Going for broke?

Accountant Geoff Long looks at some of the reasons dental practices are failing in the current downturn and suggests ways of making sure you stay afloat.

Over the past year I have noticed the economic downturn affecting more and more dentists. Twelve months ago, it was just referral practices or private practices suffering. Now, virtually every dental practice I visit is experiencing the downturn – even the NHS ones.

My new research on dental practice failure has led me to conclude that failure always is down to three things:

1. Spending too much money
2. Low gross income
3. Poor appointment book control.

Spending too much

Murphy’s Law on money says that people will always spend more than they earn, providing the bank manager will let them. So it is not surprising that dentists, who after all are grade-one professionals, can find their spending run away with themselves. It is very easy to do this, particularly given the ease with which dentists can get finance. There are dental banks, building societies, leasing companies, even specialist Islamic lenders – all of which will fall over themselves to lend to dentists. So rather than reign in the spending, the dentist simply gets another loan. This is fine in the short term; but it always ends in tears.

Over the years, we have seen many causes of dental overspending – expensive cars, boats, excessive lifestyles, large houses, extensions, private school fees, horses, drinks and nights out, indulgent dental equipment, to name a few. The worst case we came across involved total indebtedness in excess of £2 million. And that was just for one dentist.

Low gross income

The second reason for failure is not grossing enough fee income on a day-to-day basis. So how can you increase your gross income? Here are some ideas.

1. Written treatment planning would help. It is surprising how the positive response you will get from patients when they give them options of differing sophistication and quality. Remember, patients will always buy the best quality they can afford, providing the choice is given and the quality of solution is perceived. If you don’t believe it, think about the car you drive and why you bought it?

2. Recommendation system. Dentists produce some excellent work but few, if any, have a system to ask the patient for a positive recommendation. This is made worse by the fact that patients are often busy people themselves and forget all about your amazing dentistry the moment they walk out of the door. In any case you’ve a state of the art surgery with all the mod cons – you obviously don’t need any new patients do you? If only they new the truth!

3. Intra oral camera. A picture is worth a thousand words. Intra-oral cameras can now be purchased for as little as £600. Forty times magnification can be a powerful persuader when selling your dentistry.

4. Practice brochure. This tells the patient your philosophy and explains your particular style of dentistry. It also lists the services the practice provides. And words he can’t understand and the brochure is too complicated.

5. Questionnaire. When the treatment is completed, hand out a questionnaire. Try, say, six a month. Useful questions include:

- Appointment control
- A common problem for NHS dentists is that they are simply inundated with patients. So why can’t they make any money; after all they are often seeing 60 patients a day.

Remember the old adage: Too many patients means not enough dentistry is being done, which means not enough gross income. The fact is, you will gross more out of seven to 10 patients a day treating them properly than you will seeing 60 patients for three minutes each. In the latter case, no dentistry whatsoever will be done. The solution here is the appointment book control.

Despite all these it is arguable that dentists simply go private. No, there is a lot more to it than that.

Indeed, the most profitable practices will generally mix NHS and private to some degree. To gross in dentistry you must reign control of your appointment book. How do you do it?

1. Set an upper ceiling on the number of patients you see in a day.
2. Cross out the first and last appointments of the day as independent.
3. Next cross out the appointments either side of lunch too.
4. Then make the appointment at 5.30pm (the end of the school day) independent. Otherwise the mums will have this one booked ahead for four months!
5. Lastly, cross out your daily emergency time morning and afternoon.

You need to change the ethos of the practice to one where the practice supports your lifestyle, not you becoming a slave to the practice.

Remember dental practice failure can always be traced back to the three basic problems:

1. Overspending
2. Insufficient gross
3. Poor appointment book control.

About the author

Geoffrey Long FCA is a specialist dental accountant based in Hertfordshire. Geoff advises on a wide range of dental tax issues and regularly writes for the dental press. Geoff has more than 15 years experience with dentists’ accounts and is recognised for his proactive approach to dental taxation and business problems. He can be contacted on 01438 722224 or by emailing office@dentax.biz.