ADVANCED
Advanced Practice
MANAGEMENT

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Exclusively to Clients and Friends of Advanced Practice Management

BULLETIN

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Bill Rossi

DENTAL OFFICE OVERHEAD STATISTICAL TRENDS:

KDV* recently released their bi-annual overhead survey for general practitioners. It's the best of its kind for our area and it's quite useful in analyzing expenses and setting budgets.*

Their last overhead survey was done in 2012. Since then, dental office overhead has remained right around 65% of collections (in 2012, 64.7%). **The typical GP practice in this survey of mature area offices collects about $69,000 per month and nets about $290,000 per year (before taxes).** In the 2012 survey, the average monthly collections were $65,000 with a net of about $272,000.

Over 45% of dental office overhead is staff wages. Gross wages come to about 26.9% of collections, up slightly from the previous survey. Including benefits, staff costs are about 31%.

Since staff costs are your major controllable expense, it's a very important area to focus on "Result Control" (not just "Cost Control").

This is the time of year where many Doctors are looking at staff compensation. According to our recent survey, about 40% of Metro area practices and 56% of Outstate area practices have, or planned on, giving raises in 2014.

We recommend these three criteria:

1. **Market Rates**: Regardless of "costs", you have to meet the market to attract and keep good staff.

   For example, nowadays, assistants are in higher demand, especially in Outstate areas, so they can command higher wages.

2. **Practice Growth and Profitability:** The way I look at it, the staff's slice of the pie is about 25% of collections. I recommend that each year our clients compare their gross wages to collections to see if that percentage is increasing or decreasing in their practice. Of course, the object of the game is to not have the staff salaries as a percentage of collections grow faster than the practice.

   However, if you have good practice growth, it's likely the staff salaries have decreased as a percentage of collections, thus giving you more potential to award raises for those that deserve it (see below).

**KDV is an area Accounting, Payroll and Wealth Management firm that works with over 100 area dentists (www.KDV.com)*

3. **Merit**: Individual performance and contribution to the team effort.

So the market rate sets the base floor of pay. The practice's growth and staff salaries give you a budget and individual merit helps you decide how to allocate those dollars.

Would you like our help in setting up a budget for 2015? Just ask your consultant. We'd be happy to help.

MORE ON PRACTICE OVERHEAD TRENDS:

Lab costs have decreased from 7.1% to 6.6 % of collections. This is most likely due to more offices with CAD/CAM technology (CEREC/E4D). At the same time, "Professional Supplies" are up slightly from 7.2% to 7.5%.

Professional banking and other fees are up from 2.2% to 2.4%. More patients using credit cards means more bank charges (more about that in another issue). Professional fees, including consulting and accounting, should be under 2-½%.

A quick pitch here: our fees typically come to less than 1% of our clients' gross production and rarely over 2%. We feel that with a little help from your friends (us!) you get way more than that in return through leveraging your and your staff's time and talents with good business practices.

Surprisingly, the advertising percentage has not really increased. It's around 1.7% of collections. Given the typical practice writes off well over 10% of its production due to PPO discounts, I would think that more Doctors would be spending more money on advertising to enable them to cut back a bit on PPO participation and the serious discounts and expense incurred. So, for example, if you're collecting less than 80% of your production (and I can't believe I am saying this—there used to be a time when no one collected less than 80%!), you probably are participating in more PPO's than you need to. Ironically, the Doctors in the best position to peel off PPO participation are the ones that are temperamentally less inclined to do so. There are few decisions in your practice that have more potential risks and rewards than those to do with PPO participation, so please make use of our expertise in this area. We have made or **saved many Doctors many $1,000's.**

Incentives and Budgets: About 33% of practices have a staff bonus/incentive plan. On a scale of 1-10, the Doctors with these plans rated them at "7". I've seen incentive plans work miracles. I've seen them fall flat or eventually fizzle out.

Good incentive plans have to be tied in with a good business

plan. The staff has to know how they can win and what each individual has to do to contribute to the practice's growth. Just setting a production or collection target with no concrete ways to get there is a sure way to frustrate the team.

Mathematically, all the incentives we recommend are in light of the above overhead statistics so that the more incentive you're paying, the better your ratios are getting. Everybody wins.

