Master the Metrics that Matter

A dentist’s guide to managing key performance indicators (KPIs) for greater productivity and efficiency.

DENTRIX

About the Author

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Table of Contents

How to Give Your Practice a Competitive Edge

Dentists are working harder today than in 2008, according to recent surveys. Plus, practice revenues are down, overhead is up, and dentists are retiring later.

Your practice is probably feeling the effects of these market pressures. During the last decade, a more competitive dental economy has emerged, shaped in part by these factors:

- Growing number of dental school graduates
- Longer dental careers
- Changes in insurance plans

The best way to be successful in this new dental economy is to maximize the productivity and efficiency in your practice. How? By understanding and managing the key performance indicators (KPIs) in your practice on a regular basis.

Just like your blood pressure, body weight and cholesterol numbers indicate your physical health, your KPI numbers indicate the financial health of your practice.

Monitoring your KPIs and taking action to improve them can help you eliminate waste, optimize production, improve efficiency and drive higher profitability. Mastering the metrics that matter gives your practice a competitive edge.

Which KPIs matter most to practice profitability?

Henry Schein has researched this question extensively. After measuring dental practice success for more than 20 years, we recommend dentists focus on these five KPIs:

1. Active patients
2. Active patients in hygiene
3. Production
4. Accounts receivable management
5. Schedule optimization

Fast Facts

The number of U.S. dental school graduates has been rising since 1993, reaching 4,873 in 2010.

Doctors are practicing longer, delaying retirement due to economic and lifestyle factors. "**70** is the new 65."

The number of actively licensed dentists grew to 184,578 in 2010, an increase of 11 percent since 2000. By 2020 the ADA projects **195,267** active dentists in the United States.

The maximum flexible spending account limit for dental was cut from $5,000 to **$2,500** annually in 2013.

The growth of managed care dental plans and restricted demand for dental services will increase competition in dentistry over the next five years.

Source: *The McGill Advisory, Vol. 27, Issue 4, April 2012*

KPI #1: Active Patients

The Pulse of Your Practice

Your active patients—the number of patients visiting your office in the past 18 months—is the #1 KPI because it affects the current and future cash flow of your practice.

Think of your active patients as the pulse of your practice. A steady increase in active patients from month to month is a sign of a healthy, growing practice. If your active patient base shrinks, overall cash flow will soon shrink as well.

Your practice management software can help you track your active patients. Once you identify your active patient base number, start working to stabilize and increase it.

Set monthly, quarterly and yearly goals to grow your active patient base. Involve your team in growing this number by encouraging follow-up visits and new patient referrals.

How you enter a patient into your database for the first time can help you track the source of your new patients. Take the time to enter new patient information accurately, including specifying the referral source. Over time you can see where your best referrals are coming from and nurture those sources.

What to Watch

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

To maintain a healthy patient base, the average practice should see between 20 and 25 new patients per month.

What to Do

If your active patient base isn't growing, try this:

- Follow up on patients who are overdue in hygiene.
- Ensure the patients coming in today are set up correctly in the scheduling system so their continuing-care future due dates are accurate.
- Track where new patients are coming from and focus on the marketing activities that yield the greatest results.

KPI #2: Active Patients In Hygiene

Your Primary Growth Source

Your active patients in hygiene—the number of patients with a hygiene appointment in the past 12 months—is a crucial metric for two reasons:

1. It forecasts 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 your active patients lets you know if your practice is on track to achieve your financial goals. If your active patients in hygiene start to decline, you can take corrective measures to bring the numbers up before another six months go by.

Hygiene visits build relationships with your patients and create production for the dentist. Up to 80 percent of the doctor's production comes from hygiene, where patients get exams, xrays and treatment diagnoses. Therefore, any decline in hygiene appointments directly affects your bottom line.

Ensuring that patients are scheduled to return for their hygiene visits every six months also helps maintain and increase your active patient base (KPI #1).

- Patients may be reluctant to schedule appointments six months out, because few people know their schedule that far into the future. Your practice management software can help by showing you the patient's preferred day and time in their appointment history.
- Sending the patient email and text reminders
- Allowing the patient to confirm or change the appointment online

What to Watch

Look at the number of patients seen in hygiene and the number of patients who have scheduled return appointments in the next six months.

