

Mastering Your Metrics

A dentist's guide to understanding key performance indicators (KPIs) that fuel profitability and productivity



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You don't need to see the statistics to know that dentists are working harder today than ever before. In fact, not only is the profession working past the standard retirement age, but practice revenues are also down according to recent statistics offered by the American Dental Association (2015). When you add in other marketing pressures, such as a growing number of dental school graduates and changes in insurance plans, what has emerged over the last decade is a far more competitive dental economy. Success within this new economy comes down to how you run your business. Leading dental practices have optimized operations to run at heightened levels of efficiency-and in turn are experiencing higher profit margins.

How are they doing this?

They've mastered the metrics that support success!

Just as individuals monitor their physical health with key indicators such as blood pressure and cholesterol levels, your business KPIs indicate the financial health of your dental practice.

Carefully monitoring your KPIs and taking action to improve them will help you eliminate waste, optimize production, and improve efficiency — all which drives profitably. Mastering key metrics will help you achieve an edge in today's challenging and highly competitive climate. The first step in mastering your metrics is to determine which KPIs matter most. To help, we created this informative guide, detailing five critical dental practice metrics to monitor.

Dental Industry

What's behind today's competitive dental economy?



U.S. dental school grads rising since 1993, and is projected to **continue rising** through 2020



Dentists are practicing longer and delaying retirement: **70 is the new 65**



In 2015, practicing dentists in the U.S. reached **more than 195,000**



Max flexible spending account limit for dental **cut in half** in 2013



Growth of managed care dental plans and restricted demand for services will **increase competition**

KPI 1

Active Patients

Active patients are those who have fulfilled an appointment in the past 18 months. This is listed as the #1 KPI because it affects the current and future cash flow of your practice. Monitoring your active patients is an excellent method for keeping a finger on the pulse of your practice. A steady increase in active patients month over month indicates a healthy, expanding business. However, if your active patient base shrinks, overall cash flow will shrink along with it.

Make use of your practice management software to track active patients. From there, set goals to grow this patient base. Involve employees in this effort by having them encourage follow-up visits and new patient referrals.




Finally, take care in entering patient information into your database to include the source of each new patient. Over time, you can identify your best referral sources and nurture them effectively.



Insight and Actions

If the number of active patients is declining month to month, it's time to take action.

Recommendations for action:

-  Ensure patients do not leave before scheduling their next appointment. For those who cannot, instruct them to check their schedules when home and inform them that you will call in a few days to schedule.
-  Ensure patients are set up correctly in your system and continued-care dates are accurate.
-  Track where new patients are coming from and focus marketing activities on these sources.

KPI 2

Active "Hygiene" Patients

These are your patients who have had a hygiene appointment in the past 12 months. This represents a crucial metric for two reasons:

1. It helps forecast the number of active patients you will have over the next 12 months.
2. It is the primary source of growth and production for your practice.

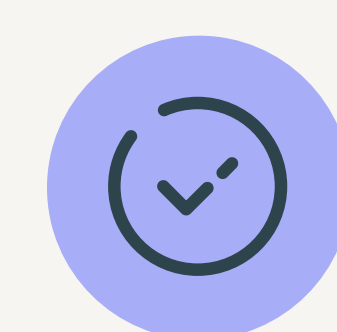
Forecasting active patients offers insight into whether you are on target to meet financial goals. If active hygiene patients start to decline, you can take corrective measures to elevate your numbers before several months pass. It's important to note that up to 80% of a doctor's production comes from hygiene appointments that include exams, x-rays, and treatment diagnoses. It stands to reason that a decline in hygiene appointments will directly affect your bottom line.



Insight and Actions

Look at the number of patients seen in hygiene and the number of scheduled return appointments over the coming six months. If your active hygiene reschedule rate falls below 85%, it's time for action.

Recommendations for action:



Use practice management software to track due dates and last visit dates.



Implement uniform procedures to encourage and remind patients to schedule hygiene appointments before due dates.



Attach continuing care to each patient for routine maintenance procedures, and educate each patient on the value of continued care.

KPI 3

Staff Production

This KPI brings to light the difference between being busy and actually making money. By measuring staff production rates, you can identify areas of weakness and make improvements to bolster profitability.

Tracking production numbers for hygienists and doctors separately enables you to see who is doing the work, what work is being done, and how much revenue your practice can expect from each provider.

A healthy mix of hygiene and doctor production is vital for practice success. An average production mix is represented as follows:

- Doctor production: 65-75%
- Hygienist production: 25-35%

Patient case acceptance is everyone's responsibility from front office to medical procedures. Measuring production raises awareness about the role each team member plays in improving production numbers, so it's important to set production goals for your practice as a whole as well as for each provider.



Insight and Actions

Understanding that common production rates for hygienists is 25-35%, if hygiene falls to 15-20% of your total practice production, it's time to take action.

