

ARE YOU LEAVING MONEY ON THE TABLE?

BY LAUREN COVER AND DOUG FETTIG, CPA

MOST BUSINESSES ROUTINELY EVALUATE THEIR PRODUCT AND SERVICE PRICING, TO MAKE SURE THEY REFLECT THE RIGHT VALUE FOR CUSTOMERS AS WELL AS THE COMPETITIVE LANDSCAPE IN WHICH THEY'RE OPERATING. WHILE DENTISTS ARE PROFESSIONALS CARING FOR THEIR PATIENTS, THEY ARE ALSO BUSINESS OWNERS AND MANY RARELY GIVE THEIR FEE SCHEDULES AN ANNUAL EXAM. SOME OF THE REASONS FEE EVALUATIONS NEVER QUITE MAKES IT ON THE "TO DO LIST" FOR DENTISTS INCLUDE:

- **PATIENT CARE OVER BUSINESS**
The demands of patient care often take priority over evaluating the business side of their practices.
- **PPO CONTRACTS**
Many dentists feel constrained by the terms of their PPO contracts and set fees accordingly, without considering the marketplace.

- **NO INCENTIVE**

There is not a great incentive to make changes to fees, as long as the practice provides an acceptable income for the dentist.

- **LACK OF INFORMATION**

It's no easy task for dentists to analyze their rates and make the appropriate changes. They don't have the data available or the knowledge of how to successfully evaluate their fee schedules compared to the competition.

- **DISCOMFORT**

Many dentists feel uncomfortable about asking their patients to pay higher fees for their services.

All of these very understandable reasons leave so many dentists in the same predicament—they're leaving money on the table. That extra revenue can and should compensate for rising labor, materials, and supply costs. It could provide the resources necessary for equipment and technology upgrades which improve the quality of patient care; be used to support continuing education for the dentist and staff, which also bolsters patient care; and could provide the motivation for setting aside sufficient funds annually to prepare for a comfortable retirement.

If you're among the folks who put fee schedule assessment on the back burner, it's probably time to push through your discomfort and attend to this very important part of your practice. Fortunately, a dental consultant, or a service like Burkhart's Practice Support Team brings the requisite data, analytical skills, and market insights to walk you through the process from end-to-end.

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**HOW TO SET THE RIGHT
FEE STRUCTURE**

Most dental practices rely on professional business consultants to help them evaluate if their fees are set appropriately. A practice consultant will begin by downloading the dentist's billing history for the past year and performing a fee structure assessment. This history provides the number of procedures performed by billing code—as well as the rates charged for those services. Some of those rates will be governed by the allowable reimbursement per the terms of the PPO contracts; others will be associated with patients who pay their fees out of pocket. The latter represents a revenue stream over which the dentist has a clear measure of control.

The next step is to collect survey data on dental fees for the zip code in which the dentist operates. This market data provides a distribution of rates charged for each billing code. Thus, for each line item,

the data will demonstrate what dentists who operate in the 90th percentile charge, what those in the 10th percentile charge, and everything in between. When the dentist's actual fee schedule is overlaid against the market data, it is clear where he or she sits in relation to the local peer group. Rankings may vary substantially by billing code. For example, a dentist's fees may land within the upper quartile for adult prophylaxis, but sit in a lower quartile for a porcelain crown.

A dental practice consultant with experience serving hundreds of dental practices around the country, will have the ability to “level set” a practice based on the skills and experience of the practitioners and the technology used in patient care. Clearly, a practice that boasts leading-edge digital technology, high quality materials, and a top-notch team will command higher fees than those without these attributes. That judgment comes into play when crafting the

financial analysis for target procedures. A practice consultant will be able to identify which procedures are priced within tolerance and which ones bear closer examination. Once that analysis is complete, a review of the current volume for targeted billing codes is performed. Then, the upside revenue potential can be assessed, if fees are adjusted to the appropriate market rate.

If there is a significant disparity between market rates and PPO reimbursement rates, a practice consultant with contract expertise may take a close look at the affected line items to see if a case could be made for renegotiating reimbursement. The contract may have some “wiggle room” if the practice can demonstrate its tools and technology provide for a superior standard of care.

