

ADVANCED PRACTICE MANAGEMENT

Date: February 2017

Exclusively to Clients and Friends of Advanced Practice Management

BULLETIN

The Dental Dow—2016 Wrap-Up

The first half of 2016 was off to a brisk start with a nearly 6% increase in production. The second half wasn't as strong. **For the year, the Production was up 4.1% and Collections were up 3.3%.** There was a 2.3% increase in patient traffic. New patients were up just .9%.

Production Increase Percentages

2009	2010	2011	2012	2013	2014	2015	2016
0.5%	1.4%	2.5%	3.3%	3.3%	4.2%	6.0%	4.1%

Collection Increase Percentages

2009	2010	2011	2012	2013	2014	2015	2016
0.4%	0.4%	1.6%	3.5%	2.2%	3.1%	4.8%	3.3%



Bill Rossi

Economic Trends

GDP growth in the United States was **1.6%** last year. **Wages** in the U.S. were up **2.6%**.

Dental Office Wages in Outstate Minnesota were up about **4%** for experienced staff in all positions. However, wages for the Metro Area (experienced staff of 8+ years) were virtually flat. Although starting wages for CRDAs were up **7%**.

Metro Area fees were up **3.3%**. Outstate Area fees were up **5%**. The gap between Metro and Outstate fees is gradually closing.

Dentists' major concern by far is **"PPO/Insurance Discounts and Involvement"** yet only **5%** had dropped a PPO in the last year and **only 4% plan on dropping a PPO** in the coming year. To me, that doesn't add up.

What's Inside:

- ◆ **The Dental Dow—2016 Wrap-Up**
- ◆ **Economic Trends**
- ◆ **How Does Your Overhead Compare?**
- ◆ **Should You Add Another Operatory?**

51% of Metro Area practices reported being **up** with **30%** being **down**. **67%** of Outstate Minnesota practices were **up** with **15%** being **down**.

42% of Metro Area practices and **55%** of Outstate practices said their new patient numbers were up.

60% of Dentists still charge at the prep despite Delta's push to have crowns charged at the seating.

Nationally, households are carrying low debt levels relative to their incomes. Household debt is at its lowest point in 50 years, proportionally.

50% of area practices use Digital Communication Software with Lighthouse, RevenueWell and Solution Reach being the leaders.

50% of respondents said they are or have used a Management Consultant. Advanced Practice Management had the highest satisfaction rate (8.7 out of 10) and a greater market share than all other cited firms combined. We are proud of that!

Pre-Election Effect?

I had more than one client tell me that their October was less busy than usual. In fact, one client told me that he looked at the election data going back three Presidential elections and in each of those cases, the fall schedule was lighter but the winter was busy. We'll see!



We Believe In You!

We believe that Independent Private Practice is the best way to deliver dentistry. It is best for the patients, the Doctors and the staff. Private practices can be more selective with their continuing education and technology. They can also be more adaptable and efficient. **Most importantly, the people who make decisions about patients' dental care are the ones in direct contact with them.** We also believe that professional management support helps **good practices be better** and thrive in a competitive environment.

How Does Your Overhead Compare?

BerganKDV just released their bi-annual overhead survey. This is best of its kind. It samples privately owned mature area practices. This is *the* overhead yardstick that you'll want to use to compare your expenses.

Dental Office **Overhead remains around 64% of collections.** The typical Dentist netted 36%. The big expense – Gross Wages – is 25.9%. That is very close to the same percentage of two years ago.

Doctors' average income went from \$291,432 to \$309,090, a \$17,658 increase per year...an annualized change of just under 3% per year. In this two year period, Lab Fees decreased from 6.6% to about 6.0%., probably due to more Cerec, E4D, etc. Supplies decreased from 7.5% to about 6.9%.

The typical practice is spending 2.1% of its revenues on Advertising. Up from 1.7%.

So the average office in the survey spends \$18,000 per year in Advertising vs. \$14,000 per year in 2014.

It's interesting to note that according to APM data, the typical practice writes off more than 10 times that amount in a typical year due to PPO discounts. As big a hassle and expense that advertising is, we feel that practices would be better off taking fewer write offs and investing more in practice independence. Investing in Continuing Education and staff training pays off too.

This Overhead survey along with Technology, Fee surveys and much other good stuff is on our website at: AdvancedPracticeManagement.com

Our thanks to BerganKDV (www.BerganKDV.com) for this excellent survey.



Tactfully Turning Away Medical Assistance Patients

Many of you are currently not taking new Medical Assistance patients. Still, we all know it can be difficult for these patients to find care and you want to help them.

