



Practice Transitions Made Perfect™

Newsletter Article Reprint

From Hy's Desk: Overcoming the Financial Barrier

July 2009

In our e-newsletter last month, we discussed the question of whether practice values were declining due to declining production and collections. We found that in many offices, patients are not declining treatment; rather they're delaying it, most often due to financial constraints. This is a phenomenon that can be overcome, and in doing so, prove quite the boon to your practice.

It is estimated that between one-half (1/2) and two-thirds (2/3) of a practice's annual revenue can be found in existing patient charts as treatment that has been diagnosed and accepted, but just not started. It is also known that most patients want to complete treatment, but may postpone recommended treatment in a down economy.

But consider another interesting statistic: ninety-nine percent (99%) of patients pay their bills.

So putting this all together, I have found that in a down economy, if a patient has treatment to be done and they have accepted the fact that at some point they will have the treatment performed, the outstanding concern left to address is their immediate need for cash conservation. However, with the proper verbal skills and a well designed and managed internal financing plan, this concern can be alleviated, meaning a lot of dentistry can be completed, and paid for.

How is this accomplished? First, a written financing agreement has to be developed and available for use by credit worthy patients. For all intents and purposes, your established patients will be excellent candidates for credit as they have an ongoing relationship with you and your practice. Not only should you know a lot about them and their history, but, due to their relationship with you, it is very rare that they will not honor their financial obligation if it is made manageable for them. Depending on the extent of the dentistry to be done, you can establish reasonable terms for as much as nine months to a year with an installment plan that is amenable and accommodating to both the patient and your practice. When properly setup and administered, history shows that you will collect about ninety-nine percent (99%) of the fees charged.

The reality is, even in the case of non-payment, most of the write-off is the cost of your time. The other major expenses related to the services are the associated lab and supply costs. To mitigate the potential loss of these hard costs, it is also recommended that the one thing you absolutely get paid for up front is any laboratory or parts fee for the case. If explained that this is money that needs to be paid when you get the laboratory work back, this policy should be acceptable and understandable to the patient. If they cannot afford this relatively small "down-payment" for their treatment, then you should probably consider their credit worthiness.

For new and emergency patients, it is known that if a patient is in pain, they will pay to get relief. There is also a pretty good chance that if they are in pain, they have additional dentistry that needs to be done. Usually, this type of patient is less motivated to complete extensive dentistry, but if offered the opportunity, they will accept some treatment. If the treatment is started, these patients will return to complete it, eventually becoming active patients of your practice.

We know that if treatment is just diagnosed and even accepted only as needed, there is only a fifty percent (50%) chance that the patient will come back to start additional treatment. Accordingly, it is important to initiate as much dentistry as the patient will accept with terms that the patient will agree to during their initial visit. Again, if the lab fee is paid up front for dentistry started, the only out of pocket expenses are your time and minimal supplies. The odds of getting paid remain in the high ninety percent (90%) range.

It is acknowledged that your risk of non-payment is higher with new patients; but if you screen them carefully, even run a credit and employer check, you are still better off with a full schedule of treatment than sitting around waiting for patients to walk through the door. All of your fixed overhead continues, regardless of patients coming in to the office or not, which is the majority of your everyday cost of doing business.

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This process is much more cost effective than ramping up advertising to attract the new patients who may only be shopping for the lowest price in town. It not only takes advantage of time you've already invested in your patients, but keeps your overhead costs down, making every additional dollar of income more profitable.

The dentistry is in your charts, you just have to make it attractive to complete.

A handwritten signature in black ink that reads "Hy M. Smith". The signature is fluid and cursive.

Hy Smith, MBA
Managing Member

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