

Australian Dental Practice - Article – May-June 2003

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Why was Joe's Practice so Good?

Joe had always thought of himself as a low key individual. At school he consistently performed well, but his unobtrusive manner seemed to deflect problems. He was a naturally tidy person, and this had spread to his study habits, which meant that while he had not studied excessive hours, the time which was allocated was quality time.

His study habits carried on through university, and while he wasn't the best student in class, he had consistently performed at a reliable level.

The Benefit of Country Practice

On graduating as a dentist, Joe spent three years in a busy country practice. His natural tendency toward personal organisation coupled with the patient demand meant that he achieved high monthly fees. The quality of his dentistry improved quite quickly, and he was lucky that Tom, the practice owner, demanded a high standard of personal organisation from practice nursing and reception staff. As the country practice was always booked well in advance, Tom was so busy that little attention was given towards streamlining the high value work towards his surgery. There was more than enough for 2 dentists.

Since Joe had quickly moved to being remunerated on the standard formula, he was able to earn far more in his first year of practice than most of his dental class cohort. The workload coupled with his natural organisational ability meant that clinical skills improved faster than for most of his classmates. At this early stage of their dental careers, most other members of Joe's class were working part time in city practices, with some in multiple practices. Their common experience was that the more profitable patients were usually streamed towards their employer's surgery.

The workload in conjunction with Tom's practice management skill, meant that Joe's fee output continued to expand. However, he did spend a couple of weeks each year on additional training, reasoning that he didn't want to run the risk of his knowledge base atrophying.

Return to the City

By the conclusion of his third year in bush practice, Joe had a personal need to return to the city. Based on his experience, he was able to gain employment in a busy associated practice. Fortunately for Joe, the two associates Brian and Melissa were each in their last few years of practice, and were beginning to pass up some opportunities. Joe stepped into the practice routine, and discovered that a high percentage of patients had a need for advanced treatment. Joe didn't try to set records, but soon found that he was booked a couple of weeks in advance as Brian and Melissa were content to

let some of their patients slide to his surgery. Because of his experience in the bush he was given a high degree of autonomy. He was lucky to be working for older dentists who were prepared to relinquish work, but equally they would have been reluctant to employ somebody with less practice experience. The associates soon found that since they had employed Joe, patient referrals which had tended to dwindle were on the rebound.

Buying an Associateship

After a couple of years, Melissa indicated that she wanted to slow down, while Brian indicated that he intended to stay for a few more years. Joe was offered the opportunity to purchase an associateship off Melissa, while Melissa reverted to the employee position, and reduced the number of sessions worked. Joe had now been out of dental school for 5 years, and it was evident that he was ahead of most of his class. Over the next couple of years, his natural organisational ability and confidence in his clinical skills meant that an increasing proportion of patients routinely took his advice in respect of advanced treatment plans. Not only had Melissa cut back her hours, but Brian's output had declined further. Joe honed his clinical skills and made sure that his fee scale reflected the demand for his services.

During this period, Joe had married Kathy, and they had purchased a home with a substantial amount of equity.

In-Practice Consultants

Along the way, Joe was besieged by In-Practice Consultants, all promising to make his practice better. To date, he had been unable to consider their offers without involving Brian who was no longer interested in that sort of thing. However, Joe checked with other dentists whom he respected who had used them and discussed their pros and cons. He discovered that the basic formula that they offered was pretty standard, and was largely in place within his practice. He decided to let their entreaties go through to the wicket keeper for the time being.

Hygienists

He had also attended a seminar, which suggested that successful dentists all had hygienists. Again, Joe's natural caution caused him to ring other dentists. They each repeated their actual experience, and there appeared to be little conclusive evidence that dentists who employed hygienists were better off than those who didn't. Significantly, those dentists who had hygienists talked in terms of gross fees, not profitability, whereas those dentists who didn't have them often had good profitability ratios, but spoke a different language.

Sound Financial Advice

Joe had teamed up with an accounting and financial advising organisation, which provided regular and reliable bench marks of his practice. They advised him the optimum period in which to reduce his home loan, and steered him away from glitzy tax schemes. He occasionally wondered whether he had missed out by not buying a eucalypt plantation, an olive grove, tea trees, alpacas or emus, but later found that those of his colleagues

who had were quite disenchanted. A number had had large tax deductions subsequently denied by the tax commissioner, causing financial hardship. He also passed up the opportunity to invest in a few film schemes, but since none of the film titles which had been offered to him was ever heard of again, he figured that he hadn't missed much.

