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Building a Successful Dental Practice

Patient retention and cost management strategies

The first article in this series, ["Personal Goals and Practice Objectives: The First Steps to Building a Strategic Plan for Practice Success"] which appeared in the September 2018 issue of *Ontario Dentist*, described the various dental practice and career stages, and established them as the initial step to building a solid business plan. Whatever profile and corresponding objectives you may have identified within the process, the next step requires incorporating two fundamental strategies: patient retention and cost management.

Patient acquisition and retention strategies are essential so that patient attrition does not outpace new-patient acquisition, which can lead to practice stagnation and practice unsustainability. Cost management strategies are also necessary to maintain the financial viability of your practice (the difference between what your patients pay for your dental services and your average cost to deliver these services).

This article looks at examples of strategies that enable both clinical excellence and practice sustainability, and ultimately become the engine of an effective dental-practice business plan.

Practice retention strategies

Rather than lowering fees to attract patients, a practice retention strategy focuses on increasing patient satisfaction by highlighting the value of services and specific need fulfillment. It also involves improving the quality of the patient experience and/or the provision of value-added services, such that your patients will be more inclined to stay with your practice long-term, as well as refer new patients. Examples are:

- **Indication of competence and confidence**
Patients may find it hard to judge the quality of the clinical services you provide, so they look for other clues. You can demonstrate competence and instill patient confidence (without suggesting superiority over your colleagues) by making use of

leading-edge technology, providing effective case presentations using visual aids to emphasize the pros and cons of each treatment option, and having ready access to specialists for consultation.

- **Patient comfort/convenience**
Other ways to enhance value are to:
 - locate your office in a good neighbourhood or commercial venue with easy access to parking
 - design the physical layout of your office, especially the reception area, to high standards
 - have a comfortable waiting room, with multimedia access and secure Wi-Fi, reading material for parents and activities for children
 - provide TVs, multimedia and secure Wi-Fi in operatories to increase comfort for patients.
- **Developing dental-team relationship skills**
Treatment acceptance, recall bookings and patient referrals all depend on the communication skills of your dental team. You and your team must listen carefully to patients, address their concerns and build rapport. Good interpersonal skills exhibited by auxiliary staff, especially receptionists, also lead to greater patient commitment. Since the skill set required does not come naturally to everyone, it can be beneficial for your entire staff to receive customer service training specially developed for dental practices.
- **Enhancing patient communication and service**
Direct ways to enhance your patients' total experience include:
 - offering dental services during non-traditional hours
 - checking with patients on their post-operative progress

- developing practice literature such as newsletters and information on dental procedures
- having a website that is informative and easy to navigate.
- **Automated patient communication/patient portal**
Patients are increasingly requesting automated appointment reminders they can respond to via their handheld devices. Also popular now are patient portals that enable patients to carry out an array of tasks that previously had to be completed via telephone or during an in-person visit, such as medical history form submission, appointment requests and patient referrals. Incorporating software with these capabilities will give your practice the platform and the power to move towards increased patient convenience and engagement. Be sure your electronic patient communication is CASL compliant (by tracking and adhering to patient consent) and that it utilizes strong encryption to prevent breaches of applicable health information privacy laws.

Cost management strategies

Rather than raising fees to increase practice viability, cost management strategies involve lowering costs that do not compromise quality of services. Examples are:

