Do you value your care?

By Sally McKenzie, CRC

Have you ever heard of Fritz Knipschildt? I’ve never met him, but I think I’d like to, for a few reasons. First, Knipschildt is a Connecticut-based chocolatier. Now, mind you, this guy is no ordinary candy maker. No sir. A one pound box of his confections will fetch $2,600. Yes, you read that correctly, two-thousand, six-hundred dollars.

Do you suppose that Knipschildt loses sleep over how much he charges for his award-winning decadent delights? I would guess that he feels quite confident in his fees given his credentials, the time, care and ingredients that must go into each “truly exquisite chocolate experience” as they are described on his Web site. Whenever I come across a story about someone like Knipschildt, I’m always struck by the irony. This gentleman is not afraid to place a significant value on the few minutes of pleasure that he provides in each of his creations. Yet many dentists who provide a lifetime of care and concern for their patients suffer immeasurably whenever they must stand toe-to-toe with a $4 fee increase.

They fret and they worry and they hem and they haw. How will the patients react? Will they balk? Will they leave and never come back? Will they complain about me to their friends, neighbors and random people they meet on the street?

Economic boom or bust, it seems that dentists are always reticent to do anything that might call attention to the issue of m-o-n-e-y. Certainly, where you set your fees is a personal decision, yes, but your business depends on it. Whether you increase your fees, lower them or keep them firmly planted where they are, there are a few steps you want to take to ensure that you are making a carefully reasoned decision, rather than simply reacting to what you perceive to be the current public sentiment.

Keep up with the Janeses

Many dentists will arbitrarily establish their fees without ever checking out what Dr. Jones, Dr. Smith or any of their dental neighbors are charging. Study dental fees in your area and find out where yours stand in comparison. Information on dental fees is available online and through your local dental society. Income and demographic information, which can be extremely helpful in establishing fees, is available through the local chamber of commerce as well as through private companies, such as Scott McDonald and Associates. In addition, a variety of surveys and reports regarding the costs associated with running a dental practice are available through the American Dental Association.

Consider the message your fees send to current and prospective patients. If yours are the lowest in the area, you may be setting yourself up to be a magnet for price shoppers. Similarly, if your fees are the highest, consider if your services are on par with the rates charged. Perhaps you do indeed offer a patient experience and a level of dental care and expertise that warrants the higher rate. Or perhaps you prefer to work with a smaller patient base. That is fine, but you still need some understanding of how your fees compare to the competition.

Make logic, not fear, your guide

Many dentists have not increased their fees in a very long time and have no system for doing so. Consequently, these dentists have trapped themselves in a financial quagmire, many charging only in the 50th to 60th percentile for their areas. Undercharging patients by as little as 7 or 8 percent each year translates into thousands of dollars lost to the practice. Undercharging by 40 to 50 percent translates into a serious financial pounding.

The dentist down the street may be charging in the 90th percentile and may be thriving, but many dentists convince themselves that they simply couldn’t charge that because patients will leave or the dentist feels guilty for increasing fees. Or the dentist doesn’t believe that his/her level of care is really worth that price. Yet ours is a culture in which people associate quality with cost. And, like it or not, cheap is often equated with low quality. Certainly, if you’re charging in the 60th percentile today, you don’t want to jump to the 90th percentile next week, but you do need to develop a plan to gradually increase fees over time.

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DO YOU
From Page 5

ecessary part of running a high-quality dental practice, which leads me to another question that you need to ask yourself. Are you compromising quality for low fees? Do you continue to forego necessary investments in staff training? Do you bypass updated equipment and more efficient systems because you fear you can't afford any more than the status quo? Are you compromising your own continuing education opportunities because of the impact on the budget? If so, this commitment to being cheap is costing you a fortune in lost opportunity, higher production quality and staff efficiency.

Develop a fee schedule

I don't need to tell you that the cost of running a dental practice increases each year. Lean years may still be lean, but their increases are likely on a record pace. Establishing a sound fee schedule allows you to be fair to your practice and improve care to your patients. Lean years may still be lean, but their impact will be lessened because you will have kept pace with the cost of doing business.

