# 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 continuation of a theme begun in the September issue. Three management consultants were asked to identify the most common challenges they encounter in working with orthodontists, and to present their ideas for resolving these problems.

Like the previous three consultants, this month's writers focused on their particular areas of expertise. While that gives each section a different perspective, I believe you will find information pertinent to your practice in each.

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## Today's Top Challenges for Orthodontists

The most common challenge faced by doctors today is the growth of the practice. I find that orthodontists who want their practices to grow are often overburdened by administrative worries. Managing this problem requires you first to diagnose the situation by determining your case acceptance rate.

To calculate a true case acceptance percentage, divide the number of new starts per month (excluding second-phase starts) by the number of new patient examinations per month. If you are taking care of your new patients and enrolling the recall patients, the ratio should be high. If not, you have two choices for practice growth: either improve your new-patient process or invest in a strong marketing program.

Unfortunately, many doctors believe they should put more money into bringing new patients in the door rather than taking care of the ones who have already come in. The best use of a practice's time and budget is to focus on existing patients. Perfect the system first before investing in a marketing strategy.

A management system tailored to the individual practice will allow each team member to succeed. This includes scripted new-patient phone calls to improve verbal skills and help identify obstacles to acceptance of treatment, along with confirmation calls to build on the initial communication. Every new family should be greeted with warmth and purpose by the treatment coordinator, who should then brief the doctor on the issues that are important to that family. Financial options should be flexible; again, verbal skills and scripting are crucial in demon-

strating that the practice is about taking care of the patient, not about money.

The handoff from the treatment coordinator to the clinical staff must be warm, nurturing, and compassionate. I am amazed at how many patients are left to find their own way through the maze of an orthodontic practice. To a new patient, everything will seem foreign and intimidating, including the instruments, chairs, and terminology. Your clinical team should have checklists and scripting for patient orientation, education, and emergencies. Consistency is the key.

Once the practice has improved its case acceptance ratio, further growth can be achieved by improving the marketing strategy. Evaluate your current marketing efforts, then set up a specific two-year program for professionals, patients and families, and the community. Internal and external, traditional and new, all methods should be considered. Remember to "think outside the box" when developing a marketing plan to grow your practice.

All staff members should be aware of the practice's referral sources and case acceptance ratio so they can help turn obstacles into growth opportunities. In addition to weekly administrative time, you should schedule monthly staff times for special projects and planning meetings. These goal-setting conferences are important opportunities to discuss and improve treatment and business objectives.

The case acceptance rate will increase when you enable your staff to experience ownership in "their" practice. You'll be surprised at how enthusiastic they will become when you give them the knowledge, time, and tools needed to be successful.

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The "Peter Principle" can be applied to orthodontics, in that practices tend to grow to their level of incompetence, then stop growing. If you outgrow your systems, the patients will begin to feel that you are too large or, worse yet, uncaring. Just as satisfied patients build a practice, dissatisfied patients will spread their negative attitudes throughout the community, limiting future growth.

When I first visit an orthodontic practice, I am often given one or more of these three goals:

1. Help the practice grow.
2. Help the doctor work less with no drop in revenue.
3. Help reduce stress by getting the schedule to run more smoothly.

All three objectives have one common component: on-time scheduling. Without an efficient schedule that allows for growth, none of these goals can be achieved.

In too many practices, the schedule falls apart during the after-school rush, and shortcuts are taken in an attempt to stay on time. Treatments that should take 20-24 months often take 27-30 months or even longer. In addition, patients are frustrated by waiting times and by the difficulty of getting back into the schedule if they have to miss or change an appointment.

Developing an ideal scheduling system is much like a football coaching staff designing a game plan. I call the orthodontic game plan a "Template Schedule". When properly designed, the Template Schedule takes into account the daily procedure requirements of each patient, ensuring that both doctor and assistant time are available when needed. Unless doctor time is staggered throughout the day, the game plan breaks down. Just as important, the Template Schedule considers the impact of practice growth over the next 12 months.

After the initial development of the schedule, there are many vital keys to success in its execution. Receptionists must be trained to use it as designed. Assistants are often assigned to one chair or column for an entire day, creating a sense of ownership and accountability in the

schedule. Patients must be trained to understand and cooperate with the scheduling policies. The orthodontist, filling the roles of both coach and quarterback for the team, must learn to lead by example.

