



### Strategies to Take in Tough Economic Times

The economic slowdown in this country is on many practitioners' minds. If it hasn't already affected your practice, I am sure you are wondering when and if it will. Doctors ask me for ways to help show parents the benefits of staying current with recall appointments and restorative needs. In such cases, I teach the dentist to share effective messaging, such as, "Preventive dentistry is always less painful and less costly in the long run than only treating emergencies". I suggest that the same is true in running a dental practice. When one puts the time and resources into practice management systems to assure that they operate efficiently, it makes running your practice less painful and less costly (which also translates into more profitable) over time.

When economic times are good, it is easier to make a profit despite having inefficient practice systems. In fact, you might not even know your systems are sloppy or that you are letting dental dollars that belong in your practice fall through the cracks. However, when family wallets are tighter, it feels like you have to work twice as hard to take the same dollar home. Therefore, there is no margin for sloppy practice systems that erode into your profits.

The next three issues of *PMM* will discuss what you can do on the **business side** and **systems side** of your practice to make sure your practice is running as efficiently as possible. These aside, never forget the power of **excellent customer service**. Building good, solid relationships with your parents and patients creates loyal and referring families.

I was thrilled with all of the positive calls and e-mails from around the country supporting the message I shared in the last issue of *PMM* about turning the cartoons off. Many practitioners agreed movies playing in the clinic area are a distraction to children and impedes what you are trying to accomplish—relationship building and teaching good oral health habits. I believe one of our strongest customer service actions that is appreciated most by families is the amount of time and information you give them regarding Oral Health Information (OHI), healthy snack and other important tips they can do at home. Therefore, to insure that your practice is fortified to get through tough economic times, give a high level of customer service, have a dental practice business plan and make sure all front desk systems are running efficiently and meeting the appropriate goal numbers.

### Business Plan

One of the most important management tools a doctor can have is an understanding of the business numbers in their practice. Before systems can be adequately addressed, a dental practice always needs a **dental practice business plan** in place that identifies **important goal numbers** (practice vital signs) that the doctor can use as an accountability tool with the staff who are in charge of that particular system. This helps ensure that each system performs to the benchmark that is needed to achieve the practice's financial needs.

I find that when **daily producer goal numbers** are communicated to staff that include scheduling, producing and monitoring, **I typically see an automatic 10 percent increase in production because the team is now working together with a plan in place.**



If goal numbers are not being met, then the team can talk about what particular goal number is behind and what specific actions can be taken to improve that part of the practice.

Each day, small dollar amounts of **missed production opportunities** can add up to large sums on a yearly basis. For example, in a small pediatric practice, the lack of goals, monitoring and/or sloppy systems can contribute to a lost production opportunity of up to \$400+ per day. For individuals with a four day work week, this would amount to \$76,800 per year ( $\$400 \times 192$  work days = \$76,800). If the doctor allows this type of practice model to go on year after year, this could total \$384,000 of production over five years. If your collection ratio is 98 percent, then that would be \$376,320 in lost collections that could have instead been contributed to your income and retirement contributions. If your practice is very large or consists of multiple doctors, then the amount of lost profit potential could be double the above example or more.

### A Business Plan identifies the following numbers:

- **Break-even point (BEP) analysis & calculation** = total dollars needed to meet overhead expenses, capital improvements, new equipment, raises, inflation adjustment, loan payments, doctor salary and retirement contributions. For illustration purposes, I will show calculations for a sample practice that has a break-even point of \$1,147,776.
- **Monthly Collection Goal** = break-even point total  $\div$  12
  - \*  $\$1,147,776 \div 12 = \$95,648$
- **Practice Collection Ratio** = previous years collection  $\div$  previous years production = percent collection ratio. It is healthy to collect 96-98 percent for a pediatric dental practice that does not take any reduced fee plans. The number fluctuates depending upon how much charitable dentistry is performed. If a practice does take Medicaid or is a PPO, I suggest the full fee is charged out and after payment is received, the balance is adjusted off. It is important to know what your adjustment total is, because you should know the cost to the practice of the reduced fee plans. If overhead is 60 percent, and a fee plan is 20 percent below

the doctor's regular fees, then the doctor will have to perform 2.5 times the same procedure to take the same dollar home versus a procedure done at regular fee. It is important to understand how much of an increase in volume is required when working with reduced-fee patients.

- \*  $\$975,000$  (previous years collection)  $\div$   $\$994,898$  (previous years production) = 98 percent collection ratio
  - \* You should notice that in this example, when the BEP is calculated, the practice's new desired BEP requires a 17 percent increase over the previous year's total collections. ( $(\$1,147,776 - \$975,000) \div \$975,000 = 17$  percent). At this point, the doctor must either take actions to achieve this 17 percent growth or adjust the practice's financial needs.
- **Monthly Total Practice Production Goal** = monthly collection goal  $\div$  practice collection ratio.
    - \*  $\$95,648 \div 98$  percent =  $\$97,600$
  - **Avg. Number of doctor and hygiene workdays/month** = a doctor that sees patients Monday-Thursday, four days/week  $\times$  four weeks/month = 16 days/month. If this doctor has two hygienists, each working a column of recall every day, then there would be two hygiene work days for every one doctor work day, thus 32 hygiene work days per month. If a doctor does hospital dentistry, then the average number of hospital work days per month should also be determined.
  - **Daily production goals for each producer** = the amount of production that the doctor should complete each day in restorative and each hygienist in their recall column. All procedures attached to the recall appointments and done in appointments scheduled in the recall columns should be attributed to hygiene production. This is done to achieve a more accurate measure of recall productivity. The total doctor and hygienist work days multiplied by their daily production goals must equal the monthly total practice production goal. If hospital dentistry is being done, then an average number of hospital work days and hospital daily production goal should be



assigned and worked into the total monthly production goal.

$$\begin{aligned} * & (16 \text{ doctor work days} \times \$2500 = \\ & \$40,000) + (32 \text{ hygienist work days} \times \\ & \$1800 = \$57,600) = \$97,600 \end{aligned}$$

The benefits from having a **dental practice business plan** are enormous. If you feel that determining goals and monitoring them is beyond your scope of interest, then there are professionals and tools available to offer these services for you. I strongly recommend getting the help you need, having a business plan and monitoring goal numbers. Otherwise, you risk leaving behind crucial dental dollars on a daily basis.

Keep in mind that you cannot improve something unless you can measure it, and to measure

something you must know what you are comparing it against. Pairing a **dental practice business plan** with **efficient front desk systems** and **great customer service/patient education** is the best preventive medicine in tough economic times. It can help you increase profits and have more control over your future. If you have successful numbers in your practice, then it is a reflection of good planning, well-run systems and satisfied patients who return to the practice, accept treatment plans and refer others.

In the next issue of *PMM*, we will discuss **overhead expense budget goals, monitoring practice vital signs** and begin discussing how **front desk systems** should run to ensure maximum productivity and profitability.

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## Preventive Maintenance Keeps Your Practice Healthy!

Put the right business tools in place to run as efficiently as possible in a tough economy:

- *Practice Vital Signs & Goal Monitoring System (standard)* \$495
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## PMM News



**PREVENTION**



**BUSINESS PLAN**



**SCHEDULE**



**SERVICE**

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