

The bright side of the situation is that you now have the opportunity to bring in a new employee. Sometimes this person will have just the energy needed to enliven the entire office, which it will need if the tension with the former employee has been going on for very long. New employees can also offer new ideas, novel ways to do things, and possibly ways to save money that they've learned in other practices. New patients can also result, or previous ones may return now that the staffing situation has been resolved.

## SUPPLIES

When the office isn't as busy, it's a good time to evaluate your relationship with labs, check out your supplies situation, and shift staff members if changes are needed. This may be the time to invest in a CAD/CAM machine that can reduce the number of crowns that must be sent to dental labs. This can be a way to save money.

Supplies, especially disposable ones, should be evaluated to see if less expensive versions exist. Things such as bibs and saliva ejectors are only used once, so buying more expensive ones can mean that you're literally throwing away good money.

When the person who orders your supplies simply picks up a catalog and places the order, it may be time to see if someone else might be better suited. Ideally, the person ordering supplies will also be looking to save money and would be willing to negotiate with a supplier to price-match what a competitor is offering. It can save a lot of money if the ordering is done by someone who is willing to research options and ensure that the practice is getting the best deal on their supplies.

## PROCESSES

If too many patients are failing to schedule treatment, it may be time to rethink some of your processes. You may need to update your phone software or the way your practice handles phone calls. It may be time to have staff members ask for referrals from the patients they see. Every interaction needs to be studied to see what could be done better.

New practices may benefit from hiring a consultant who can observe the staff for a week and offer suggestions for how procedures could be improved. For established practices, the office manager or senior staff should know the elements of best practices, such as handling phone calls. You can also study the patient lists and see who's unscheduled, who's been sent predeterminations and needs a follow-up call, and where other touches are needed. Phone scripts may need to be developed to help in scheduling patients. You or your office manager may want to listen to recordings of calls to evaluate what is happening and determine the best way to improve the patient's experience.

## THE OFFICE

Established practices might want to send the office manager out to the waiting room to look around as a patient would and discover if there are problems such as worn wallpaper, chipping paint, ripped upholstery, loose wires, or other signs of wear. Fresh eyes are needed to see these things; we look at the practice all the time and have become blinded to problems.

Improvements in the office decor can be readily addressed with a new coat of paint, clearing away of any clutter, and updating furniture and pictures. The result can be a dramatic improvement in the environment that patients will definitely notice.

### Clinical Significance

Competition is constantly nipping at the heels of a dental practice located in an urban area. Patients benefit because they can pick and choose to go wherever they like the vibe or appreciate the friendliness of the staff. Dental practices need to do whatever they can to ensure that they're putting their best smile forward and making the patient's experience the most positive one possible.

Farran H: Hard times mean hard changes. *Dentaltown*, Nov 2018, pp 12, 14

Reprints not available

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# Key performance indicators



## BACKGROUND

With the highly competitive ecosystem of dental practices, it's important to identify, track, and analyze metrics beyond the profit and loss statements and balance sheets to understand where a dental practice stands in a business sense. In addition to monthly or quarterly financial statements, practice owners

should obtain supplemental reports that outline the current state of the practice, how it compares to previous periods, and whether it's aligned with industry benchmarks (Table 1). This should all be compiled in a 1- or 2-page summary of the primary business statistics. How to approach this task in a general dental practice and an orthodontic practice was outlined.

**Table 1.** Benchmarks for General Dentistry

Key performance indicator	Industry benchmark
Overhead	55%-65%
Staff salaries	20%-25%
Clinical supplies	6%-8%
Lab fees	7%-10%
Advertising	1.5%-3.5%
Office supplies	2%-3%
Officer compensation	30%-40%
Production per day—doctor	\$3,500 per doctor
Production per day—hygiene	\$1,000 per hygienist
Hygiene production	25%-35% (3x wage)
Active patient count*	1,500 per doctor
New patents per month	20-25 per doctor
Accounts receivable	1x average monthly collections

\* Active patients are typically defined as patients seen in the last 18 months.

Source: Internal data. (Courtesy of Nadaud MJ: Key performance indicators: Management by statistics. *Dent Econ* 109:34, 36, 38-39, 2019.)

## METHODS

The first step to developing customized reports is to ensure the information has been correctly entered into the system. Once this is assured, practice owners need to identify the key performance indicators (KPIs) they believe are most relevant to their practice and then develop a streamlined approach to analyzing this information. Software is available that is able to create these custom reports, print them in a usable format, and send the information to practice accountants for their analysis.

## KPIs FOR A GENERAL DENTAL PRACTICE

The primary KPIs general dental practice owners should focus on are production (gross and net), collections, clinical days worked per month, production by provider, production by procedure and total procedures performed, accounts receivable, new patients per month, and total patients seen per month.

### Production and Collections

Particular attention should be paid to adjustments in production when a change in insurance provider is anticipated. Currently health care providers are seeing increased insurance adjustments that are detrimental to their profitability. Tracking the clinical days worked each month aids in tracking production per day. The goals for average daily production are about \$3500 per doctor and about \$1000 per hygienist.

