

DENTAL GROUP STRATEGY:

Proactive action that will help increase profitability and production.



PRACTICE
ANALYTICS



Introduction

Successfully owning and operating a profitable dental practice takes time, energy, and money. Successfully owning and operating multiple profitable dental practices takes 3x as much time, energy, and money – it's just that much harder!

The vast majority of dentists capable and determined enough to open or buy their own practice do so within a few years of graduating from dental school. Once they start enjoying the success generated by their hard work, they begin to believe that if one practice can make them X number of dollars then opening a second practice will double their revenue. Unfortunately, the real math of operating multiple practices is far more complicated.

Successfully operating multiple dental practices takes **3x** as much time, energy & money.

Running multiple practices means doubling your monthly fixed costs like rent, utilities, insurance, salaries, etc., while the amount you spend on variable costs like dental and office supplies, and your lab bill will also increase. This means your second location must generate a significant amount of revenue in order to help raise your overall income rather than become a drag on your profits, time, and stress levels.

Even though multiple practices don't share a roof, they do share among them the finite resources a dentist or group of dentists have to work with. If one branch of a multi-practice tree underperforms, it can fatally weaken the health of the business structure overall.

In order to determine the individual success of each practice, dentists need a system in place that enables them to determine whether all three key aspects of each dental practice is working as effectively and productively as possible. Failing to determine which practice in a group is underperforming can make achieving profitability that much harder. Considering the current state of dentistry and the true costs of running multiple practices, having just one branch underperform could make it impossible for you to generate the revenue needed to succeed.



The Dental Industry Remains Stagnant

Dental spending remains sluggish six years following the economic recovery from the Great Recession, according to a recent study conducted by the American Dental Association's Health Policy Institute.

The current amount of empty chair time, combined with the recent wave of new dental school graduates, forecasts that dental earnings will continue to remain stagnant, concluded the study's authors.

The average dentist's income has seen a consistent drop since 2005, which researchers attribute to a steady decrease in dental care among adults and shows no signs of rebounding any time soon, noted the authors. The researchers anticipate a shift towards a "new normal" in dental spending, dental care, and, as a result, dental earnings.

While the U.S. gross domestic product (GDP) increased by 6.5% between 2009 and 2014, average household incomes grew by only 1%, noted researchers. This indicates that while the U.S. economy has rebounding from the financial collapse of the late 2000s, wages and household incomes have not.

The average net income for general practitioners (GPs) in 2014 was just under \$175,000, while specialists earn slightly over \$322,000. For owner GPs, the average net income was over \$183,000, and \$134,00 for non-owners.

Incomes for dentists have significantly **dropped** on average for all general practitioners.

Incomes for dentists have significantly dropped on average for all general practitioners since 2005, when the incomes levels were at a peak of over \$219,000 a year. Today, the net income for general practitioner owners was just \$183,000, while non-owners made \$134,000. While specialists have seen a slight increase in earnings since 2013, their average income is still far below 2005 levels.

With empty chairs on the rise and incomes continuing to remain low, the difficulty of running multiple successful practices becomes even more challenging.

Let's assume that as a single practice owner you're generating \$500,000 a year in collections. Your fixed yearly costs are roughly \$250,000, and you pay about 15% in variable costs. As such, your total overhead comes in at \$325,000, making your net take home \$175,000 – about the average yearly income indicated in the study above.

Now let's say that you open a second practice with the goal of increasing your income by just \$50,000 a year. To meet this goal, you now need to collect an additional \$352,000 more from both practices. Your fixed costs are going to double to \$500,000, while your variable costs will rise to over \$127,000. Your overhead is now more than \$627,000, making your net take home roughly your goal of \$225,000.

However, in addition to making this additional income, you've also taken on more debt, staff, and uncertainty that could cause far more stress and longer hours than you experienced before.

Operating multiple dental practices isn't the money printing machine that many people with a direct interest in dentists owning multiple practices (i.e. sales reps, real estate agents, bankers, contract lawyers) would have you to believe. To successfully run more than one practice, you need a system that allows you to accurately measure each practice both individually and as part of your organization as a whole.



Data Analytics Helps Dental Practices Thrive

While Moneyball may have helped to introduce the concept of improving performance through data analytics to the general public, businesses have long understood the value of using data mining, performance monitoring, reporting, and benchmarking to improve decision making, identify new areas of business, and day-to-day functionality.

In recent years, the healthcare industry has taken the lead in adopting data analytics as a means of reducing costs, improving patient care, predicting patient behavior, and cataloguing pharmaceutical research. As the field of healthcare analytics continues to expand, experts predict the industry to grow into an \$18 billion industry in the U.S. by 2020.

The dental practice management software tools developed by Practice Analytics were inspired from the concept that data tells a story. Where data exists, there's usually untapped information waiting to be uncovered and utilized.

The majority of dental practices that use a practice management system have no shortage of undiscovered data that could be better utilized and leveraged. This is especially true of practices with multiple locations attempting to manage all of their offices together using software designed to meet the needs of single-office practices, or with growing groups running different practice management systems.

