HOW TO INCREASE THE INCOME FROM YOUR PRACTICE

By Roger P. Levin, DDS
Introduction

If the recent economy has taught us anything, it is that dental practices are not recession-proof. A return to growth, profitability and higher income requires a business model based on increasing practice production. All good businesses have systems that lead to higher production, and the best businesses have the best systems. With most doctors experiencing significant losses in their investment portfolios during 2008–2009, dentists and specialists are counting on their practices to make up for lost income and savings.

Dentists can no longer operate their practices as they did five years ago and expect to achieve the same degree of success. Up until that time, dental practices grew predictably, and practice production—as well as doctor income—would increase accordingly.

New Economy, New Tools

Today, dentistry faces a very different market situation. According to the Levin Group Data Center™, 75% of practices have declined in production over the past five years. Competition has become much more intense, due to the increased supply of dentists, a decrease in the number of new patients and less demand for dental services.

These conditions have rewritten the rules for the dental profession forever, making it clear that dental practices today have no choice but to operate as excellent, well-managed businesses in order to maintain an acceptable income.

A Blueprint for Growth

To succeed in today’s more challenging dental economy, every practice needs a blueprint for growth. Leaders of most mid-sized and large corporations learn how to create and use such blueprints at places like the Harvard Business School, the Wharton School, the University of Chicago Booth School of Business and other sources of leading-edge business education.
Dentists, in contrast, are schooled in clinical subjects and receive little or no training in how to run a business. Now, confronted with business challenges, practice owners must quickly learn the basics of business management and marketing, beginning with creating a blueprint for growth.

Today’s blueprint is based on a three-step method for increasing production and income: **Analyze – Implement – Grow.**

Based on our experience increasing production for more than 25,000 clients since 1985, Levin Group understands exactly what doctors must do to adapt their businesses to the realities of the new dental economy. Each practice has its own particular needs, but these three powerful concepts, when properly applied, will launch practice production and doctor income on a growth trajectory.

1. **Analyze** your challenges and opportunities
2. **Implement** the necessary systems to address the challenges and take advantage of the opportunities
3. **Grow** your production and income

Your practice is the best investment you ever made, and it can generate even greater returns when these three steps are applied.

**Growth Starts with Systems Analysis**

Every highly successful practice operates as a fine-tuned, efficient business that focuses on exceptional care for each and every patient. Even though signs point to an economic turnaround, the new dental economy requires that practices have documented systems in place.
Without efficient systems, doctors often end up running highly stressed practices that fail to achieve maximum profitability. On the other hand, improving the business systems of the practice enables the dentist to:

- Work smarter
- Drive production growth for the practice and income growth for the dentist
- Experience far less stress
- Reach financial independence years earlier
- Enjoy high professional satisfaction throughout their careers

**Why Analysis is Essential for a Dental Practice**

The best method to determine the state of your systems is to have your practice analyzed by a dental business expert. A certified analyst will carefully examine all the core areas that impact production. Levin Group refers to these core areas as *The 9 Areas of Expertise*, which are essential to the success of every dental practice.

Levin Group analysts, for example, use the renowned Levin Group Practice Production Matrix™ to observe practices and evaluate their potential in *The 9 Areas of Expertise*.

The nine areas are:

1. Production
2. Collections
3. Team Building
4. Scripting
5. Case Acceptance
6. The New Patient Experience
7. Hygiene Production for GPs
   (Treatment Coordinator for Specialty Practices)
8. Scheduling
9. Marketing
### TAKE THIS SHORT ASSESSMENT

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<tr>
<th></th>
<th>YES</th>
<th>NO</th>
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<tr>
<td>1. Has your total practice production increased by at least 15–18% over the past 12 months?</td>
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<td>2. Is the average production per patient higher today than it was a year ago?</td>
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<td>3. Is the average production per new patient at least double than it was five years ago?</td>
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<td>4. Were 98% of all patients scheduled at all times for the last 12 months?</td>
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<td>5. Do staff members present 90% of cases, with doctors finalizing the presentation, reviewing what was presented and answering questions and objections?</td>
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<td>6. Does the doctor spend 98% of his or her time focused directly on patient care?</td>
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<td>7. Does front desk staff handle all scheduling without engaging the doctor?</td>
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<td>8. Does the practice collect 99% of money owed?</td>
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<td>9. Do more than 50% of your current patients refer at least one new patient every year?</td>
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<td>10. Do patients who owe the practice money receive a phone call the day they are overdue?</td>
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Yes score: _____ /10

Doctors with strong practice systems should be able to answer “yes” to at least nine of those questions. These 10 questions are just a small part of what Levin Group practice analysts are trained to explore and interpret for dentists and specialists. Remember, trying to understand your challenges by yourself, while you’re treating patients and managing staff is almost impossible. Most doctors do not have the time or the business acumen to identify what is holding back their production and income—only comprehensive analysis can do that.

Production represents the single most important business factor in operating a successful dental practice. While outstanding patient care is critical, dental practices are businesses. Without increased production, dentists will experience lower profit, reduced income and decreased savings.

**The Long-Term Benefit of Practice Analysis is Income Growth**

Investing in practice analysis is one of the best decisions any doctor can make. Levin Group maintains that practices that regularly upgrade their systems can increase revenue by millions of dollars over a 20-year period. We have seen this demonstrated repeatedly as our client practices have transformed themselves into highly systemized and organized businesses with consistently increasing income.
If you want to improve your practice and increase your income, you need to start with Practice Analysis.

