

statistics

The 10 Most Important Practice Management Statistics Orthodontists Should Track

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In the 1990s, orthodontic practice management was relatively easy. Most practices registered double-digit gains in profitability each year with little, if any, managerial effort required by the doctor. Unfortunately, that no longer happens. The tight economy, growth of managed care, increasing competition, rise of corporate dentistry and lower treatment acceptance rates have made the business side of orthodontics much more difficult.

Unfortunately, many doctors have not exerted the extra practice management necessary to keep pace, leading to a decline in profitability. Below are the most important practice management statistics that orthodontists should track (in addition to their practice overhead expenses) in order to regain higher profit margins.

1. Source and number of new patient phone calls – The front desk should record every new patient inquiry received, and note the marketing source from which it originated. Identifying the source of the new patient call helps evaluate the cost effectiveness of each marketing strategy employed, while the number of calls received helps gauge the success of the doctor's marketing effort.

2. Number of new patient exams – The front desk should also record the number of new patients that actually show up for their initial examination. Tracking this number and comparing it to the number of new patient phone calls demonstrates the effectiveness of the front desk in selling potential new patients on your practice. As a benchmark, the ratio of new patient exams divided by the number of new patient phone calls should exceed 85 percent. In order to improve this ratio, we recommend that doctors record all incoming new patient phone calls and monitor them to assess their front desk staff's effectiveness. Increasing customer service training for your staff can eliminate negativity and boost the number of new patients and related starts in your practice.

3. Treatment acceptance rate – This ratio measures the practice's ability to persuade patients to accept needed treatment. It is calculated by dividing the number of new patient starts (excluding Phase 2 starts) by the total number of new-patient exams. Treatment acceptance rates should be 70 percent or higher in orthodontic practices. Doctors should compare their performance

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against this industry benchmark, as well as their current acceptance rate to gauge improvement. Increasing training for the doctor and staff in case presentation and languaging, video monitoring of case presentations and ongoing coaching, and providing more flexible patient financing for patients are the keys to improving here. Doctors should also track their conversion rate of Phase 1 patients into Phase 2 to determine their effectiveness in completing two-phase treatment.

4. Origin of new starts – It's important that the total number of new patient starts be broken down by their origin. While most new-patient starts will come from new-patient exams, many will come from the practice's recall program. Comparing the number of patients entering the recall program and those starting from the recall program will determine the practice's recall program effectiveness. In addition, a number of patient starts should come from will call back (pending) patients who left the office without making a final decision. Recording and analyzing this practice statistic will assess your practice's effectiveness in following up with these undecided patients.

5. Total practice production – This well-known statistic demonstrates the current production of the practice and is calculated by recording the charges for each treatment performed and totaling them on a monthly basis.

6. Production adjustments (discounts and write-offs) – This increasingly important statistic measures the difference between the total dollars of production at the regular (full-fee) and the net production after managed care write-offs and other discounts. Production adjustments should be calculated separately by type and for each managed care plan, in order to develop a managed care strategy. As the practice grows closer to optimal (100 percent) capacity, doctors should plan to drop the worst managed care plans and replace the lost production with higher fee patients.

7. Collection rate – This statistic determines the amount of collectable production (production minus adjustments) that is actually collected by the practice. This ratio is calculated by dividing total collections (before refunds) by the net production (production minus discounts and adjustments). Doctors should strive for a collection rate of 98 percent or higher.

8. Income per visit – This statistic represents the collections generated by the practice per patient visit. It is calculated by dividing the total collections for the month by the total number

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of patient visits (including emergencies) for the same month. The average income per visit should exceed \$150 in orthodontic practices. A lower than normal income per visit may mean that your fees are too low and/or that the practice has an excessive number of non-productive (non-revenue) visits due to treatment inefficiencies.

9. Average case fee – This statistic is determined by dividing the total charges for all starts during the month by the total number of starts for that month. Many orthodontists have fallen into a trap of charging a wide range of fees based upon the estimated treatment time. As they spend more money on continuing education and state-of-the-art lab and dental supplies to cut treatment time, they are too often penalizing themselves for the improved results and this increased treatment efficiency. In many cases, the average case fee may be dropping since they are quoting fees on the lower end of the range more often due to the decreased treatment times. We recommend that doctors track their average case fee and compare it on a year-to-year basis in order to determine if, and to what extent, their fees are actually increasing or decreasing. For best results, doctors should calculate the average case fee for each type of start (child, adult, Phase 1, Phase 2, limited, etc.) to more accurately track this and avoid misinterpretation due to a change in procedure mix (i.e., increase in number of Phase 1 starts compared to regular starts).

10. Profit per days worked – This is calculated by dividing the total monthly practice profit after overhead (but before doctor salaries, benefits, retirement plans and dividends) by the total number of days worked for the month. This is the most comprehensive and valuable practice management statistic, since it tracks the doctor's efficiency in generating practice profits. ■



Do you track any of these statistics? Visit Orthotown.com/magazine.aspx and tell us what you track in your practice.

Author's Bio

John McGill provides tax and business planning exclusively for the dental profession and publishes The McGill Advisory newsletter through John K. McGill & Company, Inc., a member of The McGill & Hill Group, LLC. For more information, visit www.mcgillhillgroup.com.

