Case Study 2

Practice Profile

- 8-year-old pediatric practice.
- Two doctors: one owner, one associate that has been with the practice for six months before moving to new building.
- Each doctor works four restorative days per week and does hospital dentistry one-two days per month.
- Average number of work days per month for each doctor is 17.
- Staffing: five front desk, three hygienists, five assistants.
- Chairs: three restorative, four hygiene bay, and two quiet rooms.
- Average monthly production: $158,000, consisting of 25 percent UCR, 70 percent PPO and five percent Medicaid fees.
- Average monthly collection: $153,400.
- Collection ratio: 97 percent.
- Average new patients per month: 128.

This practice demonstrates the classic case of a doctor hiring a full-time associate and building a new building in a short amount of time without doing any financial planning to understand the cash flow needed to support these two changes. Profitability dropped dramatically when the practice moved into the new building. Without realizing it, the owner doctor created a serious financial problem that now had to be resolved. Learn how to avoid this mistake!

Owner Frustrations

- Decreased profitability due to increased debt from moving into a new building and paying a full time associate salary. Practice production did not cover increased costs.
- Inefficient recall system.
- Owner doctor did not know what practice numbers to monitor nor how.
- Owner doctor felt that the front desk systems and staff skills were lacking.
- Owner doctor wanted to be a stronger leader.

Findings

Leadership

- Owner doctor had not explained his vision for the practice with the team.
- No business plan in place. The team did not have goals in place.
- Owner doctor did not know the amount of production required to cover the increased costs. He brought on a full-time associate and built a new building to create a larger facility based on the fact that his operative schedule was booked out several weeks.
- No practice vital signs monitored.
- No office manager in place.
- The owner doctor is conflict-avoidant and does not address issues in a timely manner.
- No written job descriptions.
- Associate doctor received a daily wage without benchmarks identified for number of days to be worked and expected daily production amount.

Front desk efficiency

- Division of duties was not shared equally among staff.
- Staff in place without adequate training for the tasks they were assigned to complete.
- The two check-out desks would get backed up with patients waiting, while two consult rooms across from the check-out desks were open and rarely used.

Scheduling/production

- Front desk staff was unsure what was expected of them in scheduling appointments for the associate doctor. They were only told to schedule more for the owner doctor, but not how much or how to accomplish. Often the associate doctor was scheduled with higher production unintentionally.
- Scheduled to daily office goal, not individual producer goals, doctor, hygiene and hospital to track the productivity separately.
- All operative appointments were scheduled for one hour.
- The poor design of the new office floor plan provided only three operative quiet rooms for two full-time doctors with an additional two quiet rooms not in close proximity to the restorative rooms. There should be two operative rooms for each pediatric doctor.
- The recall system was assigned to the hygienists, but was not being completed because they were busy seeing patients.
- Decreased recall appointments due to staff not using the practice management software correctly. Patients were unknowingly not being attached to the continuing

care report, therefore they did not show up as past-due to be called or have a postcard reminder sent.
- Doctors alternated doing operative in the morning and checking recall patients in the afternoon. This effectively did not increase operative production; it cut the owner doctor's operative days in half and reduced the profitability he was used to getting from restorative production because he was now paying the associate doctor a percentage on 50 percent of the restorative production; this contributed to the decreased profitability.

Collections
- Fees not at a competitive rate, low for the area.
- Treatment plan printed and reviewed but not initialed or signed by parent.
- Past-due accounts were never transferred to a collection agency.

Marketing
- Minimal external marketing actions in place.
- Associate doctor did not go out and meet local health care providers that could refer and build her operative schedule.
- Parents that referred new patients were not sent a thank-you note, only professional referrals were acknowledged.

The owner doctor had created a very successful pediatric practice in a facility that was set up for one doctor. When the schedule had been consistently booked out several weeks for operative and recall, he thought, "I need to hire a full time associate and build my own building that will accommodate two doctors." This doctor went ahead with these plans and thought it would all just work out financially because the practice was so busy. Unfortunately, this is not what happened; profitability rapidly decreased once the move took place. The owner doctor was used to making a good living and suddenly his salary dropped by more than half due to operative and recall production not increasing enough in the new facility to cover the increased costs. Also, poor scheduling, marketing and front desk systems contributed to lost productivity. Inefficiencies can easily be masked in a small one-doctor practice that is busy, however they become magnified in a larger practice with increased overhead cost demands.

