

Why Isn't Your CPA a Dental Specialist?

by Howard Farran, DDS, MAGD, MBA, DICOI, Publisher, *Dentaltown Magazine*

Back before the Renaissance and before Gutenberg's press, just about everyone farmed. They did everything; raising cattle, chickens, sheep, wheat, corn and potatoes. They made butter and milk and every single farm was the most inefficient operation on the planet. Then people started getting educated, and when people started getting smarter, they started specializing. So rather than focusing on raising cattle and pigs and corn and all the rest of that stuff, they'd modify their entire farm to produce only wheat or whatever would best be produced on their patch of land – and productivity would go through the roof!

Think about health care, now. Even as soon as 1900 you had one doctor doing everything. He delivered your baby. He treated your cysts. He amputated your arm or your leg if you got an infection. He treated your gout. He did everything, and he *sucked* at all of it. Now look at where we are. In 2000, health care was 14 percent of the GDP, and about half of all practicing physicians are specialized. There is somewhere around 40,000 health journals published monthly around the planet, each one dealing with some specific part of the body or dreadful malady. If you have prostate cancer, you're not going to see a doctor who treats all different kinds of cancer like breast, liver or pancreatic, you're going to see a doctor who specifically treats prostate cancer and who has seen thousands of cases of prostate cancer. You're a dentist. You're a physician of the mouth. You know that doc who works next door to you who studied ears, noses and throats doesn't know a single thing about the mouth.

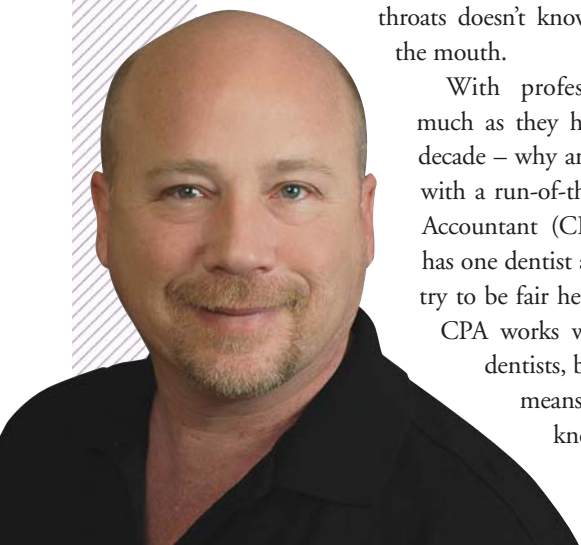
With professions specializing as much as they have – even in the last decade – why are most of you working with a run-of-the-mill Certified Public Accountant (CPA) who literally only has one dentist as a client: *you!* OK, I'll try to be fair here; it is likely that your CPA works with one or two other dentists, but you know what that means? Your CPA still doesn't know a single thing about dental practices. When you're looking for advice on equip-

ment, purchasing, remodeling or expansion, you're going to get a crappy, uninformed answer.

In the last 10 years, we've seen an evolution in accounting and there are now hundreds of CPAs who are highly specialized and focused solely on the dental profession. Those of you who are on the message boards of Dentaltown.com are likely aware of the most famous one – Tim Lott (tlott@dentaltcpas.com). I'm really pleased that Tim is going to be speaking at the 10th Annual Townie Meeting, April 25-28, at The Cosmopolitan of Las Vegas, Nevada. Tim is part of the Institute of Dental CPAs (www.indcpa.org). This group has CPAs across the country who only work for dental practices. You also have another specialized group of dental CPAs called the Academy of Dental CPAs (www.adcpa.org) – founded October 17, 2001, in Scottsdale, Arizona – and they cover just about every geographical area of the United States. One of the larger CPA firms I'm aware of that works solely in dentistry is Cain Watters & Associates, PLLC, out of Dallas, Texas (www.cainwatters.com). For the best interest of yourself and your practice, I suggest you ditch your current know-nothing CPA and hook up with one of these cats.

