

MANAGEMENT & MARKETING

(Editor's Note: This quarterly JCO column is compiled by Contributing Editor Howard Iba. Every three months, Dr. Iba presents a successful approach or strategy for a particular aspect of practice management. Your suggestions for future topics or authors are welcome.)

This month's column is a short, but pertinent, interview with long-time consultant Bud Schulman. Over the years, Mr. Schulman has shared many outstanding ideas with orthodontists, and we are pleased that he is willing to contribute once again.

Dr. Ron Redmond, JCO's Technology Editor, chose the topic of adult treatment financing. Mr. Schulman discusses the differences between adults and adolescents, including his recommendations on dealing with adult transfer patients. Especially helpful are his thoughts on how to establish an equitable financial arrangement for Invisalign transfers.

I hope we will have many more opportunities to hear from Bud Schulman, but I'd like to thank him for being a great friend of orthodontics over the years.

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Adult Treatment Financing: An Interview with Martin (Bud) Schulman

DR. REDMOND What are the major differences between children and adults in regard to financing treatment?

MR. SCHULMAN Adults are more likely to pay cash up front for their treatment, or to subscribe to a third-party financing program such as OFP.* Also, because adults are more likely to suspend treatment before completion than children are, it is extremely important that they are fully apprised that 35% of the fee is for records, diagnosis and treatment planning, and appliance placement, while an additional 30% is for the first half of the treatment. This constitutes 65% for the first half of treatment, leaving 35% for the second half of treatment, including the construction and delivery of retainers. Thus, in an adult treatment proposed for 20-24 months with an associated fee of \$5,600, a treatment suspended after 10 months (half the treatment) would require a payment of \$3,640, not \$2,800. If adults

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Dr. Iba



Dr. Redmond



Mr. Schulman

are not aware of this split and they discontinue treatment halfway through treatment, they sometimes expect to be responsible for only half the total fee. In addition, young adults are more likely to transfer out because of work-related relocations, and this formula should be included in the contract they sign so there is no misunderstanding.

DR. REDMOND How does the Schulman Group handle the finances for an adult patient transferring in?

MR. SCHULMAN Several years ago, the Schulman Group members agreed to adopt a standardized format for patients transferring in to our practices. The patients, whether transferring in or out, are well informed as to the steps and associated costs. Typically, the doctor assesses the patient at the initial exam and determines the remaining months of treatment necessary to complete the active treatment. The number of months is multiplied by the average adult monthly fee, \$180-200, and to this amount is added the new records fee and retention fee. The total contract is financed in a fashion similar to a new patient starting treatment.

DR. REDMOND Have transferring Invisalign** patients presented any unusual problems?

MR. SCHULMAN The formula I described for transfer-out patients is applicable to most orthodontic treatments, but it is not adequate for Invisalign treatment, due to the unusually large lab fee. The following formula has been adopted by the Schulman Group:

- Total Fee (Treatment Fee + Records) – Lab Fee = Net Fee
- 30% of Net Fee = Records + Diagnostic Work-up + ClinCheck
- 30% of Net Fee = First Half of Treatment (maximum number of aligners divided by 2)
- 40% of Net Fee = Second Half of Treatment + Retainers

**Align Technology, Inc., 881 Martin Ave., Santa Clara, CA 95050.

An Invisalign patient transferring in presents an unusual predicament to the orthodontist. The treatment has been determined by the previous orthodontist, and unlike full-banded orthodontics, it is difficult to change the proposed treatment outcome. The Schulman Group members use the formula I mentioned earlier to determine the transfer-in cost, and add to that any mid-course correction lab fees that are applicable. A frank discussion regarding the outcome, with a review of the ClinCheck, is thoroughly pursued with the patient before the patient transfer is accepted. Frequently Invisalign patients change their expectations once they begin to see the improvement to their smile, and this can lead to a confrontation unless it is addressed before continuing the patient care.

DR. REDMOND Why charge higher fees for adults than for children?

