

February 2018
Exclusively to Clients and Friends
of Advanced Practice Management

BULLETIN

THE DENTAL DOW:

For the year, practice **production** was up **6.1%**. **Collections** were up **4.3%**. Patient traffic increased 2.4%. New patients were up 2.7%. Crown and Bridge was up 9.4%. Production per patient examined was up 4.2%.

All in all then, 2017 was the strongest growth year since the “Great Recession”.

Collection Increase Percentages

2009	2010	2011	2012	2013	2014	2015	2016	2017
0.4%	0.4%	1.6%	3.5%	2.2%	3.1%	4.8%	3.3%	4.3%

Production Increase Percentages

2009	2010	2011	2012	2013	2014	2015	2016	2017
0.5%	1.4%	2.5%	3.3%	3.3%	4.2%	6.0%	4.1%	6.1%



Bill Rossi

INCENTIVES GROUND RULES:

Most incentives need to be “retuned” each year. They should be in line with practice goals and calculated so that it’s Win/Win. That is, staff share in the practice’s success and wage overhead is kept proportional to collections.

Here are some important ground rules for any Incentive Program:

1. **All incentives are subject to change or discontinuation at any time** based on the Doctor’s discretion.

What’s Inside:

- Dental Dow: Fourth Quarter 2017
- Incentives
- Renewing Your Lease
- Timing Your Practice Transition? Look to Your Lease!
- Delta Wisconsin Acts Up (Then Settles Down)
- “Collections Made Comfortable” Seminar is Friday, Nov. 2
- What’s The Plan, Stan? Do you have written goals for 2018?

2. Incentives are meant to **pull the team together**, not apart. If they’re causing discord, they may be discontinued.
3. **Individual team members** can be pulled off the incentive if, in the Doctor’s opinion, they are not appropriately contributing to the team effort.
4. All incentives **automatically cease at year-end** subject to next year’s goals and strategies.*

The last one is most important, because otherwise there’s a real danger the staff will just take the incentives for granted. Incentives can lose their power to stimulate performance over a long period of time. They must be set to coincide with practice objectives.

We can help you set up or “retune” your incentives. Just call.

**Hygienists paid in some form on their productivity, are not really on incentive programs so much as a “compensation formula”. So those are not as readily subject to change or discontinuation, but you still must give yourself some leeway in doing so.*



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.



RENEWING YOUR LEASE: Important Things to Know

Leases and lease renewals are not typically conducted on a level playing field. By planning ahead and having professional representation, it is possible to negotiate a lower lease rate and receive a substantial tenant improvement allowance and free rent.

How does the lease renewal process work?

Renewal options include terms for specific lease rates, concessions such as free rent and tenant improvement allowance, and whether a new base year for operating expenses will be granted. Whether or not a renewal clause exists in the original lease, **all of these terms are negotiable** and play a large role in the financial structure of a lease renewal.

When should the process begin?

As a rule of thumb, you should begin to consider the renewal process 12 – 18 months in advance of your lease's expiration. Landlords view this as an opportunity to push rents higher as the window of opportunity to relocate closes. If tenants hold over (stay in the space after the lease expires), they often see penalties of 150% – 200% of their last month's rent and can also incur damages if they holdover without permission. The bottom line is that if there is not ample time to relocate, if necessary, the landlord has too strong an advantage.

What type of cost savings can be achieved through a successful renewal?

If properly negotiated, you can achieve significant rent savings, a build-out allowance, free rent and other concessions. It is very common to start a lease renewal term at a lower lease rate than what you are currently paying.

Below are actual examples of recent lease renewals for dental practices located in the Midwest. These cases illustrate the importance of properly negotiating your renewal:

Case #1		
	Landlord "Best Offer"	Final Terms
Starting Lease Rate (Per SF)	\$24.00	\$18.00
Monthly Payment	\$4,000	\$3,000
Other Landlord Concession	Tenant option for early termination in the event the practice is sold	
Total Savings (5-year lease)		\$60,000

Takeaway: Many landlords see lease renewal as an opportunity to aggressively raise rates. Good renewal negotiation can drastically improve on what is claimed to be their "best offer." Additionally, certain lease terms make it easier to sell your practice and can be achieved during renewal.

Case #2		
	Original Lease	Renewal Terms
Starting Lease Rate (Per SF)	\$18.62	\$16.00
Monthly Payment	\$6,824	\$5,864
Free Rent		\$35,184 (6 months)
Improvement Allowance		\$61,572
Total Savings (10-year lease)		\$211,104

Takeaway: Renewing your lease without properly negotiating the terms could lead to overpaying by hundreds of thousands of dollars.

Case #3		
	Original Lease	Renewal Terms
Starting Lease Rate (Per SF)	\$13.50	\$13.50
Annual Rate Escalation	\$0.30	\$0.15
Free Rent		\$10,550 (3 months)
Improvement Allowance		\$46,890
Total Savings (10-year lease)		\$70,911

Takeaway: Lease renewal negotiations are multifaceted; significant savings can be achieved through concessions other than lease rate.