(As an aside: Maybe your first step should be to ask your CPA how many dentists he/she works with. There's a small percentage of you already working with a dental CPA, and for that you should be commended! But maybe some of you are working with a CPA who has 50 other dental practices as clients – and at least that guy might get you in the ballpark. I'll write this again: if you're the CPA's only dentist, get out. Then again, if you're the CPA's only dentist *and* only cousin, that's a bigger problem and I wish you the best of luck over the holidays.)

There are far too many variances between dental practices for a non-dental CPA to be able to give you any reasonable advice. When we look at overhead for dentists there is a huge variance from practice to practice. A solid comparison depends on whether you are in a small, rural farming village of less than 5,000 people in the Midwest or if you're in a highly saturated urban area like San Francisco or Manhattan. You really can't compare overhead in a rural area to an urban area. Same thing goes for rent or mortgage. It is so common in rural America for the rent or mortgage on your practice to be one to two



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percent of sales. It is very common for rent in Manhattan and San Francisco to be seven to 12 percent of sales. Dental CPAs know this. They track the variances and can give you a solid apples-to-apples comparison of your practice to others. And here you are using a CPA who only works with one dentist. You are crazy (maybe not as crazy as someone who isn't working with a CPA at all, but still... crazy, man).

When you ask dental CPAs, "Should I expand? Should I remodel? Should I add an operator?" they have spreadsheets and oodles of information at their fingertips that they can use to show you the return on investment, the difference between the return on assets and the return on equity, and how all of it would affect your tax schedules.

Let's have another look at CAD/CAM. Every single dentist has considered this technology, but what exactly does it do. It lowers your lab bill at the outset, sure, but when you first get it, you might be taking two hours to mill a crown, eating into the time you could be spending with another patient. But then you have to take into consideration, if you keep working with CAD/CAM in your practice, you're going to get better at it, and what took you two hours to accomplish might only take you one hour in a couple years. By then you'll be making bank, drastically lowering your overhead and increasing your net income. Your dental CPA can help you make decisions that will positively impact your practice like that.

They have the data from all of their dental clients that can aid you in making an informed decision. This is called benchmarking.

Toyota, Honda, Ford, Nissan, Kia and General Motors are all obsessed with what each other are doing. They benchmark each other to death! Benchmarking is done in pro sports and every other industry – even in dentistry. You compete with the guy down the street for your patients' business. Don't you want to know how you rate? Don't you want to know where you excel and where you need to improve? Stop using a general CPA and get with one who is specifically involved with dental practices.

Guys, I see the traffic on Dentaltown.com. I know what you're into. You really want to learn how to do fillings and crowns and root canals and you're completely obsessed with the "make something" part of business. You all know you have problems with the "sell something" part and as for the "watch your numbers" part, you're horrible at it. Usually if I ask a dentist, "Who watches your numbers?" I hear, "Oh, it's my brother-in-law," or, "It's my cousin. He gives me a good deal." You get what you pay for, gang. Since you're bad at watching your numbers, you need someone who's going to hold your hand and help you through it. You need to go to a dental CPA who can sit you down and tell you how your practice rates based on information he's gleaned from working with hundreds or thousands of other practices.

When you're working with a dental CPA, they can tell you exactly what you need to do to become more profitable because they can compare your practice to all of the practices with whom they work – successful and non-successful alike. Your dental CPA can tell you if you're spending way too much on hygiene labor (or not enough), if you're too high on supplies, if you're low on assistant labor, if you should purchase CAD/CAM to lower your burgeoning lab bill and how much cash you should be socking away for your future in case you ever feel like it's time to retire.

It's time to wake up, gang. We know how much we like making dentistry; it's what we spent eight years in school for, it's why we take CE courses to maintain our licenses and improve how we practice, and it's what gets us out of bed every day. But we all know how much we collectively suck at selling to our patients what we do (that's another column completely), and we're fully aware how much we abhor watching our numbers to ensure that what we're doing is keeping our practices thriving. So if you're not going to watch your numbers, get someone on your team who will, and make damn sure he or she is as in tune with dentistry as you hope. ■

Howard Live

Howard Farran, DDS, MAGD, MBA, DICOI, is an international speaker who has written dozens of published articles. To schedule Howard to speak to your next national, state or local dental meeting, e-mail colleen@farranmedia.com.

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