

Charles Blair
IMPROVING PRACTICE PROFITABILITY

EXPENSE CATEGORIES

- 1) Labor (step/fixed)
- 2) Supplies (variable)
- 3) Lab (variable)
- 4) Facility and Equipment (fixed)
- 5) Administration (fixed)
- 6) Marketing (step/fixed)
- 7) Doctor's Net

REVENUE = 90,000 – 130,000 (range does not include doctors)

F. T. E.

Full Time Equivalent Employee (F.T.E.)

1) LABOR

- ◆ *Primary area to focus on when managing practice expenses:*

Determine Total Compensation for an Employee

Wages
Payroll Taxes
Uniforms
Fringe (medical/disability/continuing education)
Uniforms
Retirement

- ◆ Cost of labor 24–29%
- ◆ Goal is 25% or lower
- ◆ Total of expenses for labor accounts for 65%-70%
- ◆ All else 30–35%
- A) Business Department
 - 8–10% of gross revenues
 - never exceed 12%
 - each F.T.E. should handle 25,000–35,000/month
 - each patient requires 10-12 minutes of front desk time
 - should not spend more than 50% of face-to-face patient contact
 - 15-20 pts/day/FTE
 - 25,000–35,000/month/FTE
- B) Chairside Department
 - 10–12% of doctors' (only) revenues
 - 20,000–30,000/month/FTE
 - 5-12 pts/day/FTE
 - doctors production should be 200-400 dollars/hour
 - the goal is both high revenue per patient visit and high revenue per hour
 - determine also revenue per new patient

Monthly revenues = 1,000 – 4,000

Number of patients

- C) Hygiene Department
- 35-45% of production
 - **Hygiene labor**
Hygiene collection =35-45%
 - 3 X W2 = Production
 - 7,000-9,000/month/F.T.E.
 - 8-10Patients/day/F.T.E.
 - \$60 per hour minimum
 - most practices generate 20-30% of total revenues
- 2) **SUPPLIES**
- Total supplies (clinical and office) should be 8-10% of gross revenues
 - Office supplies 2-3 %
 - Clinical supplies 5-6%
 - Ways to reduce supply costs
 - Buy from one vendor asking for lowest price and utilizing free value-added services
 - Pay bills with an airline mileage card
 - Give your assistant a budget of 6 percent of last month's production and start a purchase order system
 - When attending a convention or meeting go with a list of commonly ordered products and typical cost (bulk orders-convention specials)
- 3) **LAB EXPENSES**
- Typical lab expenses are 6-8% of gross collections
 - 10% of Doctors only collections
 - Less than 10% for an non- restorative dentist
- 4) **FACILITY AND EQUIPMENT**
- In general the total cost of facility and equipment should be in the 8-10% range
 - Keeping up with new technology will cost the average practice 2-5%
 - Determination of practice efficiency
Practice revenue
Office square footage=\$200-\$400(ideal)
 - Another benchmark is 125,000 per active treatment room
- 5) **ADMINISTRATION EXPENSE**
- Range 3-5%
 - Includes :legal fees, payroll service, basic continuing education, dues, basic telephone expense, malpractice and business overhead insurance's and licenses
- 6) **MARKETING EXPENSE**
- Range 0.5-3%
 - Includes: Yellow Page ads, practice brochures, printing, and postage, contributions, flowers, and gifts for patients

- Attempt to determine effectiveness by keeping a log of new patients and how they were referred to your practice

7) **DOCTOR'S NET**

- Direct compensation
 - W-2
 - Retirement
- Indirect compensation
 - Tax-free fringes (car, medical, business trips, etc.)
- Adjustments
 - Rent from Doctor
 - Family employment
 - Certain perks