If you'd like our assistance in setting up an incentive program, let us know. If you already have an incentive program, please check with us at least once a year so that we can make any necessary adjustments. All incentive programs need to be tuned at least annually.

OTHER TRENDS:

Some highlights from our recent **Fee/Wage/Technology** and **Insurance Participation Surveys**:

- **Digital Communications** (Demand Force, Lighthouse, Smile Reminder, RevenueWell, etc.) continue to come on very strongly. 38% of practices now use this. Just a few years ago, it was under 10%.

  Like any other kind of software, signing up is just the first step—we can help your team get the most out of it. Digital communication technology should turn into freed up staff time, perhaps reduced cancellations, increased recall visits, more reviews, more patient testimonials and more production!

- 21% of general practices now offer **Invisalign, Clear Correct** or other orthodontic treatment. 34% use laser caries detection (e.g. Diagnodent), 7% are using digital impression scanners and 73% of offices have digital radiography. (By the way, that means 27% of offices don't; thus, we do not feel there is any huge urgency to convert to completely electronic health records. We don't see any evidence of any Government Agency pushing hard to enforce that. So, by all means, move to electronic health records but don't do it out of some fear of government deadline or some jive sales talk).

- 43% of offices said they were **chartless** with 72% having terminals in the treatment rooms, which, of course, correlates very closely with digital radiography (73%).

- 50% of hygienists now use **magnifying loupes.**

- 78% of offices have **websites** and 38% have **mobile websites.**

- 6% of offices reported they have **Cone Beam Imaging.** The average fee charged is $300.

PPO/Insurance Participation: PPO participation and write offs continue to dig in. Participation with **Delta Premier** (87%) and **Delta PPO** (30%) remains about the same as last year. 7% of Doctors reported they had dropped participation in a PPO in the last 12 months and 4% plan on dropping a PPO in the coming months. However, 12% have joined a PPO network in the last 12 months.

Again, **if you're considering joining or dropping a PPO,** please check with us first.

YOUR TOP ISSUES:

In descending order, Dentists' top issues are:

1. Insurance PPO/Third Party Write Offs
2. Production, growth, filling schedules, "Busyness"
3. Attracting new patients, marketing
4. Staff issues, motivation, teamwork and costs
5. Technology, keeping up, costs, going chartless

FEES:

Metro Area fees were up 2.4%. Outstate Area fees were up 3.2%. Wages were up about 1.8%.

OUR WEBSITE IS YOUR TOOL CHEST:

We have detailed Overhead, Technology, Wage, Fee and Benefit Surveys on our website. Plus, numerous Bulletins, articles and interviews that address a wide range of subjects.

We are your source for reliable, practical information. In a world full of big insurance companies, corporate dentistry and governmental complications, we are the pros that are on your side. **That is, the Doctors who are and want to continue to practice independently, deliver top-notch service to patients, take good care of their staff and earn a good living doing good!**

DOCTOR, WHAT IS YOUR PRACTICE'S REGENERATION RATE?

(Statistical Snapshot from APM's Database):

Presumably, the bigger a practice's Active Patient base is, the more referrals it will generate per year. More people saying good stuff about you. Also, the bigger your practice is, the more new patients it needs to replenish itself. Through normal attrition, a practice with 2,000 patients will lose more per year than one with 1,000.

We measure a practice's regeneration rate by dividing the total number of new patients per year by the active patient count.

Example: $\frac{\text{New Patients/mo.} \times 12}{\text{Active Patients}} = \frac{15 \times 12}{1{,}200} = \frac{180}{1{,}200} = 15\%$

For the average practice in our database, the regeneration ratio is about 11% per year. Strong patient flow growth is usually indicated by a ratio of 20% or more.

If your practice has a low regeneration rate, it's very likely that your practice will shrink over time. Our analysis of the "average lifetime" of a patient in a practice is about 9 years, which, coincidentally or not, matches up pretty closely with the average replenishment rate.

Replenishment rates in our data base range from about 4% to over 30%. As with most statistics, we use them to just help frame an issue. When we are managing a practice, we are looking for the movement of the numbers—the

statistical trends are more important than just the reading.

