On Sept. 15, I spoke with a doctor from Westchester County, N.Y., and he was one of several persons who mentioned the Lehman Brothers investment bank collapse. He told me his practice is in the heart of Lehman country, and he is preparing his practice to weather the storm.

I wanted to tell this doctor that everyone is in Lehman country, but I knew he was on the front lines of this particular crisis and he deserved special consideration.

With the failure or near failure of three storied financial institutions (Bear Stearns, Merrill Lynch and Lehman Brothers), the U.S. economy is now struggling through the most significant financial crisis since the Great Depression.

In truth, everyone I talk with is feeling the effects of the tightening of credit and the loss of consumer confidence. One large orthodontic supplier reported its volume is down 20 percent this year to date, while another multi-practice executive reports that doctors who once had August and July net sales of $50,000 per month were in a cash crisis this year without enough money to pay their overhead.

Today’s economy is taking a toll on all procedures consumers consider “elective” or “optional.” The impact comes from two primary issues: 1) consumer’s concern for their financial future — we don’t spend money on “optional procedures” when we have financial insecurity; and 2) the lack of available credit or the inability to borrow money on terms that are acceptable.

So what can you do and what should you do to protect your practice during these tough times? Here are a few specifics.

**Make sure your cash position is solid**

Remember cash is not just king, it is everything. Businesses fail (no matter how successful they have been) because they run out of cash.

Have a cash plan. Too many doctors are in the habit of spending cash when it is available in their bank account, and they don’t do a great job of planning for their future needs. If you don’t like managing money, get help now.

Review your monthly expenses for the past 12 months — list payroll, office overhead (rent, utilities, etc.), supplies and other fees. See if there is a pattern (Increasing? Decreasing?) and if there are certain months of the year when expenses are higher or lower. Use this information to create an estimate of the cash you will need for the coming year (month by month).

Open two banking accounts — an operating account where you will deposit revenues and keep enough cash to pay one month of expenses (including your salary), and a second savings or money-market account where you’ll keep enough cash to meet your operating needs for three months. This second account should be an interest-bearing account.

Review your cash position every month. If your cash exceeds your planned need, feel free to pay yourself a dividend. If your cash on hand is less than you’ll need, react quickly to increase cash by:

- Increasing the discount you offer patients who pay in full.
- Encouraging more of your patients to finance their procedures via a third-party financing company.
- Offering your accounts a discount for paying off their balance early.

In June, our children’s dentist offered us a 20 percent discount for paying off our balance early — I showed up to the next appointment with a check in hand.

Have a back-up plan. Apply for a business line of credit before you need it. Too many practices wait until they are in a cash crisis before they apply for a line of credit. The best time to get a line of credit is when you don’t need it.

**Increase new starts by focusing on patient-friendly financing**

As times get tough, your patient...
financing options have a greater impact on your ability to win new cases. Your competition is not just other doctors and their payment options, but often you’re competing against the patient’s financial fears that encourage them to not start “elective” procedures now.

Money is never an issue

A recent study found Dr. Jed Feller of Las Vegas has built a practice that has been virtually recession proof.

After six months of owning his practice, his monthly production grew by more than $100K. By the end of the first year, his monthly production was up $200K. Today his practice produces more in two months than it did the entire year before he purchased it. Dr. Feller used no marketing — he didn’t even purchase a yellow pages ad. What did he do? He made his patients think “money is never an issue.”

Of course money is an issue. The one question that is forefront on patients’ minds during the whole new patient exam is “How much is this going to cost?” Most staff focus on that question and ignore or muddle through the question that lightens the mood and wins the case: “How can we help you afford the procedure you want and need?” What should you do to make sure you win cases with the most patient-friendly financing?

• Talk solutions. Make sure the person presenting fees for your practice understands his role — not to talk money but rather to talk solutions. He needs to understand he is there to help the patient (or parent) get what he or she wants — excellent treatment.
• Always gather credit information (a credit report or, even better, a compromise grade) so you can judge if your patient is one of the 70-plus percent of the population that will pay their bills if extended payment options or one of the 30 percent who are likely to leave you wishing you had never trusted them.
• Have met many doctors who say “I’ve been successful for years, and I’ve never used credit reports.” I simply remind them we are in one of the toughest economies in recent history, and banks who have done great business for more than 100 years are now gone.
• Be transparent about your fees and payment options. If you don’t show them your “cards,” the patients feel like they are in a negotiation and they act accordingly. For most people, open and honest, non-manipulative dialogue will win clients now and strong patient advocates in the future.
• Present fees in a way that puts the focus on payment options. Make sure your patients know that these are “some of the options available to them,” and that your goal is to “find a payment plan that will work for them.” Then ask, “Which of these options is closest to the way you’d like to pay for treatment?”
• Start from that option and find out what needs to be changed to make that option work for them. Acceptx stores rules and limitations for these discussions and allows the computer to be the “bad guy” when a patient asks for a payment solution that is beyond the limits allowed given the patient’s credit grade and the practice’s business rules. Without such a program, your staff should be coached to guide patients toward a win/win payment solution.
• Offer financing beyond treatment time for qualified patients. Patients who have an “A” credit grade do not care if they are being treated or if they have been treated — they are responsible citizens and they pay their bills. If your practice can handle the cash flow challenges of extending payment beyond treatment time, do it. If not, find a third-party financing partner who will. Remember, most of us shop within a budget. Budget-minded patients are not always poor credit risks; in fact, they are often better risks because they are realistic about what they can afford each month, and they don’t stretch beyond their budget.
• Break up treatment. If the patient can’t or isn’t willing to pay for the entire treatment at once, offer incremental treatment with “pay as you go” payment options.

These are tough times, but the factors driving consumer demand for your procedures are alive and well. In these tough times money matters like never before. Those practices that learn to manage their cash and that help their patients find solutions to their financial concerns will succeed — even as Wall Street banks continue to fail.

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How well do Dental Tribune publications meet your needs for dental news and information?
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