Office managers often run their practice with little managerial information, using instead “management by putting out fires”.

Today’s dental environment demands sophisticated managerial data-gathering, interpretation and decision-making. Dental software and accounting reports provide raw data only. The report data does not tell if the dental practice is thriving or heading for trouble. Raw data is virtually meaningless without benchmarks. Benchmarking is a management tool or system to compare your practice statistics with known best practices. Practice management experts use benchmarks to determine the health of a dental practice.

Benchmarks comprise critical managerial information for each practice to use as a guide for decision-making and for practice success planning. Know your practice health to stay out of trouble and keep your staff accountable.

**ANNUAL KEY PRACTICE BENCHMARKS**

At the end of every year, there are two specific management areas to review.

- Practice Growth Rate compared to the Dental CPI
- Fees and Consumer Price Index (CPI)

Evaluate practice revenue growth over time; every year, with a look-back period of five years total. Calculate the growth (or shrinkage) percentage for each of the five years. Once the percentages are calculated compare the practice growth to the *U.S. Department of Labor Statistics CPI Detailed Report* under dentistry. Here is a sample practice:

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$1,460,900</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>$1,440,800</td>
<td>-1.4%</td>
</tr>
<tr>
<td>2014</td>
<td>$1,550,500</td>
<td>+7.6%</td>
</tr>
<tr>
<td>2015</td>
<td>$1,560,300</td>
<td>+0.63%</td>
</tr>
<tr>
<td>2016</td>
<td>$1,620,000</td>
<td>+3.8%</td>
</tr>
</tbody>
</table>

The average growth for this practice over five years is approximately 2.7%.

The Consumer Price Index - Detailed Report (www.bls.gov/cpi/tables) shows that the overall growth rate for dentistry from 2012 -2016 to average 2.6%.

<table>
<thead>
<tr>
<th>Year</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>2.8%</td>
</tr>
<tr>
<td>2013</td>
<td>2.8%</td>
</tr>
<tr>
<td>2014</td>
<td>1.8%</td>
</tr>
<tr>
<td>2015</td>
<td>2.8%</td>
</tr>
<tr>
<td>2016</td>
<td>2.7%</td>
</tr>
</tbody>
</table>

This practice is growing slowly, just at the CPI rate. The challenge with a slow-growing practice is that the overhead is often growing faster than the practice revenues. This practice needs a growth plan unless the dentist is close to retirement.

Practice fees need to be evaluated and benchmarked annually. Benchmarking dental fees includes balancing the fees to set them into the proper percentile rank for the type of practice. For example, a specialty, high-end restorative or cosmetic practice would want their fees to be in the 90 - 95 percentile of fees in their zip code. A family practice would look to be in the 75 - 85 percentile fee range. Fees are balanced when all of the ADA code procedures have a fee in the same percentile.

Once the practice fees are balanced, the practice can raise fees to reflect the Consumer Price Index (CPI). (Email me if you need a source for balancing your fees.)
Many practices shy away from fee increases annually, yet feel compelled to give raises every year and pay higher rates for dental and supplies or lab. Raise fees annually and follow with the practice salary reviews. When staff raises are tied to fee increases, the staff have a reason to support the fee increase.

Additionally, in many practices today there must be an annual review of any PPO fee schedules and contracts, to determine if any contracts should be dropped. This is essential for today’s practice management.

**QUARTERLY OVERHEAD BENCHMARKS**

Review the practice overhead data and compare to the benchmarks on a quarterly basis. There are overhead benchmarks for specific types of dental practices, specialty, solo, group, etc. Here is a sample a solo general practice. (For other overhead benchmarks, email me.)

**GENERAL PRACTICE OVERHEAD BENCHMARKS**

**Personnel Costs - Benchmark range - 20 - 28%**

Includes the following items:
- Administrative wages (7-9%)
- Clinical wages (7 - 9%)
- Hygiene wages (4 – 9%)
- Payroll taxes (staff only)
- Staff benefits
- Staff bonus

The entire area of staff costs needs a review to determine the value the practice is receiving from the labor investment. The department breakout is critical, rather than managing by a total staff cost percentage. In many years of calculating this for my clients, this is what I’ve found: most often the dental assisting costs are low or inline; the administrative costs are in line or perhaps high; and most often the dental hygiene costs are high and out of the benchmark range.