At Practice Analytics, our online dental practice management software tools streamline the information found deep inside a practice to uncover data that can help multi-practice dentists better manage their all of their locations. Our software aggregates information from individual

Experts predict the healthcare industry to grow into an **\$18 billion** industry in the U.S. by 2020.

offices with different systems into a group wide view of the enterprise. The data then becomes platform-agnostic to the source or system used across the organization. Practice Analytics can map several offices into regions and the regions are mapped to an enterprise or corporate level.

The Clinical Module

The Clinical Module of our dental office software solution focuses on what remains the core of every practice – treatment and appointments. This is an area where a dentist and his or her staff can really drive production and help improve and grow the business. In order to do that, a close understanding is needed of how effectively and efficiently the dental clinic at each office is running. Tracking the individual performance of each practice without a comprehensive understanding of the group as a whole will make it difficult to accurately identify which clinics are functioning optimally and where there's room for improvement.

The clinic can be separated into two key programs: restorative and hygiene. Management of these two programs needs to be measured and kept separately from one another. Each practice's restorative program should focus on production drivers, such as case acceptance and productivity, while the hygiene program becomes a driving force behind the restorative program and the most sustainable aspect of the practice.

Using our online Clinical Module, staff can track key performance indicators that help drive the clinical side of the business using a simple and easy-to-use dashboard. Our dental software tools allow both doctors and staff to actively manage and improve performance by identifying the patients behind their own performance. Our system will also aggregate the data from each office's system to create a comprehensive view of the Clinical Module and the key indicators it identifies.

For example, restorative utilization – the percentage of time a practice's restorative chairs are in use – has many driving factors. Treatment scheduling, total number of procedures offered, and case acceptance all factor in how frequently each chair is used. Each of those driving factors has a targetable list of patients that tie into chair utilization. The

Clinical Module software has a positive impact on production by identifying those patients that will increase the amount of time the restorative chairs are in use.

The Front Office Module

While the Clinical Module helps to increase production, the Front Office Module of our dental practice management software tackles the administration side of each practice by focusing on three key areas: scheduling, collections and insurance, and patients.

Most practice management systems on the market today can assist dental office managers and staff with patient scheduling. Unfortunately, they don't offer much assistance managing how or where to schedule patients. Multiple reports are required just to track down patients that need to be scheduled, and most systems offer no assistance trying to cross schedule patients who visit multiple offices. The Front Office Module assists office staff with identifying patients who need to be scheduled depending on the need in the practice. Most importantly, Practice Analytics' software can help identify patients that are more likely to schedule, which reduces the amount of time staff needs to spend calling patients to fill appointments.

So while production remains paramount in importance, the ability to collect fees is still a vital part of any practice's success. Monitoring collections and targeting specific patients through the Front Office Module will enable staff to collect on fees and strengthen all locations. The module recognizes opportunities by optimizing insurance benefits and by tracking income channel performance.

Finally, in order for your group practice to remain stable and further expand, patient flow must continue to grow. New patients rank as the biggest source of production. The Front Office Module will help managers and staff better understand where new patients are coming from. Understanding the production of new patients will clarify marketing effectiveness and focus marketing channels on areas of growth and opportunity.

New patients rank as the **biggest source** of production.

The Business Module

The Business Module further expands on both the Front Office and Clinical Modules to pull together the data hidden deep in the practice management systems of your dental offices.

Considering the advanced and complex nature of the dentistry industry, practice owners need analysis that delves beyond just what happens in the clinic or behind the front desk. Our Business Module offers flexibility and a detailed approach from managing the little details that help the big picture components of a practice thrive.

Custom reporting provides an integrated approach to managing

Custom reporting provides an integrated approach to managing the protocols and processes each office operates under, while audit analysis can help identify lost opportunities for production from staff, as well as find mistakes with insurance and collections that can easily improve a practice's profitability.

Profitability analysis leverages financial information from tools like Quickbooks to identify overall profitability, but more importantly, procedural profitability. Some procedures carry incremental costs above and beyond regular expenses. Understanding those opportunities can yield additional profit throughout each practice.

The data analytics and business intelligence solutions that utilize the three main modules of the Practice Analytics dental practice management software provide invaluable advice and insights regarding clinic performance, reporting, tools and techniques to use for business analytics and benchmarking, all from a convenient and easy to use dashboard control that allows you to monitor each practice individually and your group as a whole.

These types of business intelligence solutions can greatly improve your multi-practice business by focusing on areas such as fee optimization, minimizing no-shows, and, most importantly, patient retention and recall rates.



The More Data You Possess, The More Informed Your Decisions Become

At Practice Analytics, we believe that the data tells a story.

Group dental practices have a rich source of untapped information in their various practice management systems that if uncovered would provide a comprehensive view of your business. Unfortunately, this information often remains hidden due to system incompatibility, mismatching reports, and employee confusion about what to even look for. There's so much to uncover, but no clear direction as to what metrics are important or where to focus their attention. Practice Analytics software for dental clinics data mines out that precious information to simplify how your group practice should be managed.

Contact Practice Analytics to start your Free Demo so you can see for yourself tools needed to successfully focus on the key components of your multi-practice business.

We provide exceptional customer service and support, and will do everything we can to help your multi-practice business seamlessly integrate our system in each location. Make the right decision for the health of your business, and get started today.