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.

Why this economy is different

Not all economic downturns are equal. In the late 1960s, the United States witnessed a stock market devaluation that resulted in a troubled economy a few years later. That downturn was precipitated by the burst of the ‘dot-com’ bubble. However, everyone knew what had happened and what could be done to fix things. When corrections were made, the economy rebounded.

Many people were not affected by the 1980s downturn because the consequences only hit certain segments of the economy. Also, consumer spending slowed very little. The current economic situation is different. It is what I refer to as a consumer downturn. Although it was precipitated by the housing crisis and issues with major lending institutions, there were many factors behind it, and almost every consumer in the United States and throughout the world feels the effects. An economic ‘perfect storm’ has occurred, with rising energy and food prices coming on top of the housing and banking emergencies.

In a consumer downturn, most dental practices are affected. Difficulties are not restricted to those with housing problems or those having trouble paying their gas and electric bills. In fact, all the country will be making tough choices about the way they spend their earnings, and dental practices will not be immune to cutbacks in consumer spending.

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, the opposite effect could be 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 clients 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.

About the author

Dr. Roger P. Levin is founder and chief executive officer of Levin Group, Inc., a leading dental practice management consulting firm that provides a comprehensive portfolio of dental services to its clients and partners. Since 1985, Levin Group has embraced one single mission — to improve the lives of dentists. For more than 20 years, Levin Group has helped thousands of general dentists and specialists increase their satisfaction with practicing dentistry. Levin Group may be reached at customerservice@levingroup.com.