

# THE EIGHT PERMANENT GAME CHANGERS

By Roger P. Levin, DDS



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Virtually all economists, financial leaders and politicians were taken by surprise when what we now call the Great Recession began in the final days of 2007. Triggered by the collapse of the US mortgage-backed securities market and fueled by climbing food and oil markets, the recession devastated the global economy. In its wake, investment markets plunged, businesses large and small retrenched, capital markets dried up, and vast numbers of Americans found themselves unemployed or underemployed.

Initially, many older dentists remained calm. After all, they had weathered quite a few recessions in the past. But by 2009, even they had become pessimistic about the future. The dental market in which they operated had changed profoundly and permanently. The old rules no longer applied. The old vision of uninterrupted career success and early, comfortable retirement had faded.

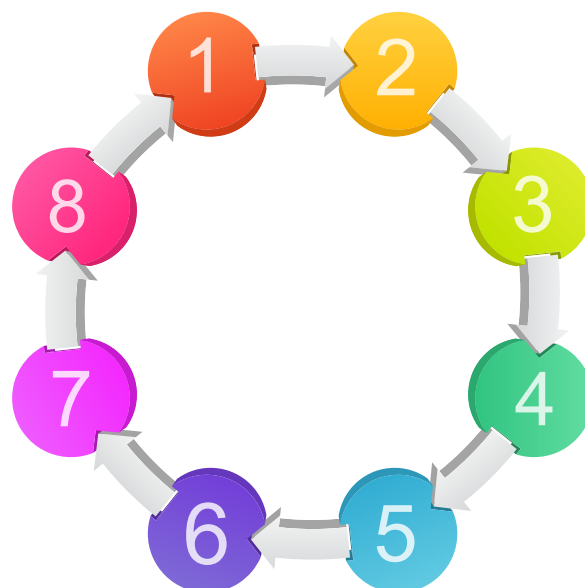
## Added Pressures on Dentists

In addition to the impact of the recession and its aftershocks, dentistry also faced its very own set of rising challenges to the status quo. By themselves, these issues might have been confronted and dealt with successfully over time, without causing any great harm. But in the context of the wounded economy, they are raising the threat level for dentists dramatically.

Taken altogether, these factors comprise what I call the **8 Permanent Game Changers:**

1. The Great Recession and Uninspiring Recovery
2. Changes in Consumer Purchasing Habits
3. Opening of New Dental Schools
4. Decrease in Insurance Reimbursements
5. Expansion of Dental Service Organizations (DSOs)
6. Higher Dental School Student Loan Debt
7. Fewer Associateship Opportunities for New Dentists and Specialists
8. Dentists and Specialists Practicing 8–10 Years Longer

As you look at this list, understand that everyone who depends on dentistry as a livelihood, regardless of how well they may be doing today, will be profoundly affected by these game changers. At Levin Group, we have researched how our clients can successfully navigate the changes and generate rapid growth in the new dental economy. Following are some highlights of these critical challenges and recommendations for effective responses.



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**1. The Great Recession and Uninspiring Recovery** – The sharp decline of the economy has reduced demand for virtually all dental services across the board. Many patients have become inactive. Hygiene visits have been cut. Fewer prospective new patients are showing up. More patients are rejecting treatment unless they are in pain, and multi-tooth treatments plans are far less likely to be approved. Practices are also experiencing more cancellations and no-shows, as well as problems collecting money they are owed.

**Response:** When CEOs find themselves in a tight market facing increased competition, their very first steps are defensive. They move quickly to protect what they have—for a dental practice, this means existing patients—and make the most of it. This strategy includes such measures as:

- Activating inactive patients, communicating that they have been missed, reminding them that they are overdue for hygiene and routine exams, and enticing them with a free offer (comprehensive exam, whitening, etc.)
- Finding innovative new ways to improve customer service—strengthening relationships so current patients are less likely to leave the practice and more likely to make referrals
- Asking current patients for new patient referrals, offering incentives for them and those they refer, and providing a simple brochure explaining why they should refer
- Tightening collections systems to get all the money the practice earns
- Developing systems for taking greater advantage of dental insurance and helping patients maximize their benefits
- Sharpening case presentation skills for immediate gains in case acceptance

**2. Changes in Consumer Purchasing Habits** – Anxious and uncertain, many prospective patients have begun to either shop around for lower fees or postpone dental care altogether... further reducing production. Though this behavior is not limited to the dental market, it is particularly troublesome for dental practices because professional oral health care has now become a lower priority for many people. Patients may intend to resume seeing their dentists regularly in the future but, meanwhile, production levels are suffering.