Call us at APM (952-921-3360) for a list of clinics that are accepting new Medical Assistance patients. There are at least a dozen options for Metro Area Dentists to refer M.A. patients to.

Unfortunately, after extensive calling, we found that for the Outstate Areas, there are not as many options. We did find a few (less than 10 for the entire Outstate Area).

We suggest that your front desk tactfully turn away patients. Instead of saying, "*We don't take M.A., call the customer service number on the back of your card...*" (which can really frustrate people). They can instead say,

"Thank you so much for calling. We are not currently able to take on more new patients with your insurance but we can refer you to some nearby clinics. Would you like us to do that?"

We all know that people on Medical Assistance may not be on it

the rest of their lives. Also, they may have relatives or friends, so this helps keep things on a positive note for everyone.

Goal Setting

Goal Setting works. Put what you want in writing and see what happens! I've enclosed our popular annual format. Share your goals with us. It's our job to help you reach them.

How Much More Production Do You Need To Justify Equipping Another Room? — Less Than You Think!

As you all know, I am big on "**Result Control**" as contrasted with Cost Control. As Peter Drucker says, "In business, costs are inevitable. A smart manager focuses on where to put your resources (capital, labor, time, etc.) where you get the best return. That's 'Result Control'".

So what's the answer?

"10 more Doctor Visits per month - 2-½ per week or 35 Hygiene Visits per month will make adding that room a far better return than anything on the Stock Market!"

Plus the Intangible Benefits of adding another room:

- Can accommodate more patients during peak times
- Flexibility
- Less stress – give you some growth momentum
- Back up

In Summary: It's a lot easier to cost justify an additional room than you think it is. Take the money out of the Stock Market and put it into your *own* business and you'll get a much better rate of return and better days to boot.

Cost Benefit Decisions in General

We can help you run the numbers on almost anything. Just call.

Open Time? Fear Not!

One of the biggest barriers to practice growth is the Doctor's fear and loathing of "Open Time" in his/her and the hygienists' schedule. It causes Doctors to go slow in adding rooms, adding hygiene capacity and taking other measures to ensure practice growth.

Every practice is going to have open time. As long as you schedule humans, it's inevitable! If you wait to get open time down to less than 7% of your work hours, you'll never expand capacity to grow!



Bill Rossi



Shelly Ryan



Matt Lahn



Kelly Larson



Heidi Benson

SCHEDULE 1
DENTAL PRACTITIONERS
High and Low Ranges and Averages
for years ending by March 31, 2016

	Range		Average	% of Fees Received
	High	Low		
Fees Received	2,691,949	114,720	858,345	100.00%
Salaries - general	1,180,001	0	83,920	9.78%
Salaries - assistants	254,572	0	53,615	6.25%
Salaries - hygienists	259,521	0	84,454	9.84%
Contract labor	88,200	0	2,881	0.34%
Payroll taxes - staff	51,839	0	18,737	2.18%
Staff retirement contributions	70,586	0	8,113	0.95%
Employee benefit plans	55,318	0	6,571	0.77%
Staff meetings & parties	11,712	0	1,031	0.12%
Professional supplies	291,452	0	59,634	6.95%
Laboratory fees	176,826	0	51,242	5.97%
Occupancy expense	181,480	0	53,364	6.22%
Repairs, decorate & service contracts	28,112	0	6,303	0.73%
Insurance - business	49,845	0	6,750	0.79%
Telephone	16,132	0	3,935	0.46%
Office supplies	60,984	0	10,586	1.23%
Promotion & advertising	135,483	0	18,044	2.10%
Meetings & seminars	32,485	0	3,334	0.39%
Professional & other fees	67,018	0	15,426	1.80%
Bank & credit card fees	32,571	0	6,213	0.72%
Dues, licenses & subscriptions	14,514	0	3,186	0.37%
Auto & employee travel	10,708	0	1,459	0.17%
Computer expense	32,288	0	4,238	0.49%
Expenses Disbursed	2,102,444	0	503,037	58.61%
Net Income Before Owner Compensation,				
Depreciation, Interest & Covenants	589,505	114,720	355,308	41.39%
Depreciation, amortization &				
leased equipment	512,848	0	28,934	3.37%
Interest paid	65,587	(3,274)	6,581	0.77%
Covenants, contracts & agreements	275,885	0	10,702	1.25%
Net Income Before Owner Compensation	1,372,207	0	309,090	36.01%

Please read the explanatory note in the cover letter in regarding possible adjustments to the above figures for practice acquisition expenses.

Prepared By: BerganKDV, Ltd.
Certified Public Accountants

