

What do the numbers say?

Can you reclaim your peace of mind and profitability in this economy?

By: Vijay Sikka

Overview

This is the second in a series of articles that speak about how you can use some high technology and some not so high technology tools and techniques to help you uncover and recover profitability in your practice. For readers who wish to get Part I, please write to article1@sikkasoft.com. In the first article we discussed the four reclaims. Profitability, patients, control and peace of mind. We discussed fee optimization, patient demographics analysis, patient reactivations for those who left among other things.

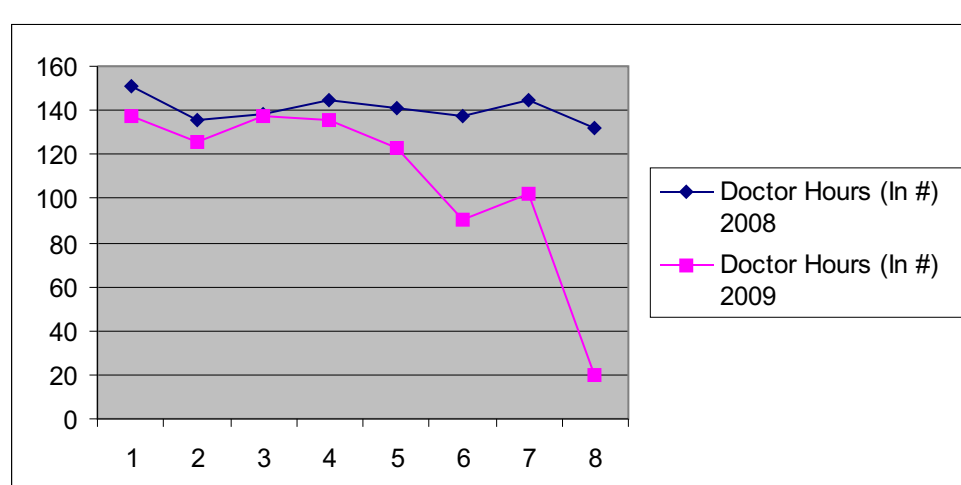
Sikka Software Dental Practice Optimizer Dashboard™ available through Dental Economics (and www.hotoptimize.com) for a 15 day free trial helps you achieve these objectives. It installs automatically and reads data automatically from all major practice management systems in the US and Canada.

Article

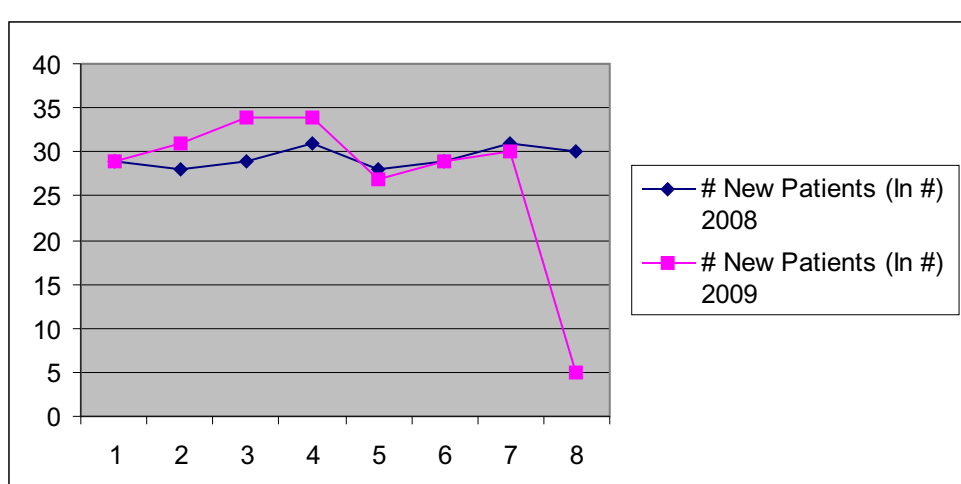
Healthcare industry including dental and medical are slowest to get into a recession and slowest to get out of a recession. That is what we have been told. While we are in the middle of one of the greatest recessions in a century, what we can do to help our businesses, and reduce our stress levels is the focus of this article series.

In this article we will start by sharing with you some basic facts based on national trends from over 5,700 practices that we are monitoring.