**Response:** When patients become cautious about spending their money, practices must develop strategies that compensate for this new behavior, including:

- Appealing to patients' desire to conserve money by using the "power of free"... offering free whitening or other services to entice them into the practice
- Promoting a range of financing options, including outside patient financing, to make costlier treatment more affordable
- Emphasizing motivation, not merely information, in case presentations to gain more acceptance
- Maintaining cordial communications with patients who are currently "holding off" on visits or treatment, so they will remain loyal to the practice until they decide to resume dental care



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**3. Opening of New Dental Schools** – This is already having an effect and will lead to an even greater supply of dentists in the not-too-distant future. According to a special report published by the ADA in 2011, eight new dental schools had opened since 2001, with two others planning to do so<sup>1</sup>. Dentistry attracts many bright young people, and schools across the country have recognized it as a growing academic market. In a way, this is a very good sign for our profession. However, more dental schools mean more new dentists entering the market. With active patients in short supply, this game changer will heighten competition and decrease average per-doctor income.

**Response:** The intent of some new dental schools is to help provide new dentists for under-served areas. Nevertheless, many of the graduates will surely seek to establish themselves in other more populous and prosperous communities. Rather than assuming that their patients will remain loyal, established dental practices should preempt losses to young dentists. They can do this by building value with patients to strengthen relationships and loyalty. Practices should also create strong branding strategies to achieve top-of-mind awareness in their communities.



**4. Decrease in Insurance Reimbursements** – Some insurance companies have already lowered reimbursements by as much as 15%, with more to follow. For example, one major dental insurer has now cut reimbursements in four states—Idaho, Washington, Connecticut and New Jersey<sup>2</sup>. Practices were already experiencing reduced production because many people have lost dental coverage, whether due to unemployment or reductions in benefits. Now, practices are suffering further losses as insurers reduce fees for covered procedures.

**Response:** The practice should collect and monitor data to ascertain which insurance companies are currently accounting for the most patients, the greatest per-patient income, the most total income, etc. It is also wise to stay up-to-date on insurance plans the practice does not accept, as they may become more attractive. The dental insurance industry is in flux and seeking ways to save/make more money, so dentists should be prepared to respond quickly when the numbers suggest that it's time for a change. Meanwhile, help patients get the most out of their policies (which, of course, also means more production for the practice). It is also wise to develop systems and scripts to gain greater acceptance of elective dentistry that insurance does not cover. To accomplish this, emphasize patient benefits, value and affordability of recommended elective treatment.

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**5. Expansion of Dental Service Organizations (DSOs)** – This relatively new business model was already gaining in popularity before the Great Recession. Now the tight economy is working in DSOs' favor. With economies of scale on their side, these businesses pose stiff competition for traditional solo practices by promoting a lower-priced alternative and accepting more insurance. Just as big-box retailers were able to take commanding market share from "mom-and-pop" shops, DSOs have the potential to transform a geographic market virtually overnight with well-funded advertising campaigns and sales promotions. In just two years (from 2009 to 2011), large dental practices increased their total of dental offices nationwide by 25%, from 2,000 to 2,500<sup>3</sup>. If there is not yet a DSO office competing with your practice, there probably will be before long.

**Response:** As relatively large corporate entities, DSOs have tremendous financial resources they can use to quickly establish their offices in new markets. With strong branding, media clout and promotional programs, DSOs can pose a serious challenge to conventional solo practices. Most likely to campaign on the basis of lower costs, acceptance of more insurance, and possibly convenience or "hot" new dental technologies, DSOs can best be fended off by building value—based on such factors as personal attention, strong customer service, extensive experience, community involvement and uniqueness (in contrast to the "cookie-cutter" image associated with large companies that have many offices). The sooner such countermeasures begin, the better.

