

Dental Practice Life Cycle: The Developing Stage

BY ELLIOTT TRACY, CPA

Most dentists are in the second stage of the dental practice life cycle. They've purchased their practice and made it through the first, tumultuous years, and are now settling into some kind of routine. This stage will continue until you start getting ready to sell your practice, which for most dentists could be anywhere from 25 to 35 years in the future. Although this stage may not be as challenging or exciting as when you first purchased your practice, there's no reason you can't continuously develop your practice and always be pushing for a better, more enjoyable practice.

So how do you develop your practice? You can get a really good start by focusing on two of the fundamentals: Increase collections and invest in your practice.

Increase Collections

Collections are the most important part of your practice. You deserve to be paid for your work and your options for your practice are much more limited if your collections are lower than they should be. There are several ways to increase your collections, and it's not all about more patients, more referrals, more advertising. There are many, many things that you can do to increase collections, but the most impactful changes are normalizing your fees with a fee analysis and evaluating your PPO participation.

Before you start on any changes, you need to take time to develop a fee for service schedule if you don't have one already. If you are charging your non-PPO patients your PPO fees, you're leaving a lot of money on the table without gaining a lot of benefit, since your non-PPO patients will not realize that they are getting a great deal!

The next, and easiest, step you can take is to get a fee analysis. Setting your fees is a very difficult task when you are looking at them from inside your practice, and the easiest solution is to get an outside consultant to access the fee information that they have available and use that to help set your fees. You don't have to increase your fees to be the most expensive in the market, you could choose to set them at 80% of the market, for example. Like Goldilocks' porridge, you're not the cheapest, but you're also not charging the most—you're just right.

Normalizing your fees with a fee analysis will typically net most dentists well over \$20,000 extra per year the first time they make the adjustment. Many dentists are concerned that by normalizing (which is often raising) their fees, they will drive away patients. However, most dentists who do normalize their fees very rarely see their patients leave because of the increases. The reason is that most patients aren't going to notice the price of their procedure unless it's truly ridiculous. Patients already think dentistry is too expensive, so when the price of a prophylaxis increases from \$65 to \$75 that's only \$20 extra

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a year to them for a service they already expect to be expensive. However, on the dentist's side, a \$10 increase on procedure performed 1,000 times a year is \$10,000 extra in revenue. Magnify that change across all of your procedures and you can expect a big rise in collections.

The next change you can make is to evaluate your PPO participation. Evaluating your PPO participation is a complicated process, generally performed by your CPA or a consultant, but what it comes down to is looking at how much or less money you would be making if you

dropped your PPO participation. If you can make 30% more per patient by dropping your PPO, but you lose 15% of your patients in the process, you've come out ahead. Even if you lost 23% of your patients on a 30% increase in collections per patient, you'd be at the same level of collections, but with a 23% reduction in production. You can now fill that time with more patients that are paying higher fees, or take some days off.

Investing in your practice

Investing in your practice typically falls into either offering more, or more advanced, procedures and increasing patient experience. Your patient experience could be making sure your facilities and equipment are high quality and pleasant, reducing the number of patient visits or length of visits by investing in new equipment, or offering additional, add-on services like sedation.

The direction you decide to take to increase your standard of care is completely up to you. Largely, it doesn't matter what you choose to improve as long as you are passionate about the improvements and are continuously improving.

The barrier to investing in your practice is always going to be money. When you are making any investment decision, you want to know how much it's going to cost to make the investment and how much you expect to get from the investment. A good way to approach investments, and to answer the important questions, is to make a mini-business plan. Your accountant is a great resource for creating a mini-business plan and should be able to provide you with some metrics that will tell you

if the investment makes sense and what the expected return is. For example, if your mini-business plan shows that you're expected to pay back to the cost of an investment in six months, that's a great investment! Most investments, equipment, décor, or education, are only useful for a certain amount of time before they need to be replaced. Typically 5–7 years of use is a good estimate for the life of an investment.

The ultimate investment that you can make in your practice is to purchase your own building. Purchasing your own building gives you the security that you won't be pushed out of your location, and gives you control over your space. There is more time investment on your part, since now you have to deal with all the maintenance, taxes, etc., but you'll typically pay less for a space you own than for a space you rent.

Beyond the Fundamentals

There are several other fundamental areas in which you can improve your practice. The common theme though is always the same: identify a problem, develop solutions, implement a solution, and monitor the results. If you didn't get your desired result the first time around, keep working on it until you achieve your result. These solutions seem like they are dead-simple common sense, which they are, but many dentists are so focused on producing that they never take the time to work on their practice and make improvements. If you take the time to make improvements in your practice, you're going to see a greater return from that time than if you'd seen patients instead.



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