Defining a profitable office

The most profitable way to run the business side of your orthodontic practice is to understand, define and know what your break-even number is for your business. Many orthodontists try to operate the business side of their practice on intuition: “I think we did really well this month,” “It feels like we started a ton of patients,” “The checking account looks good, our starts must be great.”

Intuition does not provide feedback of real data for making knowledgeable decisions. Profits in a practice can greatly increase when the clinician has the ability to understand the business numbers, particularly the practice’s break-even point, and can monitor these numbers with a system to keep the team and practice on course.

The break-even number

The break-even number is the first and most important number an orthodontist and his staff should know. The break-even point number should provide enough revenue to meet the following goals:

- Clinician income
- Retirement contributions
- Overhead expenses
- Salary expenses
- Loan payments
- Increase in staff labor costs such as raises, benefits and skill levels
- Capital improvements such as equipment and office remodeling

The four keys to success

Profits in an orthodontic practice depend directly on four numbers: the break-even point, production, collection and overhead expenses. From the break-even point number, production and collection goal numbers and a budget for the practice can be calculated.

Defining, monitoring and controlling all of these numbers each month will more likely result in the desired profits for the practice.

The game plan

1. The break-even point must be calculated and defined.
2. The orthodontist must determine what the practice will need to produce and collect each month to meet the break-even point number. The production goal must be defined and divided among the producers in the office. This is generally by the number of new patient exams, records and starts.
3. The scheduling coordinator must schedule all producers’ days to meet their individual production goals. It is important to remember that cancellations and changes in the schedule affect how much the orthodontist, the treatment coordinator and other staff members may be able to produce each day.
4. Have excellent financial arrangements and/or collection policies in the practice. Delinquencies should be no more than 3 percent of your total collections.
5. The orthodontist must have a defined budget for the overhead expenses of a practice. The budget should be divided among many areas: salary expenses, clinical supplies, lab costs, marketing, etc. These budgets should be monitored on a monthly basis. The clinician’s profit-and-loss statement will have the necessary information to monitor expenses.

The entire team can help the orthodontist control and monitor production, collection and the expenses. Each member should know what these numbers are, how accountable he or she is for meeting these numbers and how to monitor the numbers throughout the month.

Summary

It is well worth the time and effort to define and monitor the business numbers discussed: break-even point, production and collection goals and overhead expense budgets. This maximizes profits, gives the orthodontist and team more control and ends the guessing game of where you really are financially as a business.

About the author

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