Lessons from Asia

Dentists across the globe face many of the same challenges.
Is it time to take a hint from our colleagues to the East?

I had the luxury of spending 18 days in Japan, Singapore, Malaysia and Indonesia with two of my boys, Greg and Ryan. We had a blast visiting the Townies behind so many posts on Dentaltown.com and meeting the people behind the posts—which can be hilarious, because they’re not always who you expect.

Sometimes you think the dentists are older (or younger) than they actually are, or extroverts when they’re really introverted. One time I mistakenly assumed a Townie was a woman, but the poster turned out to be a dude!

No matter who they are, Townies are always beyond-perfect hosts. They pick you up at airports, play tour guide for their home countries, take you to dinner and explain everything to you like you’re sitting in class taking notes from the professor. I absolutely love it. They always say you need to “think outside the box.”

Watching dentists practice in different countries makes it clear which variables affect which outcomes.

Albert Einstein said you can’t solve today’s problems with today’s thinking, because your thought process is what’s creating the current problem. When you’re born and raised working and living in only one country, it can seriously affect your objective thinking. They also say, “Never make predictions, and if you do, don’t put it in writing” … so let me make a few notes.

The older I get and the more countries that I’ve seen, the more the economics seem to become clearer.

Worldwide, there’s a robust growth in the number of private dental schools: Malaysia has gone from four schools to 18 in a single decade, and it’s hard to even get an official count of the number of new private dental schools in India, China, Africa and Brazil. Singapore has one publicly traded chain, Q&M Dental Group (SGX:QC7), and Australia has two: 1300 Smiles (ASX: ONT) and Pacific Smiles Group (ASX: PSQ).

Simultaneously, there’s been an increase in class sizes for existing classes.

This increase in (mostly private) dental schools, and the supply of dentists, will be very good for consumer patients and for anyone hiring dentists, such as big-box corporate dental chains. But it also will put downward pressure on the earning power of dentists and decrease the number of jobs for dental hygienists as dentists start doing their own hygiene.

U.S. situations, global alternatives

Dentists in America complain about debt, yet continue following a 1970s-era U.S. business model of big staff-expanded duties and taking new age PPO dental insurance plans for which the fee for the cleaning barely covers the cost of the registered dental hygienist. Dental insurance is virtually nonexistent in Asia, Africa and South America.

U.S. dentists also continue to complain about overhead, but hold their hours to 32 per week. They won’t extend their hours to include weekends because they’re afraid patients won’t show up, and they’ll end up paying their massive staff overhead to stand around without production.

In Asia the average dentist works 45–52 hours per week with only one dental operatory, and one assistant who helps with both front-office and back-office chairside assisting. Most Asian dentists enjoy doing cleanings so they can spend time with patients, and wouldn’t consider paying an oral-health therapist to do it for them.

Many American dentists are going to wake up to the realization that the PPO rat race on a spinning wheel is not worth the hassle. Many dental offices have full-time front-office people who spend all day on the phone verifying patients’ PPO dental insurance. If a patient is verified (by your high-cost receptionist), now you have the honor of discounting your posted single-crown fee of $1,300 to the PPO price of $800. You actually paid an employee to verify a $500 discount. If your labor overhead is 25 percent, does it really make sense to pay staff to give your patients a 40 percent discount?

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The math on the hygiene department is the same. Most American dentists could drop all their PPO’s and lose two-thirds of their patients and staff, and actually net more income with a fraction of the hassle. See the United Kingdom and its low-fee National Health Service (NHS) for a case study that hits close to home in America. When I first went to London more than 25 years ago, almost every dentist participated in the NHS program, which is sort of like Medicaid in the U.S. Today, out of the 19,000 dentists in the U.K., more than 5,000 have opted out.

Meanwhile, in Japan, the government dental insurance basically sets the fees for any dental disease-treating procedures, including fillings, crowns, cleanings and endodontics, but doesn’t cover orthodontics or implants. Any private dental insurance uses the same fees as the government option.

Japanese public health insurance pays 70 percent of the set dental fees, and patients pay 30 percent. Molar endo in Japan is $100; in the U.S., it’s $1,000. So Japanese dentists will see patients for 10-minute appointments more than a dozen times just so they can bill out an exam fee. It’s why many Japanese general dentists have to see 70 patients a day, Japanese physicians are in the same boat, and many have to see more than 100 patients a day.

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When I got out of school in 1987, you submitted your fees to insurance companies and they paid you a percentage. Today, almost all insurance companies tell you the fees, and you have to work backward from that with a low-cost budget. But when was the last time you actually lowered your cost?

The business of dentistry is always evolving. When was the last time your dental business model evolved? What year was your current dental office business model developed? When was the last time you cut any cost? When was the last year your overhead actually went down?

Does it make sense that a dentist doesn’t blink when giving patients a 40 percent discount by taking their PPO, but never has any money to spend on advertising to attract fee-for-service patients when half of America doesn’t even have dental insurance?

For more thinking outside the American box, listen to my Dentistry Uncensored with Howard Farran podcasts at dentaltown.com/podcasts or via the Dental-town app, YouTube or iTunes—including more than a dozen podcast interviews we did in Asia! My guests were all beyond epic, and will make you rethink your current American dental-office business model.