Knowing what each provider contributes to total production is also a valuable metric. For example, an efficient hygiene staff can contribute about 35% of total production. If the total production percentage for hygiene is too high, the dentist may not be contributing some of his more profitable production, which affects the bottom line. A dentist who performs specialist procedures may show lower production than the hygiene department

because the specialty procedures are more profitable. It's important to understand which procedures bring in the most production dollars so that the dentist can focus his or her contribution accordingly. The expenses associated with treatment are tracked to better analyze procedures with the highest profit margins.

Collections will lag behind production, but should be tracked in relation to production and compared to previous periods of practice. Accounts receivable (AR) balances at the end of each month as well as the change in these balances show how healthy the collection process is. A consistent increase in the AR balance may indicate a poor collection process that requires adjustment.

Dentist owners also need to see how strongly their practice performs with respect to attracting new patients. The source of the new patients is a key bit of information, showing which marketing efforts are most effective. With good marketing, a practice should expect to gain 20 to 25 new patients each month for each practitioner.

Production per patient is tracked and compared to previous periods of time. It's important not to count a patient who sees both the hygienist and the dentist twice. Dentists need to track active patient count, which refers to patients seen in the previous 18 months. Many dental advisors see an active patient count of 1500 as a healthy practice.

## KPIs FOR AN ORTHODONTIC PRACTICE

Orthodontic practice owners should track production and collection; patients seen over the effective treatment time, total patient visits, and clinical days worked each month, as well as new patient examinations and starting treatment; and new contracts per month as well as total contracts receivable by the end of the month.

For orthodontists, insurance to cover the cost of treatment is now beginning to be accepted. They need to see how write-offs and other adjustments will affect future insurance decisions. Because orthodontists schedule a course of treatments, payment collection processes differ from those of general dentists. Ideally they will collect a down payment, with \$800 being the average amount, and then collect monthly payments over the course of treatment.

When patient treatment extends beyond the effective treatment time, the dentist continues to see the patient even though collections are complete. This fulfills the dentist's moral obligations but takes chair time that could have been used for new patients.

Production per day and per patient are tracked and compared to prior periods to understand trends in treatment. A decrease in these metrics can indicate the office production is slowing or becoming less efficient.

New patient data that should be analyzed include where the new patients came from and treatment acceptance rate, which is calculated by taking the number of new patient starts by the total number of new patient examinations. A healthy practice should have a treatment acceptance rate exceeding 70%.

Keeping track of new contracts per month helps determine what pipelines are servicing their practices and building the contracts receivable balance. Starts should be divided into phases I, II, full treatment, and Invisalign. This allows the dentist to determine the average contract fee per treatment plan, which can be compared with local average orthodontic fees. Contracts receivable is the amount of money the owner expects to collect by fulfilling the treatment plans of current patients. It should be about 50% of collections, unless the orthodontist collects a large down payment from patients.

## OTHER CONSIDERATIONS

Once the proper KPI reports are available, the dentist and his or her advisors should develop a monthly or quarterly report to compare KPIs across time, which identifies any trends that are present. The KPI report should be consistent for every period and supplement the monthly or quarterly profit and loss statement.

Another key metric is normalized overhead, defined as the profit of the practice before the dentist's compensation is removed.

Considering this factor along with the others helps dentists understand the true profitability of the dental practice. The normalized profit should be in line with industry overhead benchmarks in a healthy practice. If it is not, further analysis and adjustments are needed.

### Clinical Significance

Dental practices are not just clinical offices but also must be run as businesses. Analyzing the data on production, collections, and other KPIs helps dentists and their advisors keep in touch with the business side of the practice. With careful consideration of all the data that the practice generates, the dentist can see trends in production, patient population, collections, and other factors; compare them to industry benchmarks; and better understand the health of their practice.

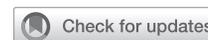
Nadaud MJ: Key performance indicators: Management by statistics. *Dent Econ* 109:34, 36, 38-39, 2019

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# PROPERTY LIABILITY

## Dealing with property damage



### BACKGROUND

Property damage to a dental office can cause lost time at work and inconvenience patients who require dental treatment. The goal becomes minimizing downtime and returning to work as soon as possible. The process of handling property claims and the role of subrogation in that process were explained. In addition, actions the dentist should take to prevent the loss or destruction of critical evidence showing the cause of the damage were detailed.

### THE PROCESS

The claims process itself is fairly straightforward. The dentist should notify the commercial property insurer, as well as the police if the incident involves a crime. The insurer will walk the dentist through the process from that point forward. Components include filing a claim, having the case evaluated and a determination made, having a check sent for covered damages, and closing the case. Behind the scenes it's not nearly as

straightforward, with one important aspect being determining who is responsible for the damage.

### SUBROGATION

Subrogation is the legal right of one party to recover monies from a responsible party. The process usually takes place between 2 insurance companies. For a property damage case, the insurance company takes on the case of the dentist and seeks to recover from the responsible person money paid by the insurer to repair the dental office. If the dentist is responsible, the insurance provider doesn't subrogate against the dentist.

For subrogation to work, the responsible party needs to be identified. Often the problem isn't simple. For example, if the water supply line to the cavatron springs a leak, was the cause defective tubing or connections, was it improper assembly or installation of the unit, or was the failure caused by a broken water pressure regulator in the building? In cases of fire, the cause may be recent electrical