**6. Higher Dental School Student Loan Debt** – The average senior graduating from dental school in 2011 was burdened with a record-breaking \$203,374 in student loan debt<sup>4</sup>. To meet their financial obligations, many young dentists may take whatever dental employment they can get... such as an entry-level position with a DSO offering lower-priced dental services. They may also open solo practices, becoming aggressive new competitors who may well adopt a low-price strategy to get their start-up business off to a fast start.

**Response:** Dentistry is one career in which youth is not generally regarded as a virtue. Young, debt-ridden dentists will be inclined to compete on a price basis and will likely accept any patients who walk through the door... including those who may have trouble paying. A value strategy—including such message elements as advanced clinical skills, vast experience, maturity, nurturing staff, and so on—will make the most sense in this situation.

**7. Fewer Associateship Opportunities for New Dentists** – Based on our conversations with thousands of dentists, we at Levin Group believe there has been a dramatic drop in the number of associate positions being offered today. The reason we hear most often is that practices cannot justify adding another dentist when there is not enough production to keep the existing dentist as busy as they would like. This phenomenon will also probably push young dentists toward DSOs or opening their own practice. Either way, competition for patients will increase.

**Response:** Though this situation may not last as long as some of the other game changers, it will intensify competition in the immediate future. Established practices should deal with it in much the same way as with game changers #3 and #6.

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**8. Dentists Practicing 8–10 Years Longer** – For many dentists, the recession and its repercussions have shattered their plans for retirement. The damage has come in three forms:

1. Production is flat or declining. As of this writing, 75% of practices have reported declines in the past four years, according the Levin Group Data Center™.<sup>5</sup>
2. Investment portfolios were devastated. Market losses have set back retirement savings for years. For example, the Dow Jones Industrial Average plunged 53.9% from a 10/9/07 peak to the bottom on 3/9/09.<sup>6</sup> Markets, and retirement funds along with them, have been recovering, but four to five years have been lost.
3. Practice values have dropped dramatically. Many dentists can no longer assume that proceeds from selling their practice will be the financial key to their retirement.

Taken altogether, these negative factors will require many older dentists to continue practicing long beyond the time they had planned to retire. This is bad news not only for those individuals but also for the market as a whole, in which there will be that many more practices competing for patients and production.

**Response:** For the mid-career dentist, this game changer makes marketing much more challenging. If young dentists take share at the lower end of the market and DSOs woo away other patients with smart ads, social media campaigning and promotions... what's left? Positioning the dentist as the experienced professional who provides personal care. Mid-career dentists will have to share this market niche with older dentists whose retirement has been delayed. To compete effectively, practices must intensify marketing efforts while streamlining operations to maximize profitability.

## Conclusion

Levin Group performs its In-Office Practice Analysis™ for practices seeking an objective diagnosis of where they stand as a business and insight about how they can accelerate growth. When our Certified Practice Analysts report the results, they always include a SWOT analysis. SWOT stands for Strengths, Weaknesses, Opportunities and Threats. The last category—threats—is the most interesting in regard to the 8 Permanent Game Changers.

In one sense, all of the game changers can be considered threats. However, as the best business leaders know, a threat is almost always an opportunity in disguise. It will precipitate change, and those who anticipate and understand how it will change their market can develop innovative new strategies for success. The business of dentistry has been changed forever, yet it is and will still be an attractive and rewarding profession. It will simply evolve into a more sophisticated enterprise. By incorporating excellent management and marketing systems, dentists will create a new, more viable business model. Most important, they will provide outstanding oral health care more effectively and efficiently than ever.



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### Dr. Roger P. Levin

Dr. Roger P. Levin is a third-generation general dentist and the Chairman and CEO of Levin Group, Inc., the largest dental practice consulting firm in North America. A keynote speaker for major dental conferences, Dr. Levin presents more than 100 seminars per year. He has authored 68 books and more than 4,000 articles. In 2014, he received the Dental Excellence Award for Best Practice Management Consultant from *DrBicuspid.com*. For the past 12 years, he has been named one of the "Leaders in Dental Consulting" by *Dentistry Today* magazine.



## ADDITIONAL RESOURCES:

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