# Use Reports and Numbers to Run Your Practice like a Business

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Dentistry is one of the few professions where the dentist is the CEO, COO and CFO of a company and also makes the company's product. Dental schools teach doctors how to make the product, however, little training is provided on how to run a dental practice like a business. Therefore, many doctors do not fully utilize statistics from their practice management software reports and CPA on a regular basis to determine if healthy financial benchmarks are being met. By reviewing practice numbers on a routine basis, doctors can make proactive business decisions in a timely manner to promptly reverse negative trends. This article outlines reports and business numbers to be evaluated by a doctor on a regular basis to run their practice like a business.

## Yearly goals

Every practice needs an **annual business plan** with updated goals to meet the practice's needs. Monitoring these goals on a daily and monthly basis will show if any goal number is not met. This indicates exactly where a doctor needs to focus their actions for the practice to be successful.

- A **break-even point** is the amount of practice collections required on an annual basis to cover overhead, doctor income, retirement contributions, debt service and new capital expenditures. Divide this number by 12 to calculate your **monthly collection goal**. Ask your CPA or practice management consultant to calculate your break-even point.
- 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%; advertising, business insurance, property taxes, misc.
  - — Office 3%; bank charges, credit card fees, billing and collections, office supplies, postage, printing.
  - — Professional development 1%; dues and subscriptions, staff continuing education.
  - — Dental supply 4%-6%.
  - — Lab .25%.
  - — Facility 8%-10%; rent, repairs, janitorial, laundry, telephone, utilities.
  - — Professional advisors 2%-4%; legal, consulting, accounting, payroll service.
  - — Labor 18%-24%.
  - — Staff benefits 2%-3%.
  - — Staff payroll tax 2%.
  - — Owner benefits 1%-3%; doctor's payroll tax, auto, doctor's continuing education, travel, meals and entertainment, retirement, and doctor's insurance.
  - — Owner income 30%-48%.
  - — Equipment, depreciation and debt service 3%-10%.
- **Monthly production goal.** Divide your monthly collection goal by the practice collection ratio.
- **Producer work days.** Define the average number of restorative, recall and hospital work days per month. A doctor work day is typically scheduled in two columns. A recall work day is scheduled in one column. A good benchmark is for every one pediatric work day, there should be at least two or more recall work days scheduled (2 or more columns).
- **Producer production goal.** There are three different areas of productivity in pediatric dentistry: restorative, recall and hospital that should be monitored separately each month by the use of different producer codes. Create a producer code for each of these areas of productivity and charge all procedures to the actual producer. This will allow quicker producer production goal monitoring. The practice recall should continue to grow until it becomes 50%-75% of the total practice production, depending upon the decay level of the patient population. When these areas of productivity are measured separately, the doctor can see if the recall part of the practice is growing appropriately. All procedures that are performed on the recall patient or in the recall chairs should be included in recall production to accurately reflect the level of productivity that is generated from recall patients; recall exam, prophy, BWX, pano, FL, sealants. The total of the three producer monthly productions (# days x daily goal) equals the practice monthly production goal. See formula below.

## Reports and actions that increase production and collection

Many doctors are not aware of what reports to look at and actions the front desk staff should perform to maximize production and collection. Doctors must be familiar with the practice management software and its reports so practice business information can easily be accessed and front desk staff can be held accountable.

## Daily

- End of day reports. Do not lose out on production and collection that can get lost in the hustle.
- Production report by provider. Each provider reviews the charges on patients they treated to ensure all

procedures have been charged out and teeth number and surfaces are correct. Corrections are written on production report, initialed and given to office manager (**OM**) to have corrections made prior to e-claims submission. This helps increase production and reduces costs and time for refiling 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. Person making the deposit initials the bank deposit slip, gives 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 automatically settle each night. In the morning check the settlement report against the batch report from night before to ensure totals match and attach to the deposit report.
- OM faxes/scans deposit report to CPA so deposits can be entered in practice QuickBooks and practice deposits can be reconciled to the bank statement at the end of the month.
- Send e-claims after necessary corrections have been made to the production report.
- Make corrections to claims from the e-claim report that failed to transmit and resubmit. Print e-claim report and keep in a binder.
- Immediately send statements on pastel colored paper to patients with a balance remaining after insurance payment has been recorded. Do not wait until the end of the month.
- Monitor daily producer production goals. Track throughout the month and inform team if each producer is ahead of goal or behind. If behind, team members can help that producer "mine the gold" by completing additional treatment that is not on the schedule; i.e. pano's, sealants or small fillings needed by recall patients already in the office or additional fillings on cooperative patients.

## Weekly

- OM prints unbilled transaction report. These are procedures that were not attached to a submitted claim. Procedures can miss being sent to insurance for payment if not attached properly for e-claims submission. Submit claims or send statements to noninsured patients.

## Bi-monthly

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

## End of month

- Ensure that all missed production corrections, given to OM daily, have been made.
- Review adjustment report to make sure adjustments appear the same as was seen throughout the month and no new large adjustment was made and back dated. Doctor should randomly pull up patient ledgers with large adjustment amounts or unusual adjustment types and look for notes explaining why the adjustment. Also, inappropriate adjustments can be a red flag for embezzlement.
- Review adjustment report to understand how much dentistry is being written off and in what categories; bad debt, employee dentistry benefit, insurance, medicaid, charity, discounts, professional discount. Too many bad debt adjustments may indicate poor financial policies and/or an unwillingness of front desk staff to collect old accounts. High adjustments in the other categories may indicate a closer monitor is needed on how much dentistry is given away or a need to change the payor mix of the practice.
- All checks 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 make sure total AR is not greater than an average month's production and the 61-120+ days total is not greater than 18%-24% 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 come from. Does the monthly NP total meet your goal? What marketing actions are working? Decide what new marketing actions to do in the next 30 days.
- Print overdue recall and unfinished treatment plan reports. 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, recall, hospital), monthly collection 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 if required (some programs do not have to be closed out).
- Review practice profit and loss statement (P&L) to see if overhead budget goals are met.

With new patient numbers and profit margins shrinking in these challenging economic times, it is even more imperative that doctors know how to run their practice like a business and use every resource available to increase practice productivity and profitability.

## 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 recall work days/month _________ x Daily recall production goal $_______ = $_______ Recall monthly production goal

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

The three monthly producer production goals above should equal the total monthly production goal $ ___________________

**"If you don't drive your business, you will be driven out of business"**

*B. C. Forbes*


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