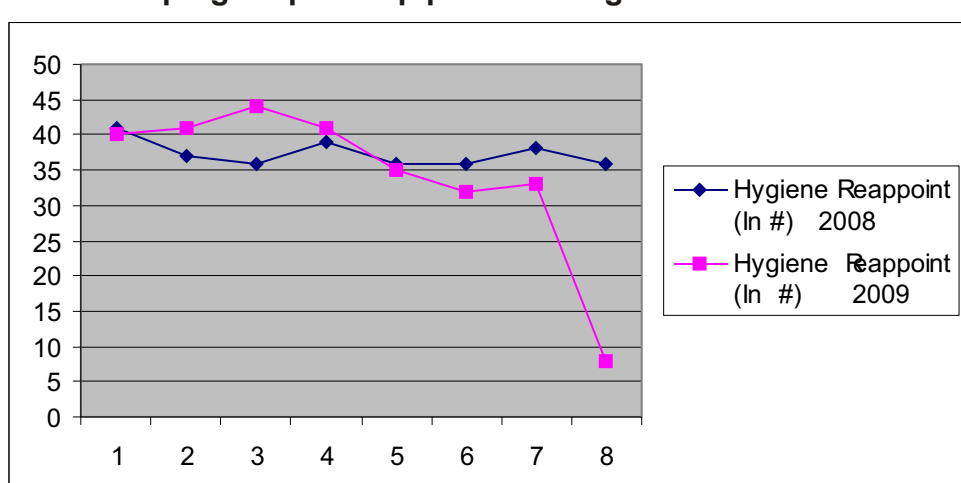
a. Month to month from January to July (Aug is partial) between the years of 2008 and 2009 the number of hours doctors worked fell down.



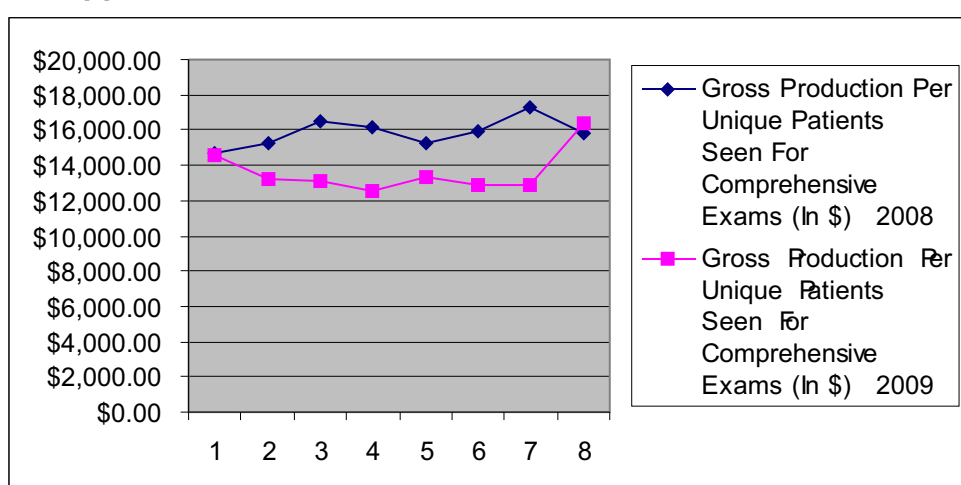
b. Month to month from January to July (Aug is partial) between the years of 2008 and 2009, the number of new patients showed encouraging signs of improvement although July (Aug is partial) 2009 saw a drop.



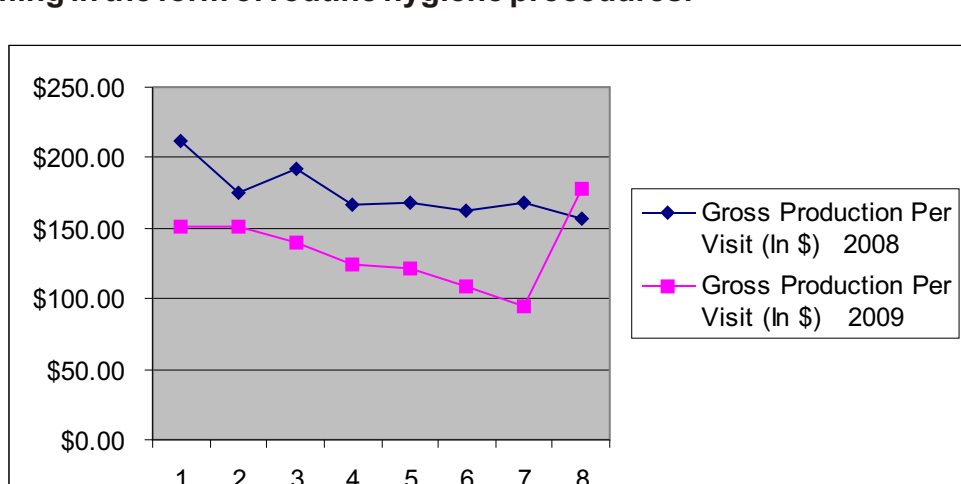
c. Hygiene reappointments have shown a very refreshing trend upwards compared to the same period for the first quarter but then it started to decline. This shows that hygienists and scheduling team members should focus on keeping the patient pipeline strong.