Recommendations for action:



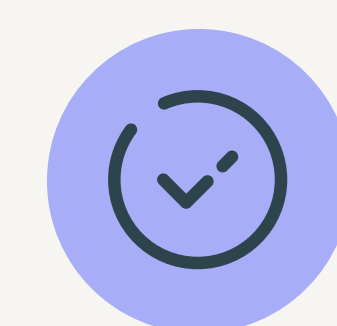
Hold morning "huddle" meetings to review the day's schedule and ensure all employees are on the same page.



Discuss high-level production numbers in regularly scheduled staff meetings.



Further incentivize staff by implementing a bonus system when numbers are met consistently.



Ask team members for ideas on how each can improve case acceptance, patient care, and overall production.



Help your patients overcome financial worries, fear of invasive procedures, or other barriers to treatment by openly discussing their concerns.

KPI 4

Accounts Receivable

This metric is your direct line to assessing profitability. Profitable practices set a goal to collect at least 98% of total adjusted production (gross production minus adjustments).

Consider the following example (month):

Total gross production: **\$100,000**
Total adjustments: **\$12,000** (discounts and insurance write-offs) = **\$88,000** 98% of **\$88,000**
= **\$86,240**

Achieving a goal of 98% collection should always be the target month-to-month. As such, it's crucial to compare outstanding A/R to production each month so that you can take the necessary measures to collect overdue invoices. The sooner you address collection issues, the higher the probability of getting paid. It's recommended to start with outstanding balances of >30 days first. For balances beyond 90 days, you lose 7% of the value each month. By 12 months, your practice has lost more than the balance is worth. Understanding this, the sooner you take action, the greater your profitability.



Insight and Actions

If your collection percentage falls below 98%, it's time to take action.

Recommendations for action:



Implement a payment policy and share it with your clients, and also ensure your staff enforces the policy.



Flag balances >30 days old each month and call patients directly to collect.



Provide alternative financing options to help patients pay for necessary treatment.



Offer an electronic payment plan option to ensure on-time payments.



File insurance claims electronically to speed the process.

KPI 5

Staff Schedule Optimization

Optimizing your staff schedule is at the heart of a well-run, highly efficient, and profitable practice. Proper schedule management will ensure that you are maximizing each staff member's production time, while ensuring individual staff are not overworked. This will both reduce team stress and increase patient satisfaction.

Optimizing scheduling will also help improve your bottom line—just consider the following:

- Losing one hour of hygiene time per day over a 210-day year can cost your practice more than \$30k in a year.
- Losing one hour of dentist time per day can equate to more than \$144k in a year.

Properly setting up your staff schedule affects several key metrics of practice success, including:

- Average hourly production
- Production by procedure
- Unfilled hours
- Scheduled hours
- Number of broken appointments, not re-appointments
- Revenue lost from broken appointments

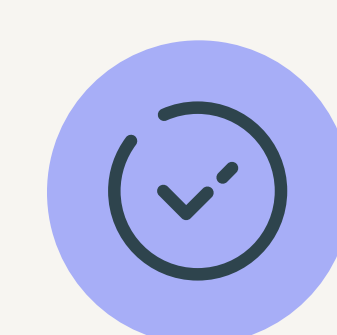
The right practice management software can help you consistently schedule production work and fill open appointment slots.



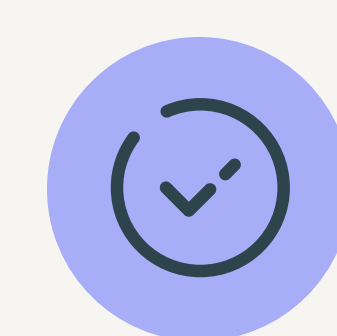
Insight and Actions

Open appointments on your schedule, mean that you are losing money. If you are seeing unfilled slots daily, it's time to take action.

Recommendations for action:



Track patients that regularly cancel or are no-shows and weed them out.



Consistently reach out to patients with reminder calls and/or postcards. Text messages are also now popular.



Add "power cells" (sacred blocks) in your schedule that are available only for higher-revenue procedures. Schedulers must guard power cells to ensure that they are not filled with low-revenue work).



Maintain a list of patients who are available on short notice so you can fill canceled slots quickly. Also create "open" times for emergencies to fill slots on the fly.



Take charge of your metrics

Understanding the metrics that matter is only the first step. Consistent monitoring and evaluation of these metrics is the key to success for your dental practice. Only when you know where you are, can you make decisions on where you need to go. In other words, without the proper intel in hand, it's nearly impossible to know where improvements need to be made. Take charge of your metrics to fuel productivity and profitability in your practice!

Questions? We are here to help!

Feel free to contact our firm with questions about any of the information within this guide, or to schedule a free consultation. We can provide you with a detailed review of your metrics and help you understand your current financial health.

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