The owner doctor was correct in his thinking that it was a good time to consider hiring an associate doctor because the operative schedule was consistently booked out four to six weeks. However, many doctors fail to realize that their busy one-doctor practice can not magically turn into a two-full-time-doctor practice the night before the new associate doctor begins work. The booked out operative work can overflow into the associate doctor's schedule, but it is typically not enough to sustain the associate doctor full time after the initial back log is absorbed. A more prudent approach is to hire an associate doctor part time (in this case two days per week), then have the associate doctor begin meeting local pediatricians and general practice dentists and physicians as well as doing dental health presentations to build up their operative schedule an additional two days to get them to full-time. Often owner doctors do not realize the hidden costs of lost restorative profitability when they bring on an associate doctor and are having the associate do the operative that the owner doctors should be doing.

Below are the recommendations and results that brought this doctor out of their financial black hole.

Leadership recommendations
- Owner doctor shared his vision for the practice at a team meeting.
- Created a practice business plan that defined:
  - Break-even point to support the new increased costs.
  - Practice goals:
    - Average number of doctor, hygiene and hospital work days per month.
    - Average daily production for each doctor, hygiene and hospital.
    - Collection ratio.
    - Average number of new patients per month.
  - Raised fees to a competitive level.
  - An overhead budget and monthly budget amounts for staff that orders front office and dental supplies.
- Monitoring of practice vital signs and goals.
- Promoted current employee to position of office manager.
- Owner doctor began addressing practice issues in a timely manner.
- Job descriptions were created.
- Associate doctor's compensation was changed in her renewed contract to a percentage of her collections with an expected daily production amount and number of work days defined.

Front desk recommendations
- Front desk staff received training to increase their utilization of the dental software, scheduling, collecting payments, presenting treatment plans, working the recall and unfinished treatment plan reports.
- A front desk staff member sat in one of the consult rooms to be an additional check-out station when the other desks became backed up. When she was not checking patients out, she was making recall and unfinished treatment plan phone calls to schedule appointments.

Scheduling/production recommendations
- Schedulers were given daily doctor, hygiene and hospital production goals to meet.
- Block scheduling template was created to meet producer goals and give a good flow to the day. Both doctors are scheduled for operative each day.
- All recall patients were pre-appointed using the automated recall scheduling function in the software by the clinical staff.
- Past due recall and unfinished treatment plan reports

are worked regularly by assigning this task to specific front desk staff, creating uninterrupted time for them to complete this task and office manager holding them accountable.

Collections recommendations

- All accounts receivable worked weekly by office manager.
- A pre-collect service was set up for old balances.

Marketing recommendations

- Implement an external marketing program to generate referrals; school visits, health fairs, lunch and learns with pediatricians, GP's and OB's to educate doctors and staff about the importance of having a dental home by age one. Much of this work is done by the associate doctor so she can become known in the community.
- Send handwritten thank you notes to parents who refer.

Results

- Production increased 20 percent, an additional $31,357 per month.
- Collection increased 21 percent, an additional $32,793 per month.
- Collections adequately covered the associate doctor's compensation and new building overhead costs. The owner doctor's salary is increasing.
- New patient referrals increased to fill the associate doctor's full time operative schedule.
- Office manager helps owner doctor hold staff accountable for meeting practice goals.
- Owner doctor has peace of mind knowing there is a business plan in place for practice growth that will cover the practice's cash flow needs as well as owner doctor salary and retirement savings.

What you should learn from this

- Owner doctors must be careful about hiring an associate doctor full-time without adequately evaluating if there is enough operative work for the associate doctor. If the owner doctor is giving up appointments to fill the associate's schedule, profitability will be reduced.
- A new associate doctor needs to help create their own referrals.
- Do not move into a different and more expensive location without running a break-even analysis on what the true costs will be and if practice collections can grow to support it.
- Have a practice business plan that defines goals specific to your practice needs.
- Share your vision and goals with staff.
- Monitor goals and practice vital signs.

"Men never plan to be failures; they simply fail to plan to be successful."

William Ward

Create Strong Front Desk Systems

- Division of Front Desk Duties for Accountability
- Block Scheduling to Producer Goal
- Collecting 98%+
- Accounts Receivable Management
- Working Recare & Unfinished Treatment Plan Reports
- Phone Skills/Verbal Skills
- Productive Morning Meetings
- Effective Team Meetings
- Find, print & understand practice tracking reports
- Establish appointment policies

Can you afford to lose 5%-10% in productivity every year due to weak front desk systems? Inefficiency and lack of knowledge can easily cost a $1,000,000 practice $50,000-$100,000/yr.

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