Here are the Top 5 Reasons practice analysis is the essential first step toward increasing practice production and profitability:

1. Clarity

Being the CEO of your practice is a challenge. But if you can't see where you are or where you're going, managing your practice becomes almost impossible.

Only when you can see your practice's performance accurately and objectively can you make the best decisions. Practice analysis gives you that clarity.

2. Confidence

Clinically, you have all the confidence in the world… because you spent years and years learning clinical techniques at dental school, residencies and CE courses. Business is a different story. You didn’t spend years at business school, working on an advanced degree. Without that kind of business education, it’s hard to know what to do, especially in this economy.

Practice analysis gives you the accurate and in-depth information you need to move forward with confidence.

3. Expertise

You may have your suspicions about why your practice isn’t performing up to its potential. You may be right on the mark… or completely off base.

Just as you wouldn’t recommend that patients diagnose themselves, I don’t recommend that dentists analyze their own practices. When it comes to the business of dentistry, it’s best to rely on an expert.

4. Convenience

In the Levin Group analysis model, for example, a certified business analyst comes to your practice and conducts the analysis on-site at your practice… with minimal disruption to your normal activities. You don’t have to leave your office.

The process of practice analysis should be convenient for you and your team.

5. Peace of Mind

As the practice owner, you’ve got a lot on your plate. You’re caring for patients, coaching your team, answering questions, talking with other doctors, meeting with vendors, and all the while you’re trying to manage the business side of your practice.

How can you make the right business decisions when you’re not sure you have the right information?

Practice analysis gives you peace of mind, so you can make the best decisions regarding practice improvements.
Practice Analysis Case Study #1

I recently met a new Levin Group client whose situation illustrates the importance of analysis and its impact on production. Her successful practice generated $1.2 million in annual production. Although her office would be considered to be doing well, she was motivated after attending one of my seminars to gain a better understanding of her practice’s true potential. So she engaged Levin Group for a Practice Performance Analysis™.

When we analyzed her practice, we discovered that her overhead stood at 71%—far higher than the 59% target we recommend for general practices. Even a quick mathematical calculation indicates that at 71% overhead, this dentist still made a significant amount of income.

However, a second computation—this time based on the 59% target—suggests that she will have considerably more income at her disposal once she implements the proper systems to take control of practice overhead. Her hunch about her practice holding unrealized potential was correct. Her high level of production actually “masked,” at least temporarily, other financial problems in her practice.
Practice Analysis Case Study #2

As a consulting firm whose expertise dentists and specialists have relied on since 1985, Levin Group understands one thing very clearly—each office has its own distinctive challenges.

Another new client faced a serious problem and knew he had to do something, but didn't know what. His practice was on pace to experience a production decline for a fourth year. In the last year alone, his production declined from $925,000 to $815,000. He read about the Practice Performance Analysis™ on the Levin Group website and thought bringing in an outside expert for an objective evaluation sounded like a good idea.

When we conducted our analysis, the Certified Practice Analyst met with the office manager to get a sense of how the office was being run—what team dynamics were in play and how effective the existing systems were. After that interview, the analyst suspected the practice systems had become outdated. His suspicion was confirmed when he performed an in-depth, three-year analysis of Key Production Indicators™, including:

- New patients
- New patient production
- Large-case production
- Total production
- Number of referrals from patients and/or doctors
- Case acceptance rate
- No-shows and last-minute cancellations
- Scheduling capacity vs. actual scheduled patients
- Overhead

The analyst diagnosed the doctor’s challenges and laid out the solutions, including a path to implementing new management systems, as well as recommendations for the most appropriate marketing programs to attract new patients.
Conclusion

A practice analysis can be vital to a practice's future. Just as large corporations bring in outside experts to analyze their operations, dentists should use this same method before making significant changes to their practices. It is only when the obstacles are accurately identified that the best solutions can be implemented.

When asked about their practice goals in today's economy, dentists respond:

1. Continually increasing production
2. Continually increasing profit (income)
3. Continually increasing patient referrals
4. Achieving a low-stress environment
5. Enjoying high professional satisfaction
6. Reaching financial independence as soon as possible

Even though dentists may prioritize these differently, I have never met a doctor who did not want to achieve all of these goals. The knowledge that is revealed through a professional practice analysis will provide doctors the expertise that they need to achieve them all.

Increasing production and doctor income is not something only elite practices can do. It is something that any practice can do by applying the principles outlined in this whitepaper and accessing expert guidance at the proper time to create a highly productive practice.

Your First Step to Higher Income — A Practice Performance Analysis

Just as dentists perform a comprehensive New Patient Exam before developing a treatment plan, real-world businesses call in outside experts to evaluate their current situation before developing a blueprint for growth. Levin Group offers this vital business service—the Practice Performance Analysis™—to dental practice owners. Conducted at your practice with minimal interruption to your business operations, the analysis will give you the information you need to make positive changes in your practice.

Our Certified Practice Analysts are highly trained business experts. In addition to the insights gained from the over 150 practice visits they each make every year, our analysts continuously analyze Levin Group data, along with that from other major organizations in dentistry to ensure that the most current and best possible information is included in every analysis they perform. They are expert business analysts who focus SOLELY on dental practices.

Get the peace of mind you deserve... with a Practice Performance Analysis™. More than 5,000 dentists and specialists have used this analysis to gain a better understanding of their practice. You owe it to yourself.

To find out how one of our Certified Practice Analysts can provide the objective information and insights you need to increase production and income as well as reduce stress, call 888.973.0000 or visit www.levingroup.com/analysis.