



Practice Transitions Made Perfect™

Newsletter Article Reprint

Profitable Plays in Unprofitable Times

January 2009

In the first edition of our newsletter each year we include an article about fees. This year as we all know, the economic calamity has hit Florida especially hard. With the recession adversely affecting every segment of our economy, a reduction in patient flow, treatment acceptance and income in doctors' offices has been seen everywhere. In general, we've seen anywhere from a 10% to 30% decline in practice revenues in 2008. So, where does this leave you for 2009 and, specifically, what should you do about your practice and fees?

In a recent survey by John McGill & Company, Inc.¹ dentists surveyed throughout the country reported that they continued to raise fees during 2008. For those doctors who did not increase fees however, there is an inherent resignation to a comparatively higher overhead and lower profits when looking at previous years. This has come about primarily due to the decrease in collections, but also as a consequence of the ever increasing costs of business (recession or not). The problem might be even more acute to practices participating in managed care programs since many of these plans require annual fee submissions. Failing to increase fees annually only reinforces their heavily discounted fee schedules.

ADS Florida, LLC has annually offered to our readers localized NDAS fee report to allow for a rational basis for setting fees. We have often looked at practices for valuation and transition only to find fees far below the area norm. Not only has this cost the practice revenue year after year on a compounding basis, but it further affects the purchaser of the practice who wants to bring fees in line with the local norms as quickly as possible. Unfortunately, the new practice owner is handicapped in the ability to normalize the fees and may face patient reluctance in increasing fees immediately after taking over the practice.

It is our recommendation that each practice select a fee schedule that accurately reflects the quality of care provided in their practice. All fees for services once set should be increased at the same rate across the board. Many doctors waste time and energy trying to adjust individual procedure fees based on the perception of patient and insurance company reactions. For 2009, many of those surveyed are still planning up to a five percent (5%) increase. Our recommendation is that an increase of at least three percent (3%) should be instituted. If that seems drastic, note that the majority of survey respondents reported fee increases of five percent (5%) or lower. As a point of reference, the CPI increase was approximately 4.9% for the period ending on September 30, 2008. It is important to remember that it is usually not possible for doctors who do not increase their fees annually to catch up or make up for years when they did not incrementally increase their fees simply by submitting large fee increases in any one year.

Doctors should consider that their primary business goal is to operate their office at optimal capacity doing the type of dentistry that the doctor wants to do. In addition to conservative fee increases this year, extending more liberal credit terms to patients may be necessary with the goal to help increase treatment acceptance and build goodwill with your patients.

Communications Strategy

You should further take this opportunity to examine your communications with existing patients. Studies have shown that it is easier and more cost effective to increase business from existing patients than to create new ones. Marketing is becoming more important as doctors constantly look for ways to get more patients in to their practice. Most however, spend virtually all of their marketing efforts on new patients forgetting about the existing patient base.

Doctors should be communicating with their existing patients at least every six months. A simple informational letter about changes in your practice or new procedures can be delivered for free via email or for minimal cost using regular mail. Now is an opportune time to reconnect with your patients, talk about the upcoming year and, at least remind them that their insurance benefits that have been reset as of January 1st.

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ADS Florida, LLC | 5100 Tamiami Trail North, Suite 106 | Naples, FL 34103 | <http://www.ADSflorida.com> | (800) 262-4119



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Treatment Presentation

Many of our successful offices have also revised their treatment presentations to reflect the recession. As we have always advocated for comprehensive treatment planning and presentation, many offices are now offering a deferral of the “complete” treatment plan in favor of a segmented plan.

While a comprehensive plan should be presented, if it is not accepted for economic reasons, consider offering to complete the treatment in segments over a defined timeline. Normally this will result in quadrant treatment that can be accomplished in only a few appointments with a minimum of time lost from work. Patients will be able to see immediate results of the treated area and will probably be more inclined to want to complete treatment.

In-Office Experience

Also consider your office strategy concerning new patients. What do your new patients want? Why have they come to your office? Ask them! Traditionally, we’ve all been taught to do a thorough clinical examination followed by a comprehensive full mouth treatment plan for all new patients. Especially now, your new patients may have left another office just because they perceived that they were being “over-treated” and did not want nor did they think that they could afford the recommended treatment. Take the time to talk to them and make them feel comfortable with you, your staff and your office.

As we all know, economies are cyclical and as they turn down they will also turn back up. Now is the time to comprehensively evaluate how your practice is positioned and make plans for this New Year.

¹ The McGill Advisory – Volume 23 Issue 11, November 2008.

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