



HIDDEN PROFIT BUSTERS

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With an awareness of several key cost factors, some of which might come as a surprise, dentists can strive to maximize profits in their practices.

*“Whatever it is you want,
step up, pay the price
and take it.”*

- Dr. L. D. Pankey

In an attempt to maximize profits, the dental business community continues to hammer away at the “Big Four” practice expenses—personnel, facility, production and administration. These expenses may be identified by various names, but the idea remains the same. Cut costs at any cost. At some point, continuing to hammer on the “Big Four” hits the point of diminishing returns, and the accompanying aggravation, irritation and frustration are not worth it.

With this perspective, it becomes humorous to observe an owner/dentist reducing personnel costs by replacing the warmth of a human voice answering “hello,” with a cold and impersonal electronic retort that has potential patients hanging up in disgust. Funny, too, the economic decision to send lab cases across an ocean only to double or triple chairside seating time. But my favorite cost-cutting story is the client/dentist who refused to put his business cards

out on the front counter because “my patients keep taking them!”

We know the business axioms: “Penny-wise, pound-foolish,” “Robbing Peter to pay Paul,” and “You get what you pay for.” Similarly, we’ve heard Linda Miles say it over and over, “You pay peanuts, you get monkeys.” So what is the prudent owner/dentist to do? Answer: Continue to scrutinize the “Big Four” and develop an ever-increasing return on investment by reviewing these hidden profit busters—a few of them, in ascending order of impact, may surprise you.

⑩ **Adjustments to production.** This category includes all discounts given to any patient for whatever reason. Many offices have a false sense of security, believing they do not have any discounted fees because they simply don’t track the little “freebies” and “courtesy discounts” given to friends, family, employees (yes, employees) and other professionals. The situation is compounded when discounts and contract (managed care) programs are added to the fray.

The solution: Track all production at full-fee and then adjust the necessary insurance, cash, financing,

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and professional discounts accordingly. Set a monthly budget for adjustments and stick to it like any other expense item because that's exactly what they are.

⑨ **Slow starts.** In this scenario, the first patients are scheduled at 8 a.m. but don't show up until 8:15. By 8:20 they are being seated and treatment finally begins at 8:30. Not only is it a 30-minute loss of productive time, but for the remainder of the morning the office will be running behind and will usually miss lunch altogether. When it happens again at 1 p.m., going home late is a foregone conclusion.

The solution: Schedule only VIP patients for the coveted first part of the day and after-lunch appointments. These are patients who have a proven track record of showing up on time and will help get the day started off productively, efficiently and happily.

⑧ **Non-contributing employees.** Consultant Larry Guzzardo might best describe this group of employees as "the ones who quit and stay." All too often employees are added to the team without sharing any responsibility for increased production or collections. Typically, they do not participate in achieving the office goals but are delighted to get a bonus check, much to the resentment of those making it happen. The ongoing presence of just one "non-contributing" employee can—and does—destroy the morale of everyone.

The solution: Someone needs to get rid of the dead wood sooner rather than later. In the future, hire according to a personality profile and set specific goals for the addition of a team member to the practice. The goal might be to establish a production increase of two to three times salary within 90 to 120 days of employment.

⑦ **Under staffing.** In contrast to No. 8, with this practice we are all so busy doing things right that we forget to do the right thing. In this scenario, there is a significant lack of follow-up and follow-through. Treatment plans are hastily presented, if at all, and there is virtually no follow-up to answer questions or get patients scheduled. Hygiene recare systems are often non-functional and soft tissue management is overshadowed by supervised neglect. Financial arrangements are limited to what the dental benefit plan is willing to send and there's no time to work the accounts receivable aging report.

The solution: Consider the employment ratios for an efficient, \$700,000-\$1 million general practice: one doctor, two assistants, two hygienists, two business agents. If the employee ratios are correct (25 to 34 percent), but anticipated profitability (35 to 45 percent) is not forthcoming, try investing in a T-2 plan: Technology + Training = Growth on the bottom line.

⑥ **Wrong fees.** Notice this does not say "low fees"

because the office fee structure is established from a myriad of marketing factors, which will not be discussed in this writing. "Wrong fees" fall into three types:

1. Using the wrong procedure code
2. Coding based on insurance payments
3. Using fees that are out of balance (as consultant Linda Drevenstedt would be quick to point out).

The solution:

Type 1. Be sure the clinical team enters all procedures as the procedures are completed. This eliminates the loss or alteration of information due to transference.

Type 2. "Insurance coding" is prevented at the financial assistance stage either during treatment plan presentation or, in the event of a plan modification, chairside by the treatment coordinator/counselor.

Type 3. When modifying or adjusting the office fees, be sure to correct all fees, not just the "big" ones. And, unless it is part of a major marketing initiative, be sure to get all diagnostic, hygiene and surgical fees balanced with the prosthetic fees.

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⑤ **Insignificant and discounted accounts receivable.** Insignificant accounts receivable includes those amounts which, when paid, equal 100 percent of full office fee but are often considered "insignificant" because the amount is under \$50 or \$100. When totaled, these amounts are anything but insignificant and are easily overlooked when compared to the larger amounts that tend to receive the most attention. Usually these small amounts are "written off" as uncollectable because they are not worth the effort, and no collection agency or small claims court is willing to deal with them.

The solution: Set an office threshold of \$100 or \$200 that is paid at the time of service or, in the case of insurance settlements, automatically placed on the patient's credit card as authorized in his or her business account that is established during the new patient experience.

