

THE FIFTEEN NUMBERS THAT WILL MAKE (OR BREAK) YOUR DENTAL PRACTICE

Today's dental landscape is becoming increasingly competitive. The facts are startling:

- Dental schools are graduating almost 10% more dentists every year.¹
- The average retirement age of dentists has increased from 55 to 60 to 65 to 70 over the past twenty years.²
- Corporate practices are gaining market share and bullying solo practitioners out of business.
- The medical industry is in constant flux due to the Affordable Care Act.

If only one of those factors were to be present, it would present a challenge to business owners. The combination of all makes today an incredibly difficult time to be a dental practice owner. More dentists are entering the field, fewer dentists are leaving their practices, and corporate pressure is up.

If you feel you are facing challenges in your dental practice, we hope that this information helps you understand exactly why your efforts may not be returning your expectations.

Having served dentists for the past seven years, I'm very familiar with the challenges faced by dentists today. Now that I exclusively serve dentists, I can see what works in certain practices, and what doesn't work in others. I use this knowledge to help my coaching clients reach their personal and professional goals.

I finished a goal setting session with a client this morning, and as we were wrapping up my client said to me, "If I'd set these plans in motion five years ago, I'd be taking home nearly \$15,000 more a month right now and have at least an additional \$200,000 in the bank."

You see, many dentists know that "stats" and "KPIs" exist, but they really don't know where to start looking for improvements. This mini-guide covers almost, if not all the stats I've compiled through my time as a dental coach and dental CPA. This information was compiled through hundreds of hours of research and experience.

It is my hope that these numbers give you a **starting point** for your practice. That being said:

Remember, averages apply to everyone but no one at the same time. Use these numbers as a litmus test on what is attainable in your practice. If you are greatly under-performing in a specific area, you can use these numbers as a sniff test on where to start your practice's rebuilding or fine-tuning.

¹ ADA Health Policy Resources Center 2012's Workforce Statement, page 7

² DentistryToday <http://www.dentistrytoday.com/management/1399>

In this report I'm going to give you the following:

1. What is a key performance indicator or KPI for a dental practice?
2. How to really look at key performance indicators and stats.
3. The top three KPIs for your practice.
4. The "big list" of KPIs.
5. What to do after you look at the KPIs.

WHAT IS A KPI FOR A DENTAL PRACTICE?

If you google what is a "Key Performance Indicator" you come up with:

Key Performance Indicator

A **Key Performance Indicator** is a measurable value that demonstrates how effectively a company is achieving **key** business objectives. Organizations use **KPIs** at multiple levels to evaluate their success at reaching targets.

So, what does that mean for a dental practice? Where do you start? Where do they come from? Why should you care?

By looking at many different practices, you can derive an "average" of what practices achieve in certain measurable statistics.

For example: The ADA and many other dental organizations gather this information from surveys that they send out every year. Take the number of new patients seen in a practice over the year. If five practices respond with the following results:

FAKE SURVEY RESULTS	
New Patients in 2014	
Practice #1	150
Practice #2	50
Practice #3	125
Practice #4	100
Practice #5	75
Total	500

You would read that "average" is 100 new patients. (500/5 responses)

The tricky part is determining if you are a part of the average. What happens if Practice #1 is in a rural area, Practice #2 is in a metropolitan area, and Practice #5 is in the desert? This is one of the many reasons looking at combined stats aren't a good indicator of where you should be aiming your practice.

The better way to look at the KPI would be to look at the top end of what is being achieved. What did they do to get to 150 new patients?

The list of KPI's in this report are the numbers I've seen in practices of varying sizes that when are reached, can be huge profit centers for the practices. Most importantly, **these are not** pie in the sky numbers. These are real numbers I've seen clients achieve.

To put it into medical terms: A KPI is like a medical diagnosis for your dental practice. By looking at the vitals (the KPIs) you can keep up with how healthy or sick your dental practice is in business terms. (Special thanks to Dr. David Maloley from <http://relentlessdentist.com> for that analogy)

Do you want surprises to come up with your health? Then you should be keeping up with your body.

