Industry survey results reveal

Business strategies used by dentists producing over $1.5 million

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A s a dentist and business owner, you are already aware of the importance of understanding key elements that will ultimately determine the success of your practice such as patient needs, personnel and operations. Interested in learning more about the daily challenges facing dentists, da Vinci Dental Studios developed a unique survey program. Extrapolating the information received from dentists throughout the U.S. has provided some significant insight into the dental industry.

The first step was to compile information direct from participating dentists in an easy to complete but comprehensive survey. Da Vinci then placed each participating practice into one of the following three revenue ranges (based on 2002 collections): $0-$749,999 (silver), $750,000-$1,499,999 (gold), and over $1.5 million (platinum).

The results of the survey were used to benchmark dental practices against a set of financial levels of the group as a whole. This created a revenue/profit matrix and underlying criteria for revenue growth of an individual practice. It is important to understand the structure of the “best practices” da Vinci found are from a financial and business perspective only. Some of the tools and ideas used by the platinum practices may help other offices reach a higher production level. The remainder of this article will explore three key business components platinum practices employ to reach their industry leading production.

**Patient Profiling**

Survey results indicated one of the key differences between silver and platinum level practices was the income level of patients. Platinum practice owners have reached the same conclusions bankers reached decades ago—high-income individuals bring higher profits and should be the focus of any marketing efforts. Dental practices in the platinum range appeared to be more geared to acquiring and maintaining an ongoing relationship with their high-income patients.

The da Vinci survey also asked individual practices to provide an estimate of their patient base among the following three income groups: patients who earn less than $50,000, patients who earn between $50,000 and $100,000, and patients who earn over $100,000. Survey results showed dental practices in the platinum range replace moderate and lower-income patients with higher-income patients as appropriate and available. While practices in the silver range had only 20% of their patients in the high-income bracket, practices in the platinum range had 37%, or almost twice as many of their patients in that income bracket.

**Treatment Plan Acceptance**

Survey results indicated another key to reaching a platinum production level is to have the tools, business focus, and ability to market and sell higher-end procedures. Cosmetic and implant procedures have been identified as two key factors to increasing revenue production in a practice. Da Vinci came to this conclusion in the following manner. In the survey, da Vinci asked dentists to provide a breakdown, by percentage, of the various restorative procedures they performed. Platinum-level practices, showed 18% of their procedures were for cosmetic procedures (porcelain veneers and porcelain jacket crowns) and another 10% were implant procedures (referring to restoring the crowns on the surgically placed abutment). Comparing these statistics to practices in the silver range the trend became very clear. Practices in this range do only 11% cosmetic procedures and 5% of implant procedures. This trend was further confirmed when da Vinci asked dentists to allocate their 2002 practice revenues across all procedural categories. Da Vinci learned that practices in the platinum range generated 27% of their production from cosmetic procedures and 11% from implant procedures, while practices in the silver range generate only 16% of their revenues from cosmetic procedures and only 5% from implant procedures.
So, why are these procedures so important to the financial success of your practice? Platinum practices seem to differentiate between need-based medical procedures such as maintenance and restorative work and cosmetic and/or elective procedures. Leveraging elective procedures allows the average hourly production and profit per operatory in platinum practices to increase dramatically. Whether it is a cosmetic or an implant procedure, it is the patient’s elective decision that drives revenue growth and has bottom line impact.

Example, the chair time difference between a crown versus an implant crown and the difference in fees between these two procedures. Da Vinci recognizes it is often difficult for insurance-driven or managed care practices to sell elective procedures; however, doing more laboratory-fabricated units is another key driver for revenues. A practice’s ability to schedule more high-value procedures, from pre-existing treatment plans, as opposed to low- or moderate-value procedures also has substantial impact on a practice’s production, as the practice is able to increase its production per operatory substantially. Da Vinci learned dentists within the platinum range produce about 900 lab-fabricated units per year, while practices in the silver revenue range produce only 340. Either through operatory efficiency or patient elected procedures, practices in the platinum revenue range generated more than twice as much during a production day ($4,347 vs. $1,978) and per visit ($596 vs. $232), compared to silver level practices.

Hire an Associate Dentist

The third key component of practice profitability, compiled from the survey, illustrated the addition of an associate, as opposed to a partner, is key to reaching the platinum level. Dentists in the platinum range averaged 1.4 owners/partners, which implies a second owner is not necessary to reach this production level. While bringing in a partner, much like an associate, allows the practice to increase capacity and therefore revenues, having the additional dentist (be a partner) in the practice does not bring with it the additional profitability that an associate does.

Another key staffing component to increase office efficiency and practice profitability is to vertically integrate the office staff into a support role to the dentist. This allows a dentist to minimize chair time while maximizing production without the loss of quality or impacted patient perception. While the owner of the dental practice in the silver range is 19% of the total staff, owners in the platinum range are only 11% of the staff. This means practices in the platinum group have a stronger supporting cast, which allows for greater patient throughput for the office.

Based on the information compiled from these grouped practices, the above-mentioned factors support appropriate quality and ethical practice growth. A healthy practice environment that reaches the platinum level is one that offers a good mix of demographics, a good patient experience, and an efficient and productive use of office staff. Not all of the information included in this article may be specific to any one type of practice; however, these business components have been shown to be important in increasing quality production. Regardless of which elements you choose to integrate into your practice, be sure to track your results and ensure your patients have a positive experience.

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