is also promoting its proprietary Coast Comprehensive Care program, which "helps Coast Dental dentists and hygienists prevent, diagnose, treat and manage periodontal disease."

The market-area expansion comes in the form of Coast's first practice in West Palm Beach. According to **Adam Diasti**, DDS, president at Coast Dental and founder of the entire enterprise, more new practices are scheduled to open in Broward and Miami-Dade Counties later this year. Diasti started Coast Dental in 1992 with a single dental practice in Holiday, FL. The company, he says, is now "a formidable regional player in the Southeast, with more than 100 owned or affiliated practices in Florida, Georgia, Virginia and Tennessee."

Coast Dental Services Inc. is the management company that provides non-clinical administrative and business services to Coast Dental and other affiliated dental practices. CDS went public in 1997, "which funded its growth and expansion," according to Diasti, then went private again in 2005. "The savings realized by going private enabled the company to expand its geographic reach and respond to requests from Coast Dental dentists for upgrades to its clinical and information technology platforms," he comments. "Coast Dental has settled on a practice model that works."

The company's board of directors "believed that Coast Dental received too little benefit from its public company status," explains **Thomas J. Marler**, CEO at CDS. "By going private, we were able to provide our

shareholders with immediate liquidity at a substantial premium over the most recent trading prices for our shares." Since completing the go-private transaction, he adds, "we have redirected the considerable expenses associated with being a public company toward initiatives to enhance patient care and grow our company."

The trend of public companies returning to the private sector is partly fueled by the rapidly increasing legal, accounting and Sarbanes-Oxley Act compliance expenses associated with being a public company. Marler points to a recent study of "small cap" and "mid cap" public companies -- those with market capitalization in the small or mid-sized range, respectively -- which revealed that the average cost of being a public company increased by 80% from 2002 to 2004.

"For a typical company," he says, "those costs grew from \$1.9 million a year in 2002 to more than \$3.4 million a year in 2004. Combined with a lack of stock market liquidity common to many small public companies, the costs of being a publicly traded enterprise have resulted in a doubling of the number of companies filing to go private in 2004 versus 2002, and nearly a four-fold increase since 1998."

The savings the company gained by going private fueled a particularly "visible" upgrade to its clinical and information technology platforms: the recent addition of digital radiography to some of its offices. "We recently signed an agreement with Kodak to phase in digital radiography to all our offices," Marler reports. "That is one major benefit to dentists and patients. We are also adding chair-side computing to our offices. Going private is enabling us to grow at a more rapid rate with the addition of new offices."

Most of those new offices, he adds, will likely be built from scratch. "We prefer de novo over acquisitions," he tells *Managed*

Dental Care. "All of our recent openings have been de novo." As those de novos continue to sprout up, most of them will be in the company's Southeastern home turf. "Our primary areas of operation will continue to be Florida and Georgia," he comments. "Our current plans call for growing via de novo practices."

Specifically, he adds, those plans call, immediately, for adding about a dozen new practices in 2006. "We will continue adding practices in South Florida," he says, "and to saturate our existing markets."

That continued bulking up -- and the heft the firm already carries -- "enable us to put together attractive marketing programs that bring both insured and fee-for-service patients in the door," Marler explains. "One such program is Smile Plus, a customer loyalty program for fee-for-service patients. A solo practitioner or even a large group practice would find the administration of such a program cost-prohibitive. But we're able to distribute those costs over our large and growing enterprise."

The Smile Plus program is comparable to traditional insurance, but offers greater flexibility -- such as no waiting periods, no exclusions for pre-existing conditions, no pre-authorization and no claim forms or deductibles. It offers patients without dental insurance a 30% to 60% savings on dental services after paying an annual fee to belong.

"Fee-for-service patients love the program because it enables them to receive the dental care they need without straining the family budget," reports **Lauren Key**, vice president of marketing at CDS. "A typical patient saves \$125 on his or her first visit, even after paying the annual fee. Because the program has such a strong value proposition, employers are turning to it as an alternative to dental insurance for their employees."