It's the same with business.

Don't want any surprises to come up in your business? Then you should be keeping up with your business's numbers.

If I haven't driven it home yet, the most **critically important business skill** you can learn is how to keep on top of your business's performance. The best way to do that is by keeping up with your KPIs.

HOW TO REALLY LOOK AT YOUR KPIS

WARNING:

You will never be able to improve your practice if you are not honest with yourself. When you look at these numbers in relation to the reality you are experiencing, do NOT start coming up with excuses.

If you truly want to make your practice better, follow these steps when looking at what is attainable in your practice. This is the same process used in Fortune 500 companies when setting multi-billion dollar goals. It will work for you too. (As long as you follow it)

1. Get a piece of paper and pen out. (Don't use your computer) There are very serious subconscious elements at play when you physically take something from your mind and put it onto a piece of paper.
2. Scan through the list of important KPI's. Pick the one that you feel you are likely to be perform the worst in. Write it down.
3. Write down the number that you are experiencing in your practice that goes with #2.
4. Pick the top three reasons you believe the number from #3 and #2. (Note: This is where you have to be honest with yourself. Don't allow yourself to make an excuse here. Just write it down)
5. Take a moment and determine if the explanations in #4 are an excuse or are something outside of your control. (Hint: 99% of these are just excuses)

6. Write down at least three solutions to your excuses. If you get stuck, reach out to a mentor, coach, colleague, spouse, dog, or anyone and see what they have to say about your issue. You'll be surprised what adding another person's perspective to the mix can do.
7. Act on those solutions while keeping your goal (the number you picked out in #2). Feel free to set a short term, (less than three months) medium term, (less than six months) and long term goal. The most important action is to set the goal.

If you feel that this is a silly exercise, don't cheat yourself. How much is fixing your practice worth to you? Would you be happy with an extra \$15,000 a month? Is being a little *silly* worth that to you? What are you truly risking?

Note: If you need help on [how to track your dental key performance indicators, check out this guide](#).

Now that I've introduced you to the challenges you are facing as a practice owner and how to use these numbers effectively, we are onto the numbers!

THE THREE KEY NUMBERS FOR ANY DENTAL PRACTICE

#1 - Wages and Salaries including payroll taxes and employee benefits (not including associates, the owner's salary, or salary for the owner's family members)

Big Picture Goal: 25% of net productions. If you have stable and consistent earnings, you can use collections, but net productions are a better indicator overall.

Subgoal: Of the 25% compared to net productions, around 1/3rd should be hygiene. (or around 8% to net productions) That leaves 17% for the office manager, the front desk, and dental assistants.

Subgoal: For every \$35,000 in monthly collections, you have one front office staff.

Where you should look if you don't meet the standard:

- Are you overstaffed? (Don't ask your staff this question, they'll tell you they are understaffed)
- Are you overpaying your employees? (Not necessarily a bad thing, if they are worth it)
- Is this a production problem? (If you increase production, can you keep the same staff on hand without increasing costs?)
- Can you cut hours? (Look at your needs, not your employee's needs when considering this)

#2 - Dental Supplies

Big Picture Goal: 5% of net productions.

This can vary a bit depending on the services you offer. But 5% is where you should set your sights.

If you need more help on lowering your supply costs, I wrote a set of posts covering this exact topic which you can find here: [How to lower your dental supply costs.](#)

#3 - Hygiene Rule of Three:

Big Goal: Hygiene should equal 1/3rd the production for the practice.

Big Goal: Hygiene should be compensated at 1/3rd production.

Big Goal: Less than 3 hours a week unscheduled/cancelled hygiene scheduled per hygienist. (also called open hygiene)

Where you should look if you don't meet the standard:

- What is your average daily production for each hygienist?
- What is the average production per patient seen from each hygienist?
- What is your recall efficiency? (How many hygiene patients reschedule?)

Note: If you just can't figure the hygiene department out, I have some consultants I've worked with in the past who really can knock this stuff out of the park for you, [shoot me an email](#) and I'll put you in contact.