MR. SCHULMAN Orthodontists spend much more time answering adults' questions chairside compared to children. Because this is time-consuming, orthodontists who charge the same amount for children and adults are, in effect, reducing their profits considerably. According to statistics of the Schulman Group, the fee for adult treatment needs to be 18-20% higher than for the same treatment for a child (Table 1). Besides the fee differences, because of adults' lack of growth, their skeletal disharmonies cannot be corrected without surgery, and compromise treatment is therefore more common with adults than with children. These compromises must be fully explained before treatment and revisited frequently during treatment to remind the adult patient that an "ideal" result is just not possible. Without this constant reminder, adults can get caught up in the excitement of the changes they see going on with their teeth and forget the limitations that were originally discussed.

DR. REDMOND What other differences have you seen in adult treatment?

MR. SCHULMAN Because of their busy schedules, adults are more likely to start treatment, re-

**TABLE 1
SCHULMAN GROUP STATISTICS**

Category	Average	Comments by Mr. Schulman
Percentage of adult patients	32%	This number has increased a few percentage points over the last five years, probably as a result of Invisalign and insurance.
Percentage of Invisalign patients	4.7%	We have collected these data over the past three years.
Percentage of practices with private adult treatment area	36%	
Adult fee	\$5,800	This is somewhat misleading because the range is from about \$4,500 to more than \$10,000. Adult fees have risen steadily over the last five years at 4-5% per year.
Financing choices		
OFP	5%	This has increased slightly since 2002.
Cash up front	22%	Steady increase since 2000 (12%).
Credit card	14%	Up from 7% in 2000.
Auto bank draft	13%	Dramatic increase since 2001 (4%).
Number of treatment visits		
Pre-entry	1.2	Down from 2.3 visits in 2000.
Banding/tooth movement	15.6	
Retention	3.4	
Total number of visits	20.2	Although the number of visits for adults is similar to that for children, many Schulman Group members automatically schedule a longer visit for an adult patient to allow more time for interaction between the patient and doctor. Other members absorb this time into their normal schedule.

ardless of the financing, if the orthodontist uses the “one-step” initial exam process. Traditionally, an adult would visit the orthodontist for an examination, and then the patient was scheduled for records, followed by a third appointment for a consultation. This entire process was too time-consuming, and adults, especially, were drifting toward the offices that required only one visit prior to starting treatment. We subjected these statistics to considerable cross-checking to make sure the effect was not related to fee differences. Once we determined the true nature of the shift, we recommended that everyone adopt this method of patient entry. Digital records have played directly into the success of this “one-step” patient entry system. One of our members, Dr. Robert Haeger, has written an outstanding article

on this subject (JCO, August 2004). I would recommend that every orthodontist read and digest this information.

DR. REDMOND Has the Schulman Group noticed any trends in orthodontic financing, in general, over the last few years?

MR. SCHULMAN Yes, the group members have basically decided to stop financing patients’ treatment. In other words, they no longer want to be the “bank” for their patients. I have seen a statistically significant shift in the annual statistics we collect in this direction. This shift is not an aberration, but an across-the-country change in patient financing.

In most of our practices, patients are offered

the opportunity to use OFP, a third-party financing program that pays the orthodontist up front, with a 7.5% discount. The orthodontist is not responsible to OFP if the patient defaults on repayment of the loan. In addition, the patient is offered the opportunity to pay cash up front, with a 7-8% discount. A third option for payment is a monthly direct debit from the patient's checking account, and the fourth option is an automatic monthly charge to a credit or debit card. There are no other options offered.

The net effect of this shift in patient financing is a tremendous decrease in the effort put into monthly billing by the staff. An excellent example is the story of one of the Schulman members who practices in Florida. Following the devastating effects of the hurricanes in Florida, the postal service was temporarily interrupted, but our member's cash flow continued unabated because

he received all his payments electronically through direct debit from patients' checking accounts or through payments made by credit/debit cards. Although this is an extreme example, all orthodontists have experienced slow-payment periods around summer vacations and the Christmas holidays. This form of financing eliminates those "slow" periods.

DR. REDMOND Any other comments, Bud?

MR. SCHULMAN I would just like to say that I have enjoyed my last 30-35 years of association with the orthodontic profession. You are truly in the best profession I know of, and I am proud to have been associated with you. If you feel that I have contributed to your success, I can retire a happy man. Thank you for all the wonderful years. □