Health Funds

Occasionally a health fund invited him to a presentation to learn how to attract more patients to his practice. Since he had no trouble being solidly booked three weeks ahead, and he was gradually picking up surplus patients off Brian, he figured that:

1. He didn't need their help.
2. He didn't want them dictating his fee schedules, and
3. It might damage the resale value of his practice.

Progress

He had now been in an associated practice for four years, and he and Kathy had renovated their home. His fees may not have set a world record, but the database showed that his profitability per dollar of fee income was high, and his gross fees were well in excess of the average dentist. An effective basis of sharing some income with Kathy had enabled her to cease full time work to mother their family. The home mortgage relative to its value was now modest, and their superannuation had become an accumulating asset.

1800 Club

Joe received some entreaties to join a 1800 number club, but by now most of his patients were coming via personal referral from within his existing patient base, and very few from the Yellow Pages. Therefore, he declined the offers.

Guru Dentists

Because he liked to keep his clinical skills up, he occasionally found himself at a seminar listening to a "guru dentist" describing how he had made his fortune in Milwaukee or Illinois. Occasionally a high profile Australian gave a talk along the lines of "What drives profit in my practice" punctuated with "pictures of my imported car, my beach house etc". It seems that some of these people had two hygienists, three assistant dentists, a practice manager and a "team" at their front desk. Joe's practice organisation was much simpler. He kept it ship shape since his associate Brian had deferred to his organisational skill. He maintained good fee schedules, gave good treatment and the referrals kept coming.

Avoiding the Tower of Babel

Every so often he met a high profile dentist at a training seminar who complained about staff attitudes or staff turnover. Some also complained of the lack of profitability in their assistant dentists surgeries, or the fact that their so called 'practice managers' had to refer most of the difficult management

decisions back to them. Joe began to wonder whether some larger practices were as profitable as their proprietors had made them out to be. The truth was that a high proportion weren't, but many dentists had confused size and complexity with substance. Some of the people who complained a lot reported that they had frequent and often lengthy staff meetings. Joe's small staff seemed to know what to do with only short and infrequent staff meetings. Joe wondered whether he should be doing it differently, but since his method seemed to be working, he maintained his normal style.

Taking Full Control

Eventually Brian retired. His practice had dwindled, but out of a sense of harmony and perhaps to avoid an unwanted outsider buying into the associateship, Joe paid Brian a fair price. He employed a relatively young dentist, Andy, in Brian's old surgery. As Melissa was also reducing her clinical hours, Andy's room rapidly filled to capacity. Joe gave a few helpful words of advice and encouragement, but didn't overly control Andy. He adjusted his own fee schedule and left Melissa's old surgery to emergencies whilst maintaining the simplest support staff structure possible.

On Brian's retirement, Joe had been able to purchase the premises off him and Melissa. He then carried out a modest renovation. He was still in his early 30's and now owned a good home, a good practice and adequate premises. He and Kathy had a growing superannuation fund. Relative to assets, their debt level was modest. Most of the practice profit was generated in his own surgery from a higher fee base, with Andy contributing a little.

Measuring his Progress

Joe's advisers regularly benchmarked his practice, and periodically constructed Joe's personal balance sheet. He seemed to have had an uneventful career to date, but it was already evident that his family and he were on the path to a secure future.

Avoiding Turmoil

Joe continually met other dentists at seminars and study groups who seemed to be in a frenzy dictated by the latest dental guru from the USA and/or an In-Practice Consultant. They seemed to have lots of practice meetings, high staff turnover, too many part time staff and a practice manager who in reality was little more than a receptionist or a senior nurse. Most of them seem to have a lot more problems running their practices than Joe. Each time he met one of these Joe thought about his own practice profit and benchmark performance for a minute or two, then changed the conversation to sport.

It didn't seem like magic, but Joe was a success. Some would describe him as lucky.

Some Lessons

- Good dentists maintain their level of training and dental awareness.

- It pays to be sceptical about trends in practice management; indeed about management generally. Most new management insights are simply old ones recycled under new titles.
- Perhaps “guru dentists” who speak at seminars make their money from speaking rather than from dentistry.
- In most practices the proprietor carries out the effective management. A lot of practice managers are really nurse and reception supervisors.
- Nobody has yet made out a conclusive financial case that hygienists contribute significantly to practice profitability.
- In-Practice Consultants can assist some practices, but in others they are not cost effective.
- Sound financial advice and reliable practice benchmarking assist in maintaining good performance.
- Usually sound practices are bought from employers or other associates, rather than from brokers.

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