- **Leveraging economies of scale**
Economy of scale is achieved when your average cost per patient decreases as the number of patients you service increases. At some point, however, an increase in practice scale will no longer result in reduced average costs due to investing in additional production capacity (such as operatories) that significantly exceeds the need to meet patient treatment demand. To achieve economies of scale, it is necessary to invest only in sufficient production resources to accommodate your current patient base and plan conservatively for future expansion of resources as the practice grows.
- **Achieving economies of service breadth**
Economies of service breadth are total cost reductions and treatment synergies achieved by providing a wider range of dental services within your practice. Adding part-time specialists provides convenience for patients by reducing/eliminating the need for them to visit multiple locations and, at the same time, it facilitates collaboration among the treatment providers.
- **Leveraging technology and education**
In many cases, you can also reduce costs by investing in new dental technology and treatment protocols. For example, part of your strategy could be to invest in continuing education in order to learn new techniques to reduce treatment time and better utilize technology that contributes to clinical efficiency.
- **Reducing input costs**
A good way to control costs is to express each major practice cost component as a percentage of collections and then compare each result to recommended dental industry targets. For example, if you find that your staff expenses are significantly above industry average, you may want to evaluate the efficiency of staff workflows. Similarly, knowing your supply costs are unusually high is an impetus to source lower-cost supplies, equipment and services, while at the same time considering the return on investment from each purchase. As a guide, the following chart displays the typical dental practice expenses and their corresponding preferred percentage of net collections.

Practice Expense Guidelines for Cost Containment*

Practice expenses	Expense as a percentage of net collections
Salaries/Benefits	25%
Dental Supplies/Equipment Carrying Costs	10%
Facilities/ (Mortgage/Leasing Costs)	8%
Lab Fees	5-10%
Other (Marketing, Utilities, Maintenance etc.)	5-12%
Owner Compensation (Practice Profit)	30-42%

- **Improving practice efficiencies**
Measuring the current effectiveness of your management systems will drive further cost reductions and operational efficiency improvements. The following chart identifies objective ways to measure your practice system effectiveness in order to induce positive behavioural change.

Metrics That Measure Your Practice System Effectiveness*

Management systems	Metrics	Typical benchmarks
<p>Patient management</p> <p>Measuring how satisfied your patients are with the quality and service of your practice</p>	<ul style="list-style-type: none"> • New-patient growth • Wait time • Patient retention • Number of referrals 	<ul style="list-style-type: none"> • 10% of active patient base annually • < 5 minutes • < 5% active patients lost annually • “X” number per month/year (desired referral numbers vary for each practice and may change over time).
<p>Financial performance</p> <p>Quantifiable measures to judge the efficiency of a practice’s financial operations</p>	<ul style="list-style-type: none"> • Accounts receivable (AR) • Practice margin • Bad-debt write-offs • Ratio of production to collections 	<ul style="list-style-type: none"> • < 20% of AR over 60 days • > 30% of total production • No more than 1.5% of AR • Between .5 and 1.5
<p>Internal processes</p> <p>Numerical observations of current states within the practice</p>	<ul style="list-style-type: none"> • Cancelled/missed appointment rate • Hygiene re-appointment rate • Treatment composition • Restorative work generated from hygiene 	<ul style="list-style-type: none"> • < 1% • > 90% • Hygiene 30-35% of total billings • At least 70%
<p>Operational efficiency</p> <p>Ratios to measure operational performance of practice systems</p>	<ul style="list-style-type: none"> • Case acceptance rate • Number of active patients • Scheduling efficiency • Production per hour/day/provider 	<ul style="list-style-type: none"> • 75-90% based on demographics • 1,500 per dentist/hygiene team • < 10% downtime • Depends on specialty, demographics etc.

Many of the metrics listed above are available from specific dental practice management software reports. More complex metrics may require simple manual calculations using numbers derived from one or multiple reports. Similar to monitoring expenses, comparing the derived practice performance metric with the corresponding industry benchmark can reveal where changes to operational protocols may be necessary.

Conclusion

Incorporating components of the two strategic approaches described in this article is another step to ensuring you meet your clinical, professional and financial goals. The cost management strategies and practice retention elements you ultimately choose will be influenced by the competitive landscape you operate within, your career stage and risk averseness, and financial resources. Once you establish your strategies, it is important to incorporate them into a realistic business plan to ensure that your practice goals and objectives are achievable. 



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*The information in the charts is derived from the author’s experience working with practice management consultants and consulting with various dental offices over many years. The numbers are averages sourced from numerous articles and cannot be attributed to one particular source other than the author’s own informed opinion.