



LCP Dental Team Coaching (formerly Julie Weir & Associates) is recognized as the premier consulting firm specializing in pediatric dentistry since 1996.

Top Habits of Successful Practice Owners

Dental schools teach doctors how to do dentistry; however, they fall short on teaching doctors how to be business owners. Many dentists are the CEO, COO, and CFO's of their practice and provide services to their patients. With little business training available, doctors are left in the dark to build, grow, and maintain their practices. While practice management software provides the doctor with real-time information, many doctors do not fully utilize their data when making business decisions. By understanding practice reports and reviewing them regularly, doctors can implement systems and make proactive business decisions that will create positive upward trends.

Yearly Goals

Ninety-five percent of dental practices operate without a business plan. An **Annual Business Plan** gives the doctor a blueprint for the success of the practice. It is more imperative than ever for a doctor to understand business metrics and run their practice reports regularly in these uncertain times. Monitoring goals daily and monthly will show if any benchmark is not met and indicates precisely where a doctor needs to focus their actions for the practice to be successful. This is an essential piece of protecting your practice. It holds team members accountable for reaching goals, effective scheduling, collecting fees, entering proper adjustments, and purchasing supplies within a healthy budget.

- A **Break-Even Point** is the amount of practice collections required on an annual basis to cover overhead expenses, doctor income, retirement contributions, debt service, and new capital expenditures. Divide this number by 12 to calculate your **Monthly Collection Goal**. CPAs or practice management consultants can help to calculate your break-even point. Calculating this number is only the beginning.
- Create an **Annual Overhead Budget** by taking the following expense percentages and multiplying them by the Break-Even Point. Divide this number by 12 to get the monthly budget amount.
 - **Miscellaneous 4–6 percent**; advertising, business insurance, property taxes, misc.
 - **Office 3 percent**; bank charges, credit card fees, billing and collections, office supplies, postage, printing
 - **Professional Development 1 percent**; dues and subscriptions
 - **Dental Supplies 4–6 percent**
 - **Lab .25 percent**
 - **Facility 8–10 percent**; rent, repairs, janitorial, laundry, telephone, utilities, uniforms
 - **Professional Advisors 2–4 percent**; legal, consulting, accounting, payroll fees
 - **Labor 18–24 percent**; separate employees from associate
 - **Associate Doctor 6–10 percent**
 - **Employee Benefits 2–3 percent**; employee continuing education
 - **Payroll Tax 2 percent**
 - **Owner Benefits 1–3 percent**; doctor continuing ed, auto, travel, dining, retirement, doctor health insurance
 - **Owner Income 30–48 percent**
 - **Equipment, Depreciation & Debt Service 3–10 percent**
 - **Monthly Production Goal**. Divide your monthly collection goal by the practice **Collection Ratio**.
 - **Producer Production Goal**. There are four different areas of productivity in pediatric dentistry: restorative, hygiene, IV sedation, and hospital, which should be monitored each month separately by using different producer codes. Create a producer code for each of these productivity areas and charge all procedures to the actual producer. This will allow accurate producer production goal monitoring. The practice hygiene should continue to grow until it becomes 50–75 percent of the total practice production, depending upon the patient population's decay level. When these productivity areas are measured separately, the doctor can

see if the hygiene side of the practice is growing appropriately. All procedures performed on the hygiene patient or in the hygiene chairs should be included in hygiene production to accurately reflect the level of productivity generated from hygiene patients. This includes the periodic exam, prophylaxis, bitewings, panoramic radiographs, fluoride, and sealants. The total of the four producer monthly productions (# days x daily goal) equals the practice monthly production goal. See formula below.

- **Producer WorkDays.** Define the average number of “restorative,” “hygiene,” “IV sedation,” and “hospital” work days per month. A doctor work day is typically scheduled in two columns. A hygiene work day is scheduled in one column. A good benchmark is for every one restorative work day, there should be at least two or more hygiene work days scheduled (2 or more columns).

Use the below formulas to calculate practice goals:

Annual Break Even Point \$ _____ ÷ 12 = Monthly Collection Goal \$ _____

Annual Collection \$ _____ ÷ Annual Production \$ _____ = Practice Collection Ratio _____ %

Monthly Collection Goal \$ _____ ÷ Practice Collection Ratio _____ % = Monthly Production Goal \$ _____

Average restorative work days/month _____ x Daily restorative production goal \$ _____ = \$ _____ Restorative monthly production goal

Average recare work days/month _____ x Daily recare production goal \$ _____ = \$ _____ Recare monthly production goal

Average IV sedation work days/month _____ x Daily IV sedation production goal \$ _____ = \$ _____ IV sedation monthly production goal

Average hospital work days/month _____ x Daily hospital production goal \$ _____ = \$ _____ Hospital monthly production goal

The four Monthly Producer Production Goals above should equal the Total Monthly Production Goal \$ _____

Reports & Actions That Increase Production & Collections

Many doctors are unfamiliar with practice reports and actions the front office team should perform to maximize production and collections. Doctors must learn the practice management software and its reports to access practice business information quickly.

