

Tough Strategies for Tough Times

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Dental Economics, September, 1994

When economic and insurance realities limit our ability to increase production... We need to develop a game plan for the '90's where each and every expenditure, no matter how hallowed, must be critically scrutinized and reappraised.

Who among us could deny that practicing dentistry today is not as much fun as it was five or 10 years ago? OSHA, infection control, bloodborne pathogens, fear of AIDS, capitation, PPOs -- we never used to think of such things.

Overhead as a percentage of the bottom line is rising at 1.5 to 2 percent a year. In the well run practice, the 50 percent norm of 10 years ago now is more typically 65 percent or higher. This especially is true as more dentists are electing to practice in groups.

Year after year, profit margins are squeezed as the entire structure of insurance reimbursement is changing. How much easier it was when the bulk of our insurance patients had co-payment policies that helped them pay our usual-and-customary fee.

Now, capitation plans and PPOs are making inroads into replacing the more-traditional insurance vehicles. Delta and Blue Cross plans seem to be replacing the private-insurance plans at an alarming rate. Entire groups of our patients who had traditional, private, co-pay plans have seen their employers switch to plans where the fees are fixed at 65 to 90 percent of our normal fee.

When these plans started, there never were any co-payments except for fixed and removable prosthetics. That was part of the incentive for the dentist to participate. Now, in order to cut employer costs, plans are requiring co-payments on many services like crowns and root-canal therapy. And what's even worse, when a co-payment is to be collected, it is based on the company's fee and not your private fee. Thus, in addition to having to accept a reduced fee for service, we now must pay the administrative expense of collecting the co-payment.

Delta, Blue Cross and other HMOs offering dental plans compete with each other by undercutting their premiums to employers. As a result, fewer and fewer dollars are available to pay us -- the providers. We are performing a greater amount of our services at fees that are 20 - to - 25 percent below our usual-and-customary fees. And, in effect, because our fixed costs remain constant or are increasing, we need to increase our fees to our non-insurance or co-pay patients to make up the difference.

Combine these facts with what has happened to our economy over the past three-to-four years -- serious rises in unemployment, downsizing of companies, losses of thousands of middle-management jobs -- and you realize why we aren't having fun anymore. People do not have nearly as much discretionary income. With interest rates at unheard of low levels, those people on fixed incomes are living on almost one-half of what they were five years ago. Try selling

them laminates or other "elective" services! Even people with money are reluctant to spend it for fear that the economy will take another turn in the wrong direction.

So how can we flourish in this difficult environment? Well, I don't think we can. But I do know that we can survive and perhaps maintain the status quo until things change--we just have to be smarter, tougher and more resourceful! We have to run harder just to stay in the same place.

I always have advised dentists that their overhead problems would disappear if they could learn techniques to increase their production. I still believe that to be true, but when economic and insurance realities limit our ability to increase production, then we must control costs more than ever. We need to develop a game plan for the '90s where each and every expenditure, no matter how hallowed, must be critically scrutinized and reappraised.

In my practice, we now are engaged in discussions with all of our suppliers, both large and small, making sure that we are getting their best, most-competitive pricing.

Phone companies and electric companies have a monopoly on your business, but we have found they have many ideas on how to cut costs. We changed every light bulb in our office to low-energy, more-efficient types, and have saved money. By combining phone lines into consecutive numbers, we were able to economize. Energy-saving thermostat devices have lowered our oil bills.

We challenged our employees to come up with money-saving ideas, and they have responded enthusiastically. They read the papers -- they see stories about layoffs and plant closings --and this helps them appreciate having a job. I think they value their jobs now more than ever, and they really have worked along with management to create savings.

We have asked our labs to work with us to ensure competitive pricing. Obviously, we would never sacrifice quality in an effort to control costs - and would not consider doing business with those outfits you never heard of, selling porcelain-to-metal crowns for \$45! But our own labs are sensitive enough to competition that they have been extremely cooperative.

Laboratory, supplies and staff salaries make up the lion's share of overhead, and present the major opportunities for savings. After much deliberation (letting someone go is never easy), we were able to consolidate two front-desk positions into one. This produced a savings of \$25,000 and was the largest, single item that we could identify.

Another source of savings for me was in my disability insurance. Since I am 54 years old and planning to retire from active practice in a few years, I was able to change the "extended benefit" clause of the policy which would cover me to age 65 in the event of a disability to a five-year-payout period. This reduced the premium by 40 percent. Anyone within five years of retirement should consider this option.

Our malpractice-insurance carrier offers a discount if you attend a one-day seminar every three years. This enabled us to reduce our malpractice premiums by 7.5 percent. Check with your carrier if this is an option for you.

Depending on each individual's situation, a careful review of all insurance products could produce significant savings. Increasing waiting periods on disability insurance and changing from whole life to term are possibilities. And don't be ashamed to speak with your accountant about combining visits with him or her to reduce your costs. The preparation of your personal and business-tax returns, plus two or three meetings for planning a tax strategy, create a substantial bill every year.

In this difficult environment of shrinking work forces (translation -- fewer paying patients), and an oversupply of dentists, we have come to realize, more than ever, the value of every existing patient in our practice. Certainly, we have redoubled our efforts to concentrate on the basics of good patient management -- greeting everyone with a smile, thanking them for their referrals, calling patients who have had difficult procedures.

Extending this philosophy, we have come to the most significant realization of all -- that the key to surviving in difficult times is to prioritize our hygiene practice. In busier, more-productive times, interrupting our schedule to check hygiene recalls is, at best, a necessary nuisance. These days, we look upon it as an opportunity to upgrade lots of dentistry that previously we had been too busy to do. I suggest that we:

- Spend one-half hour at the end of every day reviewing all the hygiene charts for the following day.
- Huddle with the hygienists at the beginning of each morning to inform them of treatment goals that you have identified. They then will be able to inform and educate the patient about particular procedures prior to your exam.
- Know the status of every patient's insurance before you go into the hygiene room.
- Make the hygienist aware of the importance of updating radiographs. Establish a protocol for the routine taking of bite-wing and full-mouth radiographs. Establish guidelines for screening third molars with a panorex. How often are you taking follow-up pictures for endo?
- Put more emphasis on quadrant scalings and more frequent hygiene visits. Emphasize prevention.

Make the effort, doctor, to do an across-the-board "re-engineering" of your practice, and you will see substantial savings. Good times no doubt will return again, but until they do, strict attention to cost-cutting, the hygiene practice and public relations is the order of the day.