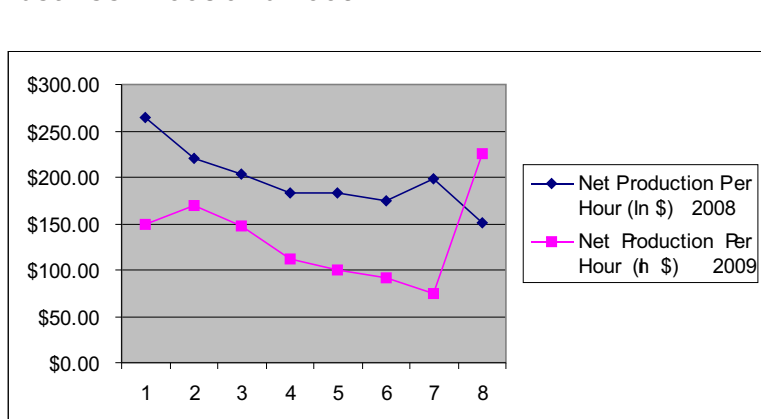
d. Gross production per unique patient seen for comprehensive exams in 2009 took a downward trend in the first quarter but has since shown signs of an upward trend from the same period in 2008. The most likely reason is that patients have lesser benefits remaining due to job losses and the treatments have become need based as opposed to want based.



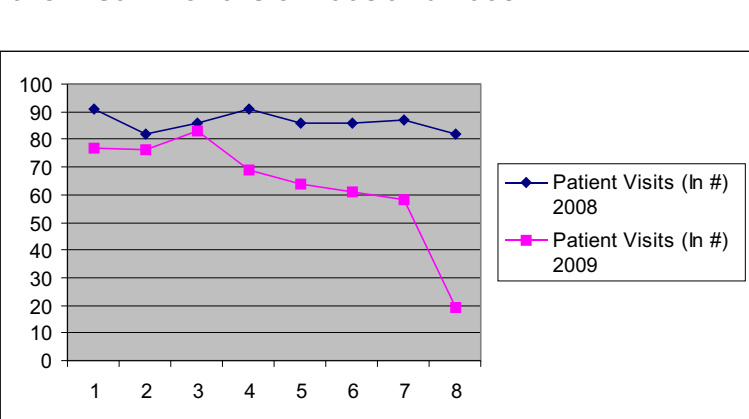
e. Gross production per visit is showing a continued disturbing downward trend than previous years. If it doesn't recover soon, it will be falling below \$100 per visit. That indicates that most of the production procedures are coming in the form of routine hygiene procedures.



f. Net production per hour saw the most critical drop and the trend kept getting worse between 2008 and 2009



g. Average number of patient visits per provider per month saw a consistent drop when comparing the first 7 months of 2008 and 2009.



So lets revisit the one of the 4-Reclaims that were originally described in Article I of this series.

1. Reclaim Profitability

In addition to fee optimization and direct benefit on profitability, what else can we do to improve our practice bottom line? First there is overhead control. By overhead we mean expenses minus the salary and benefits of the dentist. If you are looking to understand what the magic number for overhead is, you are at the wrong place. We are not going to give you a specific number to keep your overheads because we are not consultants. We would like you to monitor your overheads and calculate your profit and loss. Measurement enables management. You want to first make sure that you use a good financial system in addition to a good practice management system. Financial systems used by dentists are many such as Quickbooks, PeachTree, Quicken, Simply Accounting and some others. Once you use a good financial system and have a chart of accounts, you can use products such as Dental Practice Optimizer® to automatically read your chart of accounts and generate overhead numbers with details and also give you profit and loss data. Armed with this information you can manage your practice better.

One other thing you can do to maximize your profitability is to identify which insurance company is losing you money. Remember to first see how much production is being generated based on your patient demographics by insurance company. Next determine the writeoffs or adjustments you make compared to your office fee schedule and once you have that, figure out what the average claim amount is and average time it takes for the insurance company to pay you the claim. When you put all of this together, you can figure out a rating for the insurance company and loss of profitability. In the next article, we will speak about ROI for marketing and procedure code analysis to maximize profitability.

Once again, we have identified that 2009 is a year of struggles but there is a silver lining. More is being treatment planned per patient. Some downward trends are tapering off even though the number of patient visits and \$ spent per visit still trails previous years. We also see that there is better performance by office and team members. We are hoping that the tools and techniques I have described here help you in improving your profitability and peace of mind. This is a series of articles that share with you what you can do to help identify each element of your practice and use tools such as Dental Practice Optimizer Dashboard by Sikka Software let you do that in conjunction with your practice management system and your financial system. Keep reading and keep that feedback coming please. Vijay@sikkasoft.com



Vijay Sikka is the President and Chief Executive Officer of 5 year old Sikka Software Corporation. He is a healthcare informatics expert with more than 17 years of software development and quality experience including large scale projects with National Institutes of Health, Glaxo Smith Kline, Roche and UCSF affiliates. These projects continue to be used to date by several thousand physicians, medical professionals and scientists. In 1996, Vijay founded IBrain Software, Inc. and served as CEO until its acquisition in 1998 by Entigen Corporation, a healthcare information company that later became part of Roche. Vijay holds an M.S. degree from Syracuse University New York, pursued graduate studies in neurosciences at Stanford University, and is a Registered Continuing Education Provider with the Dental Board of California. He is a speaker in quality conferences and participates in W3C standards groups. Vijay has published a book on ROI on Software Development by Taylor and Francis International.



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