The best part of the Template Schedule is that the practice basically executes the same game plan every day—the same number of examination, consultation, and records appointments; the same number of starts, bondings, and wire changes; the same number of reties, checks, and debondings. If you are working a different schedule every day, it becomes impossible to know what to fix. Poor scheduling leads to stress, and blame tends to fly around the office: "If the doctor would just stay off the phone." "If the receptionist would just learn how to schedule." "If the assistants were better trained and more committed." All these things are significant, but correcting them can never overcome an ineffective game plan.

There is no magic formula; the key is to take what appears to be complicated and break it down into small, understandable parts. While we may be back in a Golden Era of orthodontics economically, the good times will mean frustration and stress for many practices that cannot stay on time. The real winners begin with the right game plan and work it effectively day after day.

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Since we are hired by clients to evaluate and repair problems related to credit and financial management, I find the greatest challenges for orthodontists in that area. Common problems include high delinquency, excessive numbers of emergencies and missed appointments, poor collection rate, excessive accounts receivable, declining new patient flow or weak case acceptance, and embezzlement.

Credit management issues can be simple to resolve—such as improper staffing, inadequate job descriptions, lack of training, poor patient-flow procedures, and ineffective verbal skills. Other problems can be much more complex, such as an obstructionist or unsupportive doctor, weak staff morale, a "superstar" staff member, or marketing programs (like yellow pages advertising and managed care) that attract lesser-quality patients. The primary purpose of credit management is not simply to fix these problems—although they *do* get fixed—but to improve the quality of life within the practice by building it with high-quality patients and positive relationships.

The single biggest problem that I see is a lack of understanding of practice statistics. In most cases, the practice numbers, if they have been properly evaluated by the orthodontist and staff, will warn of potential problems long before there is any measurable damage to the practice.

For example, we often hear that a doctor has no credit management problems because "I always collect 100% of what I produce". Consider two practices, both producing $75,000 per month, adjusting off 4% (due to courtesies, discounts, bad debts, transfers out, etc.), and collecting a healthy 96%, or $72,000 per month. Both doctors believe they are doing well. However, Practice A has 288 accounts on the books with accounts receivable totaling $375,000—five times its average monthly production. Practice B has 500 accounts on the books with accounts receivable of $600,000—eight times its average production. Which set of numbers would you rather have? It's the difference between following up on 288 accounts or 500

accounts every month. You may also want to consider that the doctor in Practice A has been able to put $225,000 more into the retirement plan.

If one of these practices were able to produce and collect a full $75,000 a month, with receivables of only four times production ($300,000), would it be healthier yet? Probably not, for one of three reasons. First, the average down payment and/or monthly payment may be unusually high, which keeps receivables down, but probably hurts the case acceptance rate. The second possibility is that the practice is offering a high discount, and more than 20% of the starts (the maximum acceptable amount) are paying in full at the beginning of treatment. That kills cash flow during slow months, raises discounts (adjustments), and therefore reduces net income. The third possibility—and one we are seeing too often—is that the practice is overusing third-party financing. While third-party financing is healthy when used judiciously, offering such arrangements to "A" credit patients, *instead of* liberal and flexible in-office financing, can cause grave damage to future practice marketing and referral rates.

Another case we see often is a doctor who believes the practice is healthy because it has only 3% delinquency. If the doctor's computer report indicates $18,000 in delinquency, or 3% of the $600,000 in total receivables, it could be 18 patients delinquent $1,000 each or 180 patients delinquent $100 each. If one practice has 18 delinquent patients and another has 180 delinquent patients, which practice is healthier? Which has fewer failed appointments? Which has better clinical cooperation? Which has more patients finishing on time? Which has a less-stressed financial coordinator? Which has a better quality of life? The problem with delinquency is *not* lost revenue; it is the deterioration in relationships with those patients that the delinquency causes. Therefore, it is not the number of dollars delinquent, but the number of patients delinquent that counts.

There are other practice statistics that, when properly evaluated, will tell a strong story about the overall health of a practice. Our goal is to teach clients how to read and understand these numbers, and to use them to set realistic goals for practice performance.

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