If it has been quite some time since fees were last adjusted, there may be a sizable gap between the current and the target construct. To avoid “sticker shock” and

POTENTIAL REVENUE INCREASES

CODE		D1110-Adult Prophy	
PERCENTILE	FEES	3,500 UNITS	\$ INCREASES
Current Fee (40 th Percentile)	\$88	\$308,000	
Move to 50 th Percentile	\$91	\$318,500	\$10,500
Move to 60 th Percentile	\$93	\$325,500	\$17,500
Move to 70 th Percentile	\$97	\$339,500	\$31,500
Move to 80 th Percentile	\$103	\$360,000	\$52,500
Move to 90 th Percentile	\$115	\$402,500	\$94,500
Move to 95 th Percentile	\$122	\$427,000	\$119,000

possible alienation of one's loyal patients, a plan can be put in place to provide for a gradual increase over a 2 to 3 year period.

HOW TO INSTITUTE A NEW FEE STRUCTURE

Publishing a new fee schedule and making the requisite changes in the administrative software are relatively straightforward tasks. The real work surrounds the people who'll be affected by them.

First and foremost, the dentist needs to feel confident in the logic behind the decision to adjust the fee schedule. To that end, the market data should relieve concerns about the practice's competitive positioning in the local market. In fact, that data could be used as a talking point with patients if they raise concerns about the new fees. Beyond that, a fee increase rewards the dentist for investments made for the sake of providing better dental care. With the move to digital technology, the dentist has better information on which to build treatment plans along with the tools to engage patients in that discussion. And, of course, better information leads to fewer mistakes. All of these arguments support charging higher fees.

WE CAN HELP!

The Practice Support Team has years of combined business and dental expertise, and is a resource at **no cost to you** as a Burkhart client. Reach out to them today to see how they can help!

practicesupportteam@burkhartdental.com
1.800.665.5323

A PRACTICE CONSULTANT WILL BE ABLE TO IDENTIFY WHICH PROCEDURES ARE PRICED WITHIN TOLERANCE AND WHICH ONES BEAR CLOSER EXAMINATION

Second, the staff needs to be brought into the loop on the proposed changes. As with the dentist, they need to understand how their fees compare to other local practitioners and, therefore, why the adjustments needed to be made. They may also need the gentle reminder of all of the things the practice does to provide the best quality of care. They can feel proud of the work they do and stand behind the rates they charge.

Finally, patients need to be aware of the charges for which they will be responsible. Most will anticipate increases based on their general experience in the healthcare arena.

When their services extend beyond routine cleaning, the office should provide a treatment plan with all associated fees before the work begins. As it may have been some time since they've had such services, staff needs to be prepared to respond to concerns about pricing. A quick tour of the office could highlight the changes in dentistry since that last procedure was performed. However, the focus should shift to providing creative solutions to make the treatment plans work within the patients' budget.

HOW OFTEN SHOULD FEES BE ADJUSTED?

Many dental practices do a fee structure analysis annually. The initial assessment will generally have a one-time set-up fee that is not assessed for routine updates. The typical payback for this service is very fast. Thereafter, an annual evaluation makes sure the practice remains competitive. With the added revenue stream, there will be ample opportunity

to discuss initiatives that could make the practice even better and/or provide a more secure retirement for the dentist.

When, and if, the dentist contemplates selling the practice or adding a partner, a fee structure analysis is essential. In such cases, the amount by which the practice could be undervalued could dwarf the relatively small amount of advisory fees to perform the assessment. **B**



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Lauren joined Aldrich in 2015 as a Healthcare Consultant. She helps businesses with provider health plan contracting, financial analysis and feasibility, benchmarking and other financial reporting, strategic planning, service-line targeted growth, team coordination, lean/six sigma process improvement and leadership. She received a Bachelor of Science in Business with a concentration in Finance from University of Oregon and a Master of Business Administration in Healthcare Management from Oregon Health & Science University/Portland State University.



Doug Fetting, CPA, MBA, Dental Business Consultant, Aldrich CPAS + Advisors

Doug has over two decades of experience as a CPA and a finance professional, providing him the unique ability to understand dentists' needs and help them grow efficient and profitable practices. His insight allows him to effectively communicate business concepts to dental practices while strategically addressing tax, investment, and retirement planning needs. Doug has spoken at numerous dental seminars, academies, study groups, and vendor forums around the country and he is known for his energetic, engaging, and entertaining speaking style. As a dental business advisor, he is adept at collaborating with dental practices and incorporating Aldrich's expertise to help dentists grow their practices and increase their profitability.