IMPLANT PRACTICE SUCCESS REPORT

from Thommen Medical and Levin Group

Welcome to ***The Implant Practice Success Report***, a monthly newsletter on implant practice success. Levin Group and Thommen Medical are very pleased to provide business education to you and your team. Each month, ***The Implant Practice Success Report*** will feature leading edge education for managing, marketing, and maintaining a robust and successful implant practice.

In this issue we focus on the most pressing topic facing dental practices today – rising overhead. We also dig deeper into the role of the Professional Relations Coordinator in marketing your practice and increasing referrals.

Levin Group

Levin Group, Inc.
10811 Red Run Boulevard | Owings Mills, MD 21117
888-973-0000 | LevinGroup.com

Will Surgical Practice Overhead Continue to Increase?

By Roger P. Levin, DDS

Overhead has been part of surgical practice controls since the first practice was launched. Every business has overhead, and overhead is essential to create successful practices. Practices must pay attention to how overhead is being used, which expenses make sense, how to eliminate waste, and how to keep overhead from rising. Practices must also understand that overhead will continue to rise almost every year. In 2022, we saw an amazing rise in overhead partly due to significant increases in staffing costs, but not as much due to PPE and supply costs. There were specific reasons for all of this.

What drives overhead up?

In researching hundreds of surgical practices, Levin Group has found that, in most cases, overhead is 4 to 7% too high. Some of the reasons are inefficiency, waste that goes unnoticed, not being strategic about analyzing overhead and not working to drive down costs.

Is having overhead that is 4 to 7% too high significant? The answer is "yes," and it can be seen through a simple calculation. If a $1,000,000 practice has an overhead that is 4% too high, then that practice is losing $40,000 per year of income. Note that this is income, not revenue. If the same practice has overhead that is 8% too high, then it is losing $80,000 each year in income.

Despite overhead being higher than the acceptable target, it is not usually due to blatant waste. It is more likely due to not regularly analyzing expenses and taking strategic steps to reduce overhead to the targeted level. For example, it may not be that the practice is purchasing large volumes of materials that go unused, nor may it be due to out-of-control spending. These scenarios can and do occur; however, in most cases, the real issue is that the overhead factor goes unnoticed by the surgeons and office managers.

Keep in mind that every 1% decrease in overhead creates a 1% increase in practice profit or income.

So, what drives overhead up? It's all about conducting normal business functions. Each year, labor costs, supply costs, and practice insurance costs, will rise. Some years they will rise faster than others. In a long-term upward economy where practices experience natural growth levels, the overhead percentage may not increase due to the increases in practice production. However, in more normal times with either low growth, economic plateaus, or even declines, the overhead percentage will begin to rise. Add to that a challenge such as the staffing crisis that began in 2022 and practices could have a significant jump in overhead due to a single phenomenon taking place. We are currently estimating that at minimum, staffing costs will escalate by 10%.

Your goal should always be to drive down overhead while still investing in the practice.

Larger companies have departments that focus exclusively on cost control. Each department is required to submit budgets annually that must be approved. Those budgets often contain budget cuts for the company to reach the proper profit margin. While this may be overkill for most surgical practices, the single best way to drive down cost is to increase efficiency. The single best way to increase efficiency is by implementing step-by-step systems with checklists. Until you break your systems down into steps, you cannot determine which steps should be eliminated or handled at a lower cost.

Consider these interesting examples:

- One practice had a process that was carried out the same way for many years. We mapped out the number of steps in the scheduling, onboarding, and treatment presentation for new patients and

Levin Group
Levin Group, Inc.
10811 Red Run Boulevard | Owings Mills, MD 21117
888-973-0000 | LevinGroup.com

identified 47 steps. We quickly reduced the 47 steps to 21, which increased the amount of treatment performed. This helped to reduce overhead by streamlining the work that the administrative staff was doing and allowing them to spend time on other key functions, such as verifying patient insurance, contacting patients to ensure that they would keep their appointments, filing claims daily, and monitoring referrals. These are all production-based activities and the higher the production, the lower the overhead percentage.

- Another example was bidding out practice insurance. One large practice had tripled their cost for cyber insurance. Making matters worse, they were informed about it at the last minute by their insurance brokers. The next year they contacted the brokers, at our suggestion, 90 days in advance of the insurance renewal to request bids within 75 days. Once again, the insurer was attempting to increase cyber insurance costs by 100%. However, the practice now had the time to bid out the cyber insurance and was able to reduce it significantly.

In addition to these recommendations, we suggest that surgeons sit down every 90 days with their financial coordinator to review every line-item expense. This is not about micromanaging the financial coordinator; it's about having another set of eyes with a distinct perspective on expenses. This exercise can often unearth expenses that can be cut such as unused monthly subscriptions, overbuying of certain supplies or materials, and other factors. Certainly, you want to invest in your practice and overhead is normal, but surgical practice overhead should be at maximum of 49%. If you are above that then the recommendations in this article may be of help.

To contact Dr. Levin or to join the 40,000 dental professionals who receive his Practice Production Tip of the Day,

visit **www.levingroup.com**
or email **rlevin@levingroup.com**.

Your Professional Relations Coordinator is Not Just a Donut Delivery Person

By Roger P. Levin, DDS

One of the most radical changes in referral marketing in the last 20 years has been the expansion of responsibilities assigned to the professional relations coordinator (PRC). Forty years ago, the PRC's main job was to set up a few fun or marketing activities and deliver donuts to referring practices. It was then up to the surgeons to have lunches and meetings with referring doctors.

Fast forward to today. Referral marketing has become extremely sophisticated, and the quality of the PRC will be essential regarding the level of referrals and long-term sustainability of practice success. All of this means that the PRC must work at a higher level than in the past. Practices that have excellent PRCs also have excellent levels of referrals.

To ensure the success of your PRC, we recommend the following:

- Increase PRC compensation. To attract the right candidates for the PRC position, compensation will need to be higher than in the past. We've noticed that PRCs are often hired at a lower level of compensation, or the job is split amongst other staff members who don't have time to do the job. All production, starts, revenue, and income always begin with referrals. As a result, referral marketing is the single most important factor in surgical practice success.

- Give your PRC extensive training. It is very unlikely you'll be hiring a trained and experienced PRC. This is simply because they are not out there, and you cannot find them on Indeed or ZipRecruiter. Training is a key factor in ensuring that your PRC will operate at the level and quality that is needed for today's referral marketing programs.

- Develop the understanding that your PRC is the marketing department of the practice. As stated above, the PRC does not just deliver donuts (although referring practices do still like donuts). They are the marketing department of your practice. For example, does your PRC ask referring practices if there anything the practice can do to make it easier for them or their patients? Does the PRC track monthly the level of referrals? Does the PRC build an annual marketing calendar?

Today's PRC must be more sophisticated as the science of referral marketing has advanced. Analysis, strategy selection, building an annual marketing calendar, identifying which strategies need to be modified or eliminated, and being aware of new opportunities are all critical parts of the PRC position. In addition, being a liaison to referring offices and building individual relationships will also go a long way toward increasing referrals. The PRC has total responsibility to build and carry out the referral marketing program with the objective of increasing surgical practice referrals every year.

ROGER P. LEVIN, DDS

Roger P. Levin, DDS is the CEO and Founder of Levin Group, a leading practice management consulting firm that has worked with over 30,000 practices to increase production. A recognized expert on dental practice management and marketing, he has written 67 books and over 4,000 articles and regularly presents seminars in the U.S. and around the world.