Daily

- **End of Day Reports.** Do not lose out on production and collections:
 - **Production Report by Provider** – each provider reviews the charges on patients they treated to ensure all procedures have been charged out, and tooth numbers and surfaces are correct. Corrections are written on production report, initialed, and given to Office Manager (OM) to make modifications before electronic claims submission. This helps increase production and reduces the re-filing of insurance claims.
 - Doctor reviews **Adjustment Report** daily for unusual adjustment types or amounts. This helps prevent unauthorized adjustments to payments, which reduce collections.
 - Verify that cash and checks balance to the end of day **Deposit Report** from the practice management software. The team member making the deposit initials the bank deposit slip and gives the deposit to a different person to take to the bank. The second person also reconciles and initials the bank deposit slip.

- **Credit Card Batch Report** is run and balanced against the end of day Deposit Report. Set Credit Card machine to settle each night automatically. Every morning, check the Settlement Report against the Batch Report from the night before to ensure totals match and attach to the Deposit Report.
- OM sends **Deposit Report to CPA or bookkeeper** so deposits can be entered in practice QuickBooks and practice deposits can be reconciled to the bank statement at the end of each month.
- **Send electronic claims** after making necessary corrections to the production report.
- **Make corrections to claims from the E-claim report** that failed to transmit and resubmit with corrected information. Print E-claim report and keep it in a binder.
- **Send statements daily** on a 21-day billing cycle. This ensures that all patients with a balance remaining after insurance payments get a statement right away. Do not wait until the end of the month.

- **Monitor daily producer production goals.** Track production for each producer throughout the month and inform the team if they are ahead of goal or behind. If behind, team members can help that producer “**Go the Extra Mile**” by completing additional treatment that is not on the schedule, i.e., pano’s, sealants, simple extractions, or small fillings needed by hygiene patients already in the office or additional fillings on cooperative patients.

Weekly

- OM prints **Unbilled Transaction Report or Procedures Not Attached to Insurance Report.** These are procedures completed that were not attached to a submitted claim. Procedures can miss being sent to insurance for payment if not appropriately attached for electronic claim submission.

Bi-Monthly

- Check payroll reports for accuracy of employee hours, hourly rate, vacation, and personal time off pay. Pay close attention to this data on the employee who submits the payroll information. This helps deter payroll fraud. Also, create individual time clock logins so employees cannot clock each other in or out. Remove authorization for employees to adjust their own time clock entries.

End of Month

- Ensure that all missed production corrections given to OM daily have been made.
- Review **Adjustment Report** to make sure adjustments are the same as was seen throughout the month and no new large adjustments were made and backdated. The doctor should randomly audit patient ledgers with large adjustment amounts or unusual adjustment types and look for notes explaining why the adjustment was made. Every single adjustment should have a note and the initials of the person who created the adjustment. Also, inappropriate adjustments can be a red flag for embezzlement.
- Review **Adjustment Report** to understand how much production is being written off and in what categories;

bad debt, employee dentistry benefit, insurance, medicaid, charity, and discounts. Too many bad debt adjustments may indicate poor financial policies or the front office team’s unwillingness to collect old account balances. High adjustments in the other categories may indicate the need to monitor how much dentistry is given away or a need to change the practice’s payor mix.

- Make sure all checks (insurance and patient payments) received for the month are entered.
- **Reconcile Revenue on Profit and Loss Statement to Collection Total** on the practice management software End of Month Report for the same reporting period.
- Review **Accounts Receivable Report (AR)** to ensure total AR is not greater than an average month’s production and the 61-120+ days total is not greater than 18–24 percent of the total AR.
- Review the **Patient Refund Report.** Include charge and payment transactions to justify the refund.
- Print a **New Patient Referral Report.** Analyze where new patients are coming from. Does the monthly NP total meet your goal? What marketing actions are working? Decide what new marketing efforts to pursue in the next 30 days.
- **Overdue Recare and Unfinished Treatment Plan Report.** Make sure not too many patients are listed in these reports and that the reports are worked regularly.
- **Review Practice Goals.** Daily producer production (doctor, hygiene, IV sedation, and hospital), monthly collections total, collection ratio, AR balance, 61+ days AR percentage of AR total, producer work days, production adjustments, and new patients. Were goal numbers met? How are goals numbers tracking cumulatively year to date?
- **Close out the month** in your practice management software for proper aging of accounts (few PMS do not have to be closed out).
- Review practice **Profit & Loss Statement (P&L)** to see if overhead budget goals are met.

In these challenging economic times, doctors must learn how to run and interpret their practice management reports to increase productivity and profitability. Consider scheduling annual trainings, if possible, with your Practice Management Software to stay current with the software and report updates. When doctors understand the business side of their practices, they can implement changes and actions to help them reach and surpass production and collection goals.

**“Being challenged in life is inevitable,
being defeated is optional.”**

Roger Crawford

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