Tyler Van Eps and Carr Healthcare Realty provide real estate services to healthcare tenants and buyers. Tyler specializes in representing dental practices. Telephone: 612-708-2631

APM PRACTICE TRANSITIONS



Matt Lahn
APM Transitions

TIMING FOR YOUR PRACTICE TRANSITION? Look to your lease!

In order to get the best practice price, you want to be attractive to as many buyers as possible. In our market nowadays, practices are almost as likely to be sold to an existing practice (a practice merger) as they are to be sold directly to a practitioner who will take over the practice.

Naturally, buyers want options. The ideal timing is that your lease is renewable, assignable and up in the year of your transition. This gives the buyer a choice of negotiating a new lease with the landlord or moving/merging your practice.

We've seen situations where Doctors signed a 10-year lease in a professional building where new patient traffic is almost always low. Potential buyers don't want to spend the next decade in a low visibility situation, no matter how attractive the decor and equipment.

Many Doctors start thinking about transitions five years in advance of their likely retirement date. If your practice is large enough to bring on an associate(s), you've got a built-in buyer who you can presumably sell to and work for, for a while. This sort of tapered retirement is desirable to many. If your practice isn't large enough for that, the lease timing is more critical.

DELTA WISCONSIN ACTS UP (THEN SETTLES DOWN):

Our Wisconsin clients got quite a shock with their new Delta contracts for 2018. In these, there were provisions that would limit Doctors to referring to only specialists in the Delta network and would allow Delta to lease their provider list of the carriers. (So, you might sign-up for Delta, and then find you're with a bunch of other PPO's.)

Most disturbing was their insistence that Doctors send them fee schedules of other PPO's that they participate with and agree to accept from Delta the lowest fee allowance they get from other PPO's. This could have been a huge problem for dentists. I don't think Delta could enforce it. Most Doctors that sign a PPO contract are required to keep the fee schedule confidential. So, the Delta contract, in effect, asked Dentists to violate other contracts. I would think that other PPO's such as MetLife, Guardian, etc., would have something to say about that.

Anyway, apparently the Wisconsin Dental Association rode to the rescue. All those clauses were taken away. "Back to normal", for now. Good to see, but I always wonder when the next shoe will drop.

MOVING? MAKE SURE THAT INSURANCE COMPANIES CONFIRM!

A client of ours recently experienced big hassles with Delta when they moved into a new facility. They were inadvertently seen as being "out of network." Checks were sent to the patients. Other checks didn't get sent to the office because insurance companies did not change the addresses over properly. So, they had to untangle this mess. We've seen this before with moves and ownership changes.

The moral of the story: If you are going to move, make sure that you send a registered letter to the various insurance companies (especially Delta) that you participate with and ask for written confirmation that they have your new address, move date, and all they need to process your claim.

Everyone on Your Team Has to Deal with Patients, Money and Insurance. Make Sure They Know How!



A FRESH APPROACH TO COLLECTIONS.
COLLECTIONS MADE COMFORTABLE
THE TEAM APPROACH

Presented by: Shelly Ryan
Friday, November 2, 9:00 am to 1:00 pm
Embassy Suites Bloomington, MN
Fee: \$219 First person, \$199 each additional

This perennial favorite is a must-attend for you and your team. Dealing with patients, money and insurance is something you have to do every day so why not do it well? And, it takes the whole team!

Take the confusion out of dental fees and insurance so your patients follow through on treatment and your schedule stays full.

Register by **May 15th** and receive **\$30 off per attendee!** This seminar is almost always a sellout. As **clients**, you get first dibs and a discount! \$189 first person and \$169 each additional.

CALL TODAY (952-921-3360) to reserve your space before we do our general mailing.

WHAT'S THE PLAN STAN?

I define Management as "The process by which you set and reach goals." If you haven't already done so, ask our help in establishing goals and a strategy for 2018. We find that the clients who take this seriously and have written goals, consistently do better. **Think about it...you're much more likely to do better if you have a plan to grow, than just a wish to grow!**

Many of our clients have found the outline on the back page helpful. Take **5-10 minutes now** to greatly increase your chance of success this year.



Bill Rossi



Shelly Ryan



Matt Lahn



Heidi Benson

Advanced Practice Management

Phone: 952-921-3360 Fax: 952-921-3281

Email: apm@advancedpracticemanagement.com Website: www.advancedpracticemanagement.com

YOUR 2018 GOALS AND PROJECTS WORKSHEET

Dr. _____
(Send us a copy too if you wish)

1. What did you feel best about accomplishing in 2017?
2. What issues and concerns are you currently facing in your practice?
3. What would you like to see happen in 2018 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