**Supply Costs - Benchmark range 13 - 17%**

Includes the following:
- Dental supplies (5 - 7%) (Be sure this is pure dental supplies and not small equipment or repairs.)
- Laboratory costs (8-10%)

**Promotion Costs - Benchmark range 2 - 3%**

Includes the following:
- Advertising (website, social media)
- Direct mail
- Patient gifts, cards, flowers, etc.

**Administrative costs - Benchmark range 8 - 13%**

Includes the following:
- Accounting & legal
- Bank charges
- Computer expense
- Continuing education
- Dues & subscriptions
- General insurance
- Malpractice insurance
- Office supply & expenses
- Postage
- Taxes & licenses
- Telephone (wo. yellow pages)
- Travel & meals

**Facility costs - Benchmark range for owners 8-10%, Benchmark range for renters 4-7%:**

Includes the following:
- Janitorial service
- Leasehold improvements amortization
- Property taxes
- Rent (mortgage plus interest)
- Repairs - building
- Utilities

**Profit - Benchmark range 30 - 50%**

Includes the following:
- Doctor (partner) salary
- Doctor benefits
- Pension & profit sharing plan (Doctor)
- Auto expenses

If you find that any of the practice percentages are above the benchmark, here are eight ways to reduce overhead and increase profits:

1. **REDUCE VARIABLE COSTS.**
   - Put dental supply purchases on a budget of five to six percent of the last three months’ average collections.
   - Be sure lab-related procedures are charged out at four to five times the lab fee.

This is tough with PPO reimbursement. You may need to find a new lab with a lower fee per crown.

- Evaluate staff salaries by category. Set up your bookkeeping software to separate salaries by category for better review: administrative, clinical and hygiene. Freeze wages until salaries are within the benchmark.
2. PRODUCE MORE IN THE SAME TIME.
   • Increase efficiency in procedures without sacrificing quality. Use ALL expanded duties in the state!!!!
   • Be sure the hygienists are on a time-needed appointment plan. Establish an appointment time allotment benchmark for each type of patient, i.e., teen, child under five, perio, partially edentulous, regular prophy, new patient adult, etc.

3. TAKE CLINICAL EFFICIENCY COURSES.
   Hygienists need to use the ultrasonic as the primary instrument for efficiency and efficacy.

4. RAISE FEES | DROP LOW PAYING PPOS.

5. INCREASE TREATMENT ACCEPTANCE.
   • Learn to enroll patients into ideal treatment. Appoint a treatment coordinator who consults privately with the patient after the dentist completes the diagnosis.
   • Teach the hygienist(s) to communicate ideal treatment at each recare appointment.

6. REDUCE OPEN TIME | REDUCE BROKEN APPOINTMENTS.
   STOP being overly nice to patients who are chronic appointment breakers. Postpone any re-appointments for four to six weeks.

7. INCREASE NEW PATIENT FLOW.
   Plan a new resident direct mail marketing campaign. This is the most effective way to recruit new patients.

8. FOCUS THE TEAM ON SPECIFIC SERVICES. DELIVER OUTRAGEOUS CUSTOMER SERVICE. ASK FOR REFERRALS.
   • Ask for referrals. Yes, you have heard this one, but few implement it.
   • Have everyone on the team, including the dentist, bleach their teeth. Ask every patient about bleaching, especially if they are over 50.

Management by benchmarks is the best way to understand the health of your practice. Once you know the benchmarks, you can craft a plan to move the practice to health.

MEET THE AUTHOR
Linda Drevenstedt coaches you to express your full leadership and life potential. She is a national speaker and author. With her background “in the trenches” as a dental practice administrator, hygienist and assistant, coupled with her MS in Health Care Administration and a BA in Business Management, she brings breadth and depth to her coaching. Linda’s book, Life Path by Design: Coach Yourself to Your Own Charmed Life, became an Amazon best seller. The book comes from her experience growing her own potential through working with coaches.

Contact Linda: linda@drevenstedt.com; www.drevenstedt.com; 800.242.7648.