Want To Know Your Regeneration Rate? Your consultant can assist you in getting an updated Active Patient Count (2-year criteria), calculating your ratio and interpreting the results.

If you want to refine things further and you've been tracking new patient sources closely, you can look at your pure "referral ratio", which would be a reading on the number of referrals you get per 100 active patients per year.

Speaking of Referrals: If you go with the general assumption that about 1 out of 10 patients refer you to another in a given year, then ask yourself, ***"What would happen with practice growth if I could just get 2 or 3 out of 10 patients to send another patient in per year?"***

GOOD GOLLY, DO YOUR GOALS!

You hear it from me every year because I see it work every year! Doctors with **written practice goals,** team participation in setting the goals and good management support do better every year. It's almost spooky it works so well.

So, do yourself a favor. Sit down with the Goal Worksheet (on back page) for 30 minutes to an hour. Be realistic and optimistic. Be true to what you really want. Maybe more money may not be as important to you as more time off or a happier, more harmonious workplace. Describe in writing your perfect practice! How good can you stand it?

Matt Lahn

FLUORIDE CODE D1206:

Moving forward in 2015, it is best to simplify your fluoride codes. By now, most practices are using fluoride varnishes exclusively for both adults and children. That being the case, it may be beneficial for most offices to use code **D1206 Topical Application of Fluoride Varnish** as compared to D1208 Topical Application of Fluoride, which does not specify the type of fluoride formulation or technique used for application.

Code D1206 has also dropped restrictions for reporting related to patients with moderate to high caries risk making the code appropriate anytime you apply fluoride varnish. There may be other reasons to use Code 1206 exclusively. Reimbursement may be higher through many insurance plans and, in addition, some contracts may reimburse D1206 for individuals 18 yrs. and older if the patient is at high caries risk. "High Caries Risk" then should be put in the remarks section of the claim form.

D0150 "COMPREHENSIVE EVALUATION" VS. D0180 "COMPREHENSIVE PERIO EVALUATION"

We all know about D0150 Comprehensive Evaluation for New Patients. In certain instances, utilizing Code D0180 Comprehensive Periodontal Evaluation might be in your best interest.

This code came out initially for utilization by specialists. Both codes 0150 and 0180 are Comprehensive Oral Evaluations for new and established patients. The difference being 0180 is used exclusively for patients showing signs or symptoms of periodontal disease and with patients with risk factors, such as smoking or diabetes. D0180 requires complete periodontal charting, which includes, but is not necessarily limited to 6 points per tooth, probing, recording recession, furcations, bleeding points, mobility, attachment loss and a periodontal diagnosis. The 0150 may include a periodontal screening and list of any soft tissue anomalies but does not require any recording. That being said, many patients do meet this requirement both as new and/or re-establishing patients.

Most insurance carriers treat the 0180 similarly to the 0150 in that it counts towards one of the two exams that are typically paid per year, although some variations have been noted. Some carriers may reimburse D0180 every 12-24 months or every 3-5 years and some once in a lifetime. Some insurance carriers compensate at a higher rate for the D0180 vs. the 0150. So, this code can be helpful and is being used more and more by general practitioners.

THANK YOU!

We have the privilege to work with more area Dentists than all other Practice Management firms (local or national) combined. Thank you for your business and your referrals. It is an honor to be part of your practice.

Sheila, Julia, Helen, Barbara, Bill, Matt, Pat, Shelly & Kelly

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YOUR 2015 GOALS AND PROJECTS WORKSHEET

Dr. ________________________

(Send us a copy too if you wish)

1) What did you feel best about accomplishing in 2014?

2) What issues and concerns are you currently facing in your practice?

3) What would you like to see happen in 2015 to make your practice even **better for your patients**, **your staff** and as a **business?** Be as specific as possible.

4) Statistically, what are your practice goals (Production, Collections, New Patients, Overhead, Net Income, Savings, etc.)?

5) List other Improvements and Projects (Continuing Ed, Additional Services, Facility Improvements, Staffing, Staff Training, Technology, etc.)

VISUALIZE! See yourself accomplishing your objectives and enjoying the benefits of your labors! See it and chances are it will come to pass!

BELIEFS -> VALUES -> MISSION -> GOALS -> STRATEGY -> TACTICS