If the number of hygiene reappointments falls **below 85 percent** of the active patients in hygiene number, it's time to take action.

What to Do

If your hygiene patients aren't reappointing, try this:

- Use your practice management software to track the due dates and last visit dates of your hygiene patients.
- Set up standard routines to encourage and remind patients to get hygiene appointments before the due date.
- Attach continuing care to each patient coming through your practice for routine maintenance procedures.

KPI #3: Production

A Healthy Hygienist/Doctor Mix

The production KPI shows you the difference between being busy and making money. It also helps focus your team on improving the areas that contribute to your practice profitability.

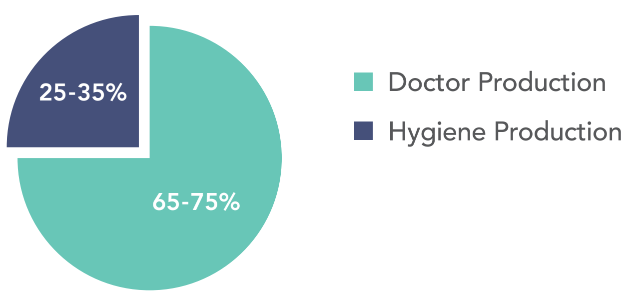
Tracking the production numbers for hygienists and for doctors separately lets you know who is doing the work, what the work is, and how much revenue your practice can expect from each provider.

Typically, 75–80 percent of a doctor's production comes from hygiene. X-rays, exams, diagnoses and treatment plans made during the hygiene appointment create future procedures and appointments for the doctor.

A healthy mix of hygiene and doctor production is vital for practice profitability. An average production mix of 65–75 percent for doctors and 25–35 percent for hygiene is ideal.

Total Practice Production

Positively affecting patient case acceptance is everyone's responsibility, from the front office to the operatory to the check-out desk. Measuring production raises awareness about the role each team member plays in improving your production numbers. Set production goals for your total practice as well as for each provider.



Your practice management software can help you track production by provider, overall production, case acceptance, outstanding treatment plans, reappointment rates and other areas that affect practice profitability.

What to Watch

From a practice's total production number, the ideal mix is 65–75 percent doctor production and 25–35 percent hygiene production.

If hygiene production falls to **15–20 percent** of your total practice production, it's time to take action.

What to Do

If your production numbers are down, try this:

- Discuss production numbers in your Daily Huddle meetings.
- Ask the team for ideas on how each team member can improve case acceptance, patient care and overall production.
- Help patients overcome financial worries, fear of invasive procedures and other barriers to treatment by openly discussing their concerns.

KPI #4: Accounts Receivable

Easy to Measure, Hard to Do

The accounts receivable management KPI shows whether your practice is actually making money. Profitable practices set a goal to collect at least 98 percent of their total adjusted production (gross production minus adjustments).

For example, if your monthly gross production (the sum of the fees you normally charge patients) is $80,000, and your monthly adjustments (discounts and insurance write-offs) are $16,000, your total adjusted production is $64,000. Your collection goal for that month would be $62,720 (98 percent). Achieving that goal would give you a production-to-collection ratio of 1.28, well within the ideal range (between .5 and 1.5 each month). The way you manage your accounts receivable, particularly your production-to-collection ratio, determines your profitability. While this may seem obvious, many practices fail to compare their outstanding A/R to their production each month.

Your practice management software can provide valuable insight into accounts receivable so you can take the appropriate measures to get paid. Monitor the following A/R figures at least once a month:

- Account balance aging (30, 60 and 90 days)
- Pending insurance claims aging
- Daily over-the-counter collections
- Total collections
- Totals by provider

The sooner you can address a collections issue, the more likely you'll get paid. Outstanding balances beyond 30 days should be targeted first.

Once a balance ages beyond 90 days, you lose 7 percent of the value of that balance every month. By the time the balance ages 12 months, your practice has lost more than the balance is worth.

What to Watch

The ideal production-to- collection ratio for a profitable practice should be between .5 and 1.5 each month.

If this number goes **above 1.5**, it's time to take action because your collections are too low.

