A re you at the “tipping point” of needing to add an operatory to your practice? Or is the equipment in an existing operatory testing at the end of its life?

Few people relish the prospect of making major capital investments. It takes resources on the front end and a predictable revenue stream on the back end to feel comfortable moving forward. Many dentists postpone the decision and declare the status quo to be “good enough.” But this conservative stance often does more harm than good to the bottom line.

This article explores the potential benefits of investing in your practice, and the perils of inaction. It also provides strategies for generating sufficient resources to finance the capital outlay.

Those who remain are less likely to help you grow the business by recommending your services to others.

The table one on the page to the right provides industry benchmarks for staffing, patient load, and annual billing based on the number of operatories. As indicated, modest growth in capacity can translate into an attractive revenue stream.

If you have open operatories (“Ops”) and team members who are not busy with patients, you may be hesitant to invest in your business. However, the purchase and proper use of an intra-oral camera could be a game changer for your practice. This device allows your patients to get an up-close and personal look at substantive areas of concern (chips, cracks, gum disease) and cosmetic issues. It creates the opening for conversation about treatment.

• There is an opportunity cost of the billable procedures that would have been performed during the time that the equipment was out of service. This cost can range anywhere from $100-$5,000 per hour.

• Your paid staff—front office, hygienists, dental assistants, back office staff—may be as idle as your operator. That’s another $100+ per hour in unproductive expense.

• You will inconvenience patients by delaying or re-scheduling procedures. They may choose to postpone the work or take their business elsewhere.

• You may give patients the impression that you do not use cutting-edge technology in their treatment.

• Depending on the age of equipment, your troubles may not be behind you once the repair is complete.

With $150 per hour in technician time, the total hourly cost of downtime could range from $300-$2,100. If we take the midpoint ($1,200), add parts, and multiply by one failure per month, you could face $10,000+ in annual losses, excluding the economic consequences of patient disfellation.

One final equipment issue bears mentioning. Many dentists fail to invest the time and money necessary to secure high quality operator stools. While these stools generally don’t break, they can certainly cause back strain. That source of service disruption can’t be addressed with a service call or a spare part!

EXPAND YOUR BUSINESS

The case for expansion is relatively clear when you have a waiting room full of patients who are not being seen on time. Beyond the obvious loss in efficiency for the entire operation, you run the risk that your patients will become annoyed and switch providers.

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REPLACE OUTDATED EQUIPMENT

One of the more challenging decisions in practice management is determining when equipment has reached the end of its life. As malfunctions occur, it’s easy enough to call a repair technician and pay the requisite parts and labor to restore service. These seemingly modest expenses pale in comparison to full replacement costs. Yet as they do not reflect the total cost of a service outage. In particular:

• Depending on the age of equipment, you may give patients the impression that you do not use cutting-edge technology in their treatment.

TABLE 1

<table>
<thead>
<tr>
<th>Procedure</th>
<th>Fee</th>
<th>4 Days/Year</th>
<th>Annual Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adult Prophy</td>
<td>$100</td>
<td>200</td>
<td>$17,000</td>
</tr>
<tr>
<td>Sealsants (4)</td>
<td>$200</td>
<td>200</td>
<td>$40,000</td>
</tr>
<tr>
<td>1 Quad SRP</td>
<td>$250</td>
<td>200</td>
<td>$50,000</td>
</tr>
<tr>
<td>Fluoride</td>
<td>$35</td>
<td>200</td>
<td>$7,000</td>
</tr>
<tr>
<td>Extraction</td>
<td>$140</td>
<td>200</td>
<td>$28,000</td>
</tr>
<tr>
<td>Add bond</td>
<td>$200</td>
<td>200</td>
<td>$40,000</td>
</tr>
<tr>
<td>Composite Filing</td>
<td>$200</td>
<td>200</td>
<td>$40,000</td>
</tr>
<tr>
<td>Crown</td>
<td>$1,000</td>
<td>200</td>
<td>$200,000</td>
</tr>
</tbody>
</table>

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2. Keep Your Accounts Receivable Current
A surprising number of practitioners have no idea how much money they’ve got tied up in accounts receivable. It’s not uncommon to see anywhere from $30,000 to $130,000 in billings that are 90+ days past due. Prompt collection would go a long way toward financing your equipment purchases. It would also help forge stronger relationships with patients.

When patients owe you money, you go from being a trusted and valued caregiver to a bill collector. Not surprisingly, they won’t be terribly excited to interact with you or cast your name in a favorable light during casual conversation. It’s silly to put yourself or your patients in that position. Your front office staff should provide consultative support in advance of treatment to ensure that patients can comfortably afford care. Help them think through the timing for treatment as well as options for payment.

3. Rebalance Your Fees
An assessment of your fee structure could reveal opportunities for augmenting income.

For practices in which we have conducted this analysis, the average revenue increase was $90,000. This service also imparts a sense of confidence that your fees are aligned with prevailing market rates.

4. Leverage Your Human Capital
As your practice’s active patient count increases and your office processes encourage routine check-ups, you’ll need to increase your hygiene staff. Practices with four or more operatories have had success hiring hygiene assistants to offload mundane tasks that weigh down productivity for licensed hygienists. This adjustment can result in a net increase of $20,000 to your bottom line.

5. Take Advantage of Favorable Tax Treatment
Federal and state tax authorities frequently offer incentives to encourage capital spending. For example, Section 179 of the IRS tax code has traditionally allowed for accelerated depreciation on capital assets as a function of net income. Your tax professional can review your planned expenditure and calculate the tax benefits of the acquisition.

INVEST IN YOUR PRACTICE
Appropriate investment in your practice provides room for growth and the means to take better care of your patients. If you haven’t reached the “tipping point” for expansion or replacement, it certainly pays to take a close look at your operational efficiency and identify opportunities for improving your financial performance. Astute management of all of your resources places you in a favorable position when the time is ripe for investment.

Bob Creamer is the Director of Dental Services at AKT CPAs and Business Consultants. Read more about him in our Contributors Section on page 4.