Discounted accounts receivable includes those amounts that would not equal full fee because the fees were discounted as a professional courtesy, part of a marketing plan, the result of third party payment

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plans, or as a contractual requirement of a managed-care program.

The solution: Courtesy discounts should be offered only in return for full payment prior to the service delivered. There is no margin for sending statements, phone calls or collection services. In the case of reduced or fixed-fee plans, read the contracts carefully. Most require the patient pay his or her portion prior to treatment. Discounted fees that end up in accounts receivable are nothing short of double dipping and they become a double loss on the profit and loss statement.

④ **Prophy appointments.** During a Profits Plus seminar in Charlotte, N.C., Dr. Charles Blair told the audience that the average hygiene prophy visit *costs* the average practice \$5.95 per visit! The key word here is “average.”

The solution: Keep hygiene recall visits anything but average. Add significance to hygiene visits by renaming “cleaning” appointments to “periodic preventive therapy,” “dental hygiene maintenance,” or simply “re-care” visits. Enhance the scope of therapeutic and cosmetic services available at each hygiene visit; the list is huge. Above all, be sure to record and track all comprehensive dental treatments identified, scheduled and provided as a result of periodic hygiene visits. That’s where the value to patient and practice really hits a home run. Comprehensive care is the hallmark of a really great hygiene department, a really great practice and a really great bottom line.

③ **New patients.** This profit buster comes as a surprise to most doctors, practice administrators and hygienists. It is a common mistake because we have all become overwhelmed with the idea that new patients are “always welcome.” When all the costs are calculated, the new patient visit requires a new financial validation. From the first “hello” through scheduling, confirmation, greeting, seating, chart assembly, data gathering, records, diagnostics, treatment planning, case presentation and financial arrangements, the costs are already greater than the fees available for codeable services—not to mention the hard and soft marketing costs associated with getting the phone to ring in the first place.

The solution: If it takes more than 20 to 25 new patients per month to keep the practice financially sound and growing, take a thorough and honest look at the new patient experience. Take more time—not less—on diagnostics, written treatment plans, treatment plan presentation, in-office and at-home education, and every form of financial assistance available, especially the pre-approved monthly payment options now available. Above all, whenever possible, be sure to take full advantage of the power of “co-diagnosis”

with other dentists, hygienists, physicians and specialists. Closing the gap on case acceptance opens the way to both patient satisfaction and owner fulfillment.

② **Failed appointments.** When dental accountant specialist Rick Willeford did the math on this one, we were amazed. He showed us how just one failed production appointment can make it an entirely unprofitable day for either doctor or hygienist. That’s how failed appointments got the coveted No. 2 spot on our list.

The solution: Fight to keep the schedule full all

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day, every day. “Pre-confirm” all production appointments at the time they are made. Develop the powerful total team communication skills necessary to keep a potential cancellation from happening. Deepen the pending lists to specifically identify “impulse” patients who are best called to fill-in at the last minute because that’s how they live their lives.

① Now for the No. 1 profit buster: **EFFICIENCY.**

Think of as many business success stories as you can! What names come to mind? Henry Ford? John D. Rockefeller? Sam Walton? Ray Kroc? Bill Gates? What do they all have in common? Certainly none of them invented their industry—that was already taking place. Their success in business is based on the fact that, whatever they did, they did it more efficiently than anyone else. Restating a recent byline from Business Week, “The really successful businesses go from efficient to superefficient.”

So, how efficient is the practice of dentistry? We are already using four and even six-handed assisting, super-fast materials, state-of-the-art equipment, digitized this and electronic that. Certainly, these are all important issues and the enhancement process must continue. So, what’s left in order to be more efficient? In one word, plenty.

Answer these questions: Does an assistant ever leave the treatment room to get something? Does the hygienist ever wait for an evaluation? Does the doctor wear a watch? Does the doctor look at daily schedules posted throughout the clinic area? Do patients ever ask, “How long will this appointment take?” Is there a person in charge of the schedule? Are emergencies

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worked into the schedule? If the answer to any of these questions is “Yes,” the practice could be more efficient.

So what does it take to become superefficient in dentistry?

The solution: First and foremost, it takes a willingness by the entire team to become involved in a more efficient process. This is not another dissertation on handling instruments, technology or scheduling. It is an opportunity to deliver exceptional care to an ever-growing population of patients who expect and deserve the best that dentistry has to offer. Second, it takes a statistical evaluation of the practice to determine current and maximum facility utilization and team function. Many practice owners and administrators think they need more treatment chairs or more employees when the statistics show they are actually utilizing 55 percent of the facility and 72 percent of the team’s potential. Third, it requires the training and development of a clinical center position to expedite practice operations on a minute-by-minute basis until the more efficient way of operating becomes

permanent. The basic premise for utilizing a clinical center follows the dental practice acts of most states which stipulate that the doctor is required to:

- diagnose,
- inject,
- cut,
- impress, and
- cement.

That’s it! Considering the doctor is the most valuable asset in the practice, why would we want him or her to do anything more? Yet, the doctor does so much more every day. While space and time in this article do not permit full disclosure, be advised that—if someone saw to it that the above five requirements were the only things the doctor did all day—we’d be finished by 1 p.m. and go home with bonus checks in hand. Now that’s efficient! It’s not just about producing more; it’s about producing it in less time with more satisfaction, more free time and certainly more fun. Good luck Dr. Rockefeller, or do you prefer Dr. Walton?

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