

ADVANCED

November 2022

Exclusively to Clients and Friends
of Advanced Practice Management

BULLETIN



DENTAL DOW

Three Quarters into 2022:

Our sampling of mature area practices shows Production up **3.6%** and Collections up **2.2%** compared to 2021's averages. Doctor and Hygiene Production per Hour are both up about 4.5%. Total Patient Flow (as measured by exams) is up about 1%. New Patients are down about 8%. Production per Exam is up 2.2%.

Bill Rossi

Hygiene Hours Cancelled are down 10% (tight hygiene schedules). Open Time in the Doctor Schedule is up less than 1%.

These statistics are all a continuation of what we have seen from the first two quarters of the year.

HOW DOES DENTISTRY DO IN A RECESSION?

The U.S. Economy has had 13 recessions since World War II.

The Great Recession went from December 2007 to June 2009. Real GDP contracted about **4.2%**.

In 2000, at APM we created a "Dental Dow" which is a collection of 36 mature area (Upper Midwest) practices. We factored out variables such as major expansions, loss of doctor(s) or any other major changes. A sample of 36 is by no means definitive but it is at least a reasonable frame of reference. If you were able to get on the telephone and talk to 36 of your friends to tell you whether their practices are up, down or sideways, we think that by the end of the conversations, you'd have a pretty good feel for what's going on. Plus, the Dow stats have been pretty consistent with that of our extensive client base.

Please see the table below.

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Production	5.1%	3.5%	0.5%	1.4%	2.5%	3.3%	3.3%
Collections	4.3%	3.0%	-0.4%	0.4%	1.6%	3.5%	2.2%
Patient Flow	2.0%	1.5%	1.0%	1.0%	0.5%	-0.5%	1.8%

What's Inside:

- **The Dental Dow—Three Quarters into 2022**
- **How Does Dentistry Do In a Recession?**
- **Lessons From the Recession**
- **Survey Highlights**
- **Staging Your Transition**
- **Been Approached by a DSO?**

In general, Dentistry was less affected than other sectors of the economy. The years between 2008 and 2011 were not great growth years but they weren't that bad either. Only 2009 saw a decline in collections (-0.4%). Most years saw an increase in patient flow (which we measure by total patient exams).

Over the last 20 years, we've found that generally mature practices have grown by 3% to 4% in Production and a little less than that in Collections (due to PPOs increasingly digging in over the years – for example, in 2008, the Dow practices collected 90%...the Dow now is just under 80%).

LESSONS FROM THE RECESSION:

The worst way to deal with recession is to make it a self-fulfilling prophecy. Base all your decisions on what is going on inside your practice – not in the Wall Street Journal! In 2008, I remember dentists asking me if they should cut back on staff or hours because of what they read in the papers even though their practices were plenty busy.

For example, a practice grows through its hygiene capacity. Sometimes a doctor, feeling pessimistic, will not fully replace hygiene time due to a change in personnel or other factors (e.g., maternity leave). Fewer check-ups mean fewer exams and practice production will decline proportionately...thus creating the outcome the Doctor was worried about.

We are fortunate to be in such a resilient industry. Patients really do value their dental health. Although we certainly have complaints about dental insurance, Delta, etc., there is no question that insurance is a stabilizing factor and continues to help bring patients to the dentist.

That doesn't mean that you have to take everything the PPOs dish! We've found practices that have had little, or no PPO

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.



participation did fine during the recession as well – the patients still had their out of network insurance benefits.

Post COVID, we've never seen so many practices generally close to maximum capacity. Our 2021 Dental Dow showed Practice Production and Collections up 7% compared to 2019. The great majority of practices fully recovered (and then some) post COVID. The biggest hitch has been the ability to have adequate staff, particularly clinical staff (e.g., hygienists) to keep active patient bases active and cared for.

SURVEY HIGHLIGHTS:

We recently completed our 42nd annual survey for Upper Midwest Dentists.

Metro Fees: An unweighted sample showed 2022 Metro Area fees were up **3%** over 2021.

Outstate Fees: Outstate Fees were up **5.7%**.

Historically, the gap between Metro and Outstate fees has been about 20%. That gap is closing – the difference now being about 14%.

Metro Area Wages: Wages for experienced staff (8+ years) were up about **5.4%** whereas wages for staff with less than 4 years of experience was up **6%**. Wages for hygienists with under 1 year of experience were up over **11%**. CRDAs with less than 1 year of experience showed an increase of **2.8%**.

Outstate Wages: Wages for experienced Outstate staff were up 5%. Wages for staff with less than 4 years of experience were up 8%. New hygienists (less than 1 year of experience) saw wage increases of **16%**. Newer Assistants – **8.3%**.

Clearly, staff, especially clinical staff are in high demand. Remember it is cheaper to keep her (or him)! Stay close to your staff because if you lose them, you are likely to replace them with someone who will cost more and is less proven.

STAGING YOUR TRANSITION:

You may not be ready yet to decide to sell your practice. But even if you are just thinking about it, there are things you can do now to ensure you are ready once you decide to move forward.



Matt Lahn

1.) Get a practice appraisal. This obviously helps with your retirement planning and the appraisal can help you understand how to improve your “marketability.” We can get this done for you now, and we can update it for you at no cost when you decide to sell.



Wendy Nelson

2.) “Stage” your practice. Just like selling a house, first impressions are very important, so make sure you have freshened up décor – paint and carpet. Your exterior/signage can also make a difference in how fast the practice sells.

FYI, big investments in technology (i.e., Cone Beam, CEREC) will likely *not* add the equivalent to your practice value.

3.) Clean up your receivables. Collect accounts that are 90 days past due and purge the uncollectable accounts. Have

your team collect more over the counter. No one wants to pay for collections headaches.

4.) Stay productive! It is important to keep working and keep your practice from looking like it is declining. New patient flow is key to keeping your practice attractive to “lock, stock and barrel” buyers.

5.) If you are renting, the timing with your lease is important. Your ideal situation is to have an infinitely renewable one-year lease so any buyer can either stay in that location or move/merge the Practice elsewhere. For sure, avoid signing 10-year leases when you are 5 or less years away from transitioning. Make sure your lease is assignable.

6.) Keep your fees updated. This will not only increase your income, but it could also have a positive effect on the value of your practice. We generally recommend setting fees at about the 75th percentile. Again, no buyer wants to walk into a low fee schedule because it can feel harder to hike the fees when you are the new Doctor/Owner.

BEEN APPROACHED BY A DSO?

We are getting more questions on this. I have to admit that we are biased because our clients are Independent practitioners. Moreover, I don't feel that we really have the expertise to look into all of the legal and financial aspects of such a transition. DSOs are a reality in the marketplace and it is certainly rational for any dentist to at least look into this option, especially if they are 5 years out or so from retirement.

Therefore, we strongly recommend that you contact **Transitions@McGillHillGroup.com**. Telephone is 704-424-5626. They have the legal, accounting and transition expertise to support you. They will make sure that if you do go into a deal, you go in eyes wide open and are likely to help you get more money for your practice.

Your Team at APM



OUR TEAM IS YOUR TEAM!

Advanced Practice

MANAGEMENT and TRANSITIONS