Practice success in good times and bad

No one is immune to the effects of a slow economy, including dentists. Levin Group data indicate that dental practice production began to slow late last year and has remained sluggish compared with previous years.

Although dental practices have not been hurt nearly as much as retail stores or estate agents, an increasing number of dentists are wondering what they should do to protect their practices. Should they simply sit tight until the economy improves? The answer is, certainly not. This is no time for passivity. You have the power to grow your practice even in a down economy.

Protecting the practice in the current economy

There are a series of steps dentists can take to strengthen and protect their practices. Levin Group clients have been able to maintain a growth rate of 20 to 25 per cent, despite the economic downturn, by making five important changes in their practices:

1) Have 98 per cent of all active patients scheduled at all times.

In today’s economy, it is imperative that practices bring in 98 per cent of their patients on a regular basis for hygiene procedures and diagnosis. Most practices come nowhere near this Levin Group imperative, with many scheduling less than 80 per cent. This results in a great deal of missed production each year. All overdue patients should be contacted to remind them how important regular dental appointments are for their oral health. Patient appointments should be confirmed using all the techniques available, including email and mobile phone text messages.

2) Increase the amount of cosmetic and implant dentistry offered to patients.

Elective procedures are an excellent way for dental practices to increase production. In a good economy, it isn’t nearly as necessary to offer a full range of services as when the economy stalls. Set a goal of increasing elective production to 22 per cent to offset downturns in the economy. To boost elective production, the practice will need to strengthen its communication with patients through case presentations and marketing. To increase case acceptance, the practice should offer a number of payment options, including patient financing. Many who cannot afford cosmetic and implant dentistry out-of-pocket will elect to undergo these procedures if they can pay for them through an outside financing company.

3) Collect 99 per cent of all money owed to the practice.

In tougher economic times, patients will pay their bills more slowly. This means that a practice may have money on the books without actually seeing it for six months or more. To counter overdue accounts, Levin Group recommends collecting all monies due at the time of service. Use scripting to enforce payment policies and to create a ‘payment mentality’ in patients. Office payment policies should be clearly posted at the front desk and other visible areas.

Practices should offer a variety of payment options, including credit cards, 10 discounts on full payment for larger cases and outside financing. Patients should understand their options and obligations so that the practice is paid when services are performed.

Many dentists do not remember the 1990s, when collections were a serious problem for practices. This problem could recur if practices are not diligent in adhering to their collection policies.

4) Watch your overhead.

Practices need to more carefully evaluate the importance of major purchases during slower economic times. While you may think the addition of a certain service or technology will stimulate practice growth, it may have the opposite effect in a sluggish economy. In no way would I suggest that dentists should stop investing in their practices.

However, investments should be well thought out and the outcome of purchases carefully monitored. Every potential purchase should be evaluated based on return on investment (ROI). Levin Group has seen a number of clients in the last six months who enrolled in our programs because investments in new practice areas far outpaced ROI. This resulted in the practices experiencing a cash crunch.

5) Check your line of credit.

Most practices will never have to use credit to pay bills or staff. However, it is a good idea to establish a line of credit in preparation for possible temporary slowdowns. The ability to access credit over a short period of time is a good safeguard for any business. Otherwise, doctors might have to provide funding personally, which can be difficult if sufficient money is not available.

How long will this economy last?

No one really knows how long the current economic slowdown will last. According to several CEOs recently interviewed in the Wall Street Journal, we may be moving toward improvement by the end of the year. Practices should be prepared for a 12- to 24-month period during which patients will pull back from spending money on dentistry. This might take the form of an increase in no-shows and last-minute cancellations, greater dental visits to dentists in collecting and treatments being put off until things improve for a patient.

During this economic downturn, different parts of the country will have more difficultly than others. Dentists should know how their region is being affected and what steps they should take to protect their practice until things improve.

Also, keep in mind that some things will probably not get better. Gasoline and home energy prices will not be going down in the foreseeable future. China, now the second largest economy in the world, is competing more and more for resources, thus driving up energy costs. Consumers must endure these price increases for necessary goods, and this will have an effect on how their discretionary income is spent.

Dental practices can successfully compete for patients’ discretionary funds, but off fees must do so in a more sophisticated manner than in the past. The recommendations given above will allow dental practices to grow, whatever the shape of the economy. Success is possible, in good times and bad.