



PRACTICE PRODUCTION

WHITEPAPER SERIES

By Roger P. Levin, DDS 

THE POWER OF PRACTICE ANALYSIS

Levin Group Inc.



www.levingroup.com

10 New Plant Court, Owings Mills, MD 21117 • 1658 South Priest Drive, Tempe, AZ 85281



THE POWER OF PRACTICE ANALYSIS

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Dental and specialty practices, like any well-run business, must know the state of their practice. This is harder to accomplish than one would suspect.

In a recent best-selling book about business management, authors Paul Nunes and Tim Breene focused on case studies of Fortune 500® companies. One very interesting aspect was the fact that very few CEOs understand when their companies are about to encounter trouble. The authors revealed a telling statistic that only 7% of companies entering into a “stall” or “decline” phase ever emerge from it.

Applying this trend to dentistry suggests dental practices hitting plateaus are unlikely to experience significant growth again. On the face of it, it seems ridiculous that plateaus would be difficult to detect. Most dentists and specialists believe that a plateau is quickly discernible because production numbers decline. Unfortunately, this is frequently not the case.

Financial performance is often the last phase of practice plateau. Dentists and specialists typically focus only on the financial aspects of performance to gauge whether the practice is performing successfully. If revenue is going up, doctors are typically happy. If revenue is flat, many dentists and specialists take 3–5 years before they decide to address this as a critical practice issue.

How can a practice not realize that it is in decline? In fact, there are practices that can continue to have increased revenues even when fewer patients are presenting to the practice due to:

- Raising fees
- Exiting lower cost insurance programs
- An uptick in patient referrals or a growing community

Despite the seemingly positive revenue numbers, the practice is actually in trouble even though it may take one, two or three years for financial performance to plateau. To avoid such plateaus and declines, practices should seek guidance from outside experts.

The Need For Objective Practice Analysis

Just as dental patients have regular checkups, practices themselves need to be examined periodically. It is important for dentists to have a solid understanding of the state of the practice before making any significant changes in their offices.

I do not recommend making significant changes that can be costly and time-consuming without first analyzing the practice. Levin Group analyzes approximately 1,200 practices each year and the detailed reports we compile speak volumes about the state of dentistry.

Assessing the Practice And Establishing Targets

The process of analyzing practices begins with an in-depth examination of Key Production Indicators™ (KPIs), including:

- Case Acceptance
- Referrals (patient and/or doctors)
- Scheduling capacity vs. actual scheduled patients
- Collections

Once these areas are examined, a clearer picture emerges of where the practice needs to make changes. The list of possible challenges in a practice can be extensive. The only way to positively rectify each one is to establish performance measurements known as targets, which become an integral part of the assessment process. For example:

- **Insufficient case acceptance**

When new patients come to the practice, they must feel that there is no need to put off treatment. If patients view dentistry as a commodity, that perception should cease the minute they enter your office. The New Patient Experience should be motivating for patients.

Target: Achieve more than 90% case acceptance.

- **Few patient referrals**

No matter how satisfied they are with the practice, few patients will think to refer others unless teams specifically ask them to. A strong patient referral program should be in place that uses proven strategies such as patient appreciation programs, patient testimonials, messages in patient correspondence, brochures and mailers.

Target: Increase patient referrals by 30% in six months.

- **Declining doctor referrals**

Losing a single top referrer can have a significant impact on a specialty practice. Often, a top referrer is responsible for \$100,000 to \$250,000 in production a year (and sometimes more). Without an effective referral marketing program in place, new referral sources cannot be cultivated.

Target: Institute a structured referral marketing program to gain one additional top referrer in the next three months.



- **An uneven schedule**

Are afternoon hours overbooked while morning hours have multiple openings in the schedule? Many practices unconsciously allow patients to run the schedule more so than the practice. Effective scripting should be in place to guide patients into appointments times that are more convenient for the practice.

Target: Transition 20% of afternoon appointments to morning and mid-day.

- **Overdue collections**

As the economy continues to underperform, more patients face difficulties paying for treatment. Should down payments be lowered? Does the practice have accounts overdue by more than 30 days? 60 days? 90 days? Practices must rein in overdue accounts as soon as possible with effective scripting and efficient tracking.

Target: Within the next five months, create a system to track payments and follow up quickly.

- **Unwritten and undocumented systems**

When long-term team members leave the practice, they often take knowledge of most of the practice's unwritten and undocumented systems with them. The practice faces significant challenges when new individuals fill these positions. The doctor and the rest of the team invariably suffer greater stress as a result. Documented systems are the best way to train the team.

Target: Implement documented, step-by-step systems within eight months.

- **Ineffective marketing**

Many practices tend to market only when production numbers are down. In fact, marketing is a year-round activity comprised of at least 15 customized strategies for both patients and doctors.

Target: Increase referrals by 20–30% via an effective marketing program.

- **Staff issues**

A smooth running team adds to practice growth. A dysfunctional team detracts from it. There are many possible staff challenges. Is there conflict between team members? Are staff members properly trained? Are they capable of doing what is being asked of them? What additional skills do they need?

Target: Establish training protocols for all team members in the next six months.

- **Out-of-date practice management software**

The lack of up-to-date practice management software serves to compound a practice's challenges. The doctor and staff members struggle with outdated software that has failed to provide a smooth workflow.

Target: Replace outdated management software in the next three months.

Clearly, practice analysis is no easy task. When performed correctly, it encompasses many facets, including production numbers, staff evaluation and even doctor leadership.

The office that doesn't understand the "state of the practice" is the one that never moves beyond plateaus and declines. Through effective practice analysis, there are remarkable growth opportunities for practices that understand their challenges and the targets they should establish as benchmarks for success. An effective analysis will give doctors a clear idea of their practice's strengths and weaknesses as well as its opportunities and threats.

One of the most important aspects of leadership is understanding that dentists and specialists cannot do everything themselves. It requires a talented team, established targets and proven systems to take a practice to the next level. The practice that understands the value of systems and trains staff on those systems is the office that grows in all economic climates.

Conclusion

In the day-to-day running of a practice, it is often difficult, if not impossible, to determine why production slows down. As practice owners and top producers, doctors are focused on clinical matters and have little time or ability to step back and objectively assess their offices. At times, an outside opinion about practice performance and operations is the only logical answer.

For more information about Levin Group's In-Office Practice Analysis, please contact us at 888-973-0000 or visit our web site: www.levingroup.com.



Learn More about Growing Your Practice, with a Dental Business Analysis



Before developing a strategic growth plan, real-world businesses call in outside experts to evaluate their current situation. Levin Group offers this vital business service to practice owners with an In-Office Practice Analysis™.

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



Dr. Roger Levin is a third-generation dentist and the Chairman and CEO of Levin Group, Inc., the largest dental practice consulting firm in North America. As a leading authority on dental practice management and marketing, he has developed the scientific systems-based consulting

method that will increase practice production and profitability, while lowering stress. Dr. Levin presents more than 100 seminars per year and is a keynote speaker for major dental conferences. He has authored more 66 books and more than 3,800 articles. Dr. Levin sits on the editorial boards of five prominent dental publications, serves as the practice management editor of *Compendium* and is managing editor of *Dental Business Review*. Dr. Levin is also a regular contributor to the *Journal of the American Dental Association*. He has been interviewed by *The Wall Street Journal*, *The New York Times* and *Time* magazine.

Levin Group is headquartered in Baltimore, Maryland, with offices in Phoenix, Arizona, and Marseille, France.