She adds: "Unlike insurance, it's

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portable and not dependent on the employee staying at a particular company. If a patient relocates, he or she can use Smile Plus at any of our 100-plus neighborhood dental offices and we facilitate the transfer of benefits for the patient."

The company's "innovative financing plan" is another way it endeavors to make dental care affordable. "Our Coast Dental Advantage credit card is a product of our partnership with Wells Fargo," Key says. "It features no annual fee, no-interest and low-interest options and monthly payments starting as low as \$25."

The company also provides "a good deal of behind-the-scenes marketing support to our dental practices," Key adds, pointing to such "necessary but time-consuming tasks" as wading through the myriad yellow pages in a community to get listed in the right ones. "Our marketing programs are designed to support the practices by attracting new patients, retaining existing patients and providing them with the right financial tools to help patients afford their dental care," she comments.

CDS also provides demographic research and professional advertising support that can be make-or-break when launching a new dental practice in a community or sustaining an existing practice. "It makes good business sense to market the skill sets of Coast Dental dentists because the dentist is the star," Key comments. "Our programs help them build strong relationships with their patients and a successful practice in the community. It is important to us that the dentists become active members of the communities they serve."

Like most DPM companies, CDS handles human resources, purchasing, accounting, payroll, insurance contracting, marketing and other administrative tasks that can be costly and time-consuming to solo practitioners. Coast Dental providers

"are free to focus on patient care and continuing education," the company says. Coast Dental practices typically have one or two full-time general dentists and part-time or full-time endodontists, periodontists and oral surgeons, who rotate throughout a geographic area to provide their specialized services to individual offices as needed.

"It's a nice convenience for the patient to be able to obtain specialty dentistry services without having to travel to a different office," Marler comments, adding that "the model has worked well for the company and the dentists whose practices it manages." Indeed, Diasti boasts, "some dentists never achieve the success that ours do. On average, Coast Dental dentists earn in the top 10% in the United States."

Many of the providers employed at Coast operations are experienced professionals who are "tired of the day-to-day demands of running a dental practice" or are new graduates who "don't have the desire, resources or experience to open their own practices," he observes. At Coast, Diasti emphasizes, "they enjoy the clinical autonomy found in private practice without the headaches of managing staff, vendor relations and insurance paperwork."

And they have access to the work of Coast's Clinical Advisory Board, which supports the firm's doctors and shares clinical best practices. Coast Dental has forged strategic partnerships with continuing education providers enabling the company to offer basic and advanced training to dentists and hygienists at little or no cost to them. "Keeping dentists and hygienists on the leading edge," Diasti states, "is one of our core values. The partnerships pay benefits to our patients, dentists and hygienists."

The company also maintains an in-house education program called Coast Comprehensive Care. The

program addresses periodontal disease, a serious bacterial infection that can travel into the bloodstream and pose a threat to other parts of the body. According to the American Dental Association, 75% of Americans over the age of 35 have some form of periodontal disease. "When it's left untreated," Diasti explains, "it's the leading cause of tooth loss among adults -- and may lead to other serious health problems as well, such as heart disease, stroke, diabetes and osteoporosis."

C3, he says, is helping to raise patients' awareness of periodontal disease. Typically, there is no pain associated with it and most patients don't even know they have it. In developing C3, Coast adopted the American Academy of Periodontology's guidelines for diagnosing periodontal disease, and has incorporated them into "a complex set of clinical protocols and patient education in a way that brings together the dentist, hygienist and patient to prevent, diagnose, treat and manage this common disease," Diasti says.

The hygienists in that equation are a special focus at Coast. "Our C3 program and commitment to diagnosing and managing periodontal disease have been a key factor in attracting hygienists to the company," says **Janet Hagerman**, director of hygiene there. "Hygienists in solo practices rarely have a full support team at their disposal. Teaching and professional development is an important part of who we are."

She adds: "We have clinical hygiene administrators and regional hygiene coordinators working with our hygienists at the individual-practice level to ensure that best practices are followed. Our hygiene team meets monthly for continuing education activities to keep team members current. The career paths we offer hygienists are unmatched in the Southeast." Hygiene, she adds, plays an important role in the company's philosophy and business model. ■