There should be a standard fee for each service. Determine these by evaluating the time required for each procedure, the fixed expenses necessary to run the office, variable expenses including supplies and lab fees, and income required per hour to compensate you, the dentist.

In terms of expenses, they should line up according to the following benchmarks: laboratory expenses, 10%; dental supplies, 5%; rent, 5%; employees' salaries, 19–22%; payroll taxes and benefits, 3–5%. Identify specific production goals based on the number of days per week you will see patients and the number of hours you will spend on treatment. (More on that in a moment.)

Establish a solid fee for each service and plan to adjust your fees twice a year, 2% then 5% for an annual increase of 5%. Even if you increase your fees only slightly — $4 to $5 per procedure — that will make a huge difference in your bottom line.

Revisit your vision and goals

Step back and take a look at what you want to get out of your career now and in the future. Perhaps you want to save for retirement. Maybe you really want to work fewer hours to spend more time with your family. Perhaps it's your dream to create a truly state-of-the-art practice.

No matter what your personal/professional desires, they do have a price tag attached. The key is to determine how much your practice needs to produce to enable you to not only to keep the lights on and the staff paid, but to achieve your vision and goals as well. That's where production per hour goals come in. Let me explain.

By way of example, let's say your goal is to break the million dollar mark for practice production, including hygiene. If you take 53 percent out for hygiene, that puts your share of the goal at $676,950. That calculates to about $15,958 per week (taking four weeks out for vacation). Working 32 hours per week means that you will need to produce about $456 per hour.

A crown charged out at $950, which takes two appointments for a total of two hours, exceeds the per hour production goal by $39. It's unlikely that you're doing crowns every hour on the hour, but this surplus revenue could be applied to any shortfall caused by smaller ticket procedures.

Use the formula below to determine the rate of hourly production, and whether you're meeting your own personal production objectives.

1) The assistant logs the amount of time it takes to perform specific procedures. If the procedure takes the doctor three appointments, she/he should record the time needed for all three appointments.
2) Record the total fee for the procedure.
3) Determine the procedure value per hourly goal. Take the cost of the procedure, for example $215, divide it by the total time to perform the procedure, 50 minutes. Take the production per minute value of $4.30, and multiply that by 60 minutes to get $258/hour.
4) The amount must equal or exceed the identified goal.

Now you can identify tasks that can be delegated and opportunities for training that will maximize the assistant's functions. You also should be able to see more clearly how set up and tasks can be made more efficient. And you'll be well on your way to achieving your own production goals, whatever those may be.

Finally, as you consider the various steps and suggestions I've offered in this article, you might want to mulit it all over a nice glass of wine, perhaps a bottle of 1787 Chateau Lafite — that is, if you can get your hands on one. One such bottle sold at Christie's London in December 1985 for a mere $160,000. Said to have been from the cellar of Thomas Jefferson, our third president, it was recorded to be the most expensive bottle of wine ever sold.

Certainly, some of you will shake your heads in disbelief at such seemingly outrageous sums for consumables. But I can promise you that the person who purchased that bottle had great appreciation for the value of his/her investment. My point is that dentists commonly undervalue the care and treatment they provide. Often times the biggest barrier in establishing appropriate fees is not the patients, it's the dentists who sell themselves and their care short time and again.

About the author

Sally McKenzie, Certified Management Consultant, is a nationally known lecturer and author. She is CEO of McKenzie Management, which provides highly successful and proven management services to dentistry, and has since 1980. McKenzie Management offers a full line of educational and management products, which are available on its Web site, www.mckenziemgmt.com. In addition, the company offers a vast array of Practice Enrichment Programs and team training. McKenzie is the editor of the e-Management newsletter and The Dentist's Network newsletter sent complimentary to practices nationwide. To subscribe or for more information call Dentatus 1-800-323-3136 www.dentatus.com

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