What to Do

If your collections are low, try this:

- Provide third-party financing options to help your patients afford necessary treatment
- Put a written financial policy in place and make sure your patients understand it and your team reinforces it.
- Help your patients pay on time by setting up electronic payment plans.
- Flag balances that are more than 60 days overdue and call these patients ASAP.
- File insurance claims electronically.

KPI #5: Schedule Optimization

The Fuller the Better

Schedule optimization is the cornerstone of an efficient and profitable practice. Managing your schedule effectively can minimize team stress, increase patient satisfaction and maximize production.

Properly setting up your appointment book affects several key metrics of practice success, including:

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

Your practice management software can help you schedule consistent production and fill open time slots. Divide up each appointment to clearly identify how many time units are needed for each section, such as anesthetic time, doctor time and assistant time.

Blocking the schedule for the ideal day outlines your scheduling preferences. You can create up to six time blocks per provider to order your day according to the procedures attached to your appointments.

For example, you can designate early mornings and early afternoons for crown and bridge, save the late mornings for simple fills, and put new patients at the end of the day. You can even designate certain times, such as the first appointment after lunch, to be held open for emergencies.

What to Watch

Unfilled hours in your schedule directly affect your bottom line.

Losing one hour of hygiene time per day over a 210-day year can cost your practice more than $30,000 in a year.

Losing one hour of dentist time per month can cost your practice **more than $144,000** in a year.

What to Do

To help fill unscheduled hours, try this:

- Create an ASAP list for patients who want to come in sooner than scheduled.
- Create an "open" list for patients with flexible schedules.
- Track patients who cancel or miss appointments.
- Reach out to patients with postcards, emails and text messages.

Next Steps

Implement and Manage KPIs

Now that you understand the KPIs that matter, it's time to implement a regular review of your practice's financial health and manage the results.

With the right practice management software, you can easily gather the KPI data you need on a daily, monthly, quarterly and yearly basis.

Analyzing your practice performance based on specific numbers gives you a better understanding of your practice's strengths, weaknesses and opportunities.

In Henry Schein Dentrix, for example, you can run the Practice Advisor Report to see your KPIs at a glance. This report shows your active patient base, active patients in hygiene, practice production, accounts receivable, schedule optimization and many more indicators of your financial health. You can also compare current performance to past months or year-to-date numbers.

The Practice Advisor Report compares your practice's KPI statistics to industry-standard benchmarks. When your KPIs fall below the benchmarks, the report offers recommendations to help you improve your profitability.

Dentrix is the only practice management software that offers the Practice Advisor Report. To ensure that your office uses the Practice Advisor Report correctly, Dentrix also offers Profitability Coaching.

Whether you're new to Dentrix or you've been using the software for years, Dentrix Profitability Coaching can help you implement and manage KPIs for greater practice efficiency and profits.

For more information about Dentrix Practice Management Software, visit *Dentrix.com*.

Fast Facts

Henry Schein Dentrix Profitability Coaching can help you set up your KPIs and get your practice on the path to greater profits.

In just seven months, your practice can realize results like these:

10% increase in production

12% increase in active patient base

17% increase in hygiene reappointments

24% increase in active patients in hygiene

$8,000 increase in monthly cash flow

1,900% annualized ROI

Find out more about Profitability Coaching at *www.Dentrix.com/Coach*

Practice Management Software for Greater Profitability

Dentrix provides software solutions for greater productivity and profitability in your practice. That's why more than 35,000 dental practices rely on Dentrix today.

- For greater practice productivity, Dentrix includes full-featured charting, treatment planning, scheduling tools, integrated eServices, digital imaging integration and other tools for a paperless practice.
- For greater business profitability, Dentrix includes financial analytics, accounting and billing tools, marketing and communications eServices, training seminars, user conferences, profitability coaching, mobile access tools and more.
- For continued growth and innovation, Dentrix Connected partners offer the latest in dental products and services – all tested and certified to run smoothly with your Dentrix system.

For 25 years, Dentrix has been helping dentists improve patient care, increase team productivity and grow their practices. Only Dentrix offers hundreds of compatible solutions from our dental technology partners. And, only Dentrix is backed by Henry Schein, the most respected solution provider to office-based healthcare practitioners worldwide.

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