To recap:

The three base numbers every practice should keep track of are the three big picture stats here. If you keep these numbers in line, you will have the basis for a fantastic practice. However, this isn't the end all be-all of every practice.

THE BIG LIST OF ALL THE OTHER KPIS FOR YOUR PRACTICE

Hygiene

Baseline goal per hygienist is \$1,200/day in production, per hygienist.

That is \$150/appointment with 8 - 60 minute appointments on average. Prophylaxis, exam, fluoride, and x-rays once a year. SRP and other Perio exams as needed/allowed.

Recare efficiency 75%. Meaning 75% of patients reschedule.

New Patients

For established practices, you need between 1-2 new patients per working day, per working dentist to prevent stagnation and to continue growth. If you are in growth mode, this number needs to be exponentially higher.

Lab Fees

Highly variable depending on service mix, goal is 6% of net productions. If you do a lot more volume of crowns and the like, this can be a bit higher. (But keep in mind if that is the case you may be overpaying for your lab fees, or you may not be charging enough for your services)

Case Acceptance

Goal is 75-80% accepted of total presented, in \$ terms (Note: Important to not do only small cases to artificially inflate this %. I.e. Don't be scared to present large cases just because you are afraid they will decline)

Accounts Receivable

Maximum is two months revenue. If this is higher, there is a serious flaw in the collections process.

Goal for accounts receivable is one month's revenue;

85% 1-30 days

5% 30-60 days

10% over 90 days (uncollectible and sent to collections)

Note: 10% of one month out of twelve equals 0.08% in annual revenue

You should always be on the lookout for accounts receivable over 30 days that is an outstanding insurance claim. (You'll be surprised what you'll find)

Credit Card Processing Fees:

1.75% effective rate - Take your total merchant fees and divide by your total credit card transactions to get your effective rate. (Be sure to compare the correct month's fees to sales) So for example let's say you had \$40,000 in credit card transactions and paid the merchant company \$2,000. (With fees, rental charges, PCI charges, one off fees for small transactions, etc.) You'd have a 5% effective rate.

If you are paying more than this, contact me and I'll connect you with vendors that will lower this.

Broken Appointment Rate

Ideally this will be less than 5%.

How to Calculate the Number of Active patients

Take your total number of Prophies or recall exams / two for "regular patients".

Or you can count the charts of patients seen in past 18 months.

Dentist Take Home + Perquisites (before investment)

45-50% if a single owner practice with no associate.

Advertising

I believe in excluding advertising from overhead if it is over 2%. Why? Because for growing and ambitious practices advertising needs to be considered an investment, not overhead. I believe as much as 10% or more of revenue can be dedicated to advertising in the right areas and practices. (As long as it's effective)

Associates

Typical collections to bring in an associate is approximately \$900,000 a year. Don't consider adding a partner until roughly \$1,500,000 in collections a year. (Cash flow won't be high enough without it)

WHAT TO DO AFTER YOU LOOK AT YOUR DENTAL KPIS

Hopefully you've incorporated the exercise from earlier in this report.

I hope that you use these guidelines as a way to start improving your practice.

Unfortunately, there's *a secret*. It **won't always be easy**. You'll invariably **get stuck** at some point. You'll be **frustrated**. You'll feel like you are **spinning your wheels**. You'll feel like you can't get enough done during the day or don't know which way to turn to get past some hurdle.

Maybe you are already facing a challenge in your practice and life.

How much time you spend on that hurdle is up to you. I'm here to help you get past those hurdles.

Here is my promise to you.

I'm sending you an email in the next couple of days that is going to ask which of these KPIS you are having the most trouble with reaching.

Through my connections in the industry, I'll find someone who can help you with your challenge and we will show you how to get from where you are, to where you should be.

What do I ask of you? Simply two minutes of your time to fill out the survey. This is all free and my gift to the dental industry. I wish you all the best for you and your practice.

A handwritten signature in black ink that reads "Jonathan VanHorn".

Jonathan VanHorn, CPA and Dental Coach