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## Practice Management Articles



# Is Overhead Over Your Head?

- Lisa Philp, TGNA

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If dentistry has a Catch 22, it must be the one that comes along with starting your own practice. (Stop me if this story sounds familiar.) You get out of dental school, or you grow tired of being an associate and decide that you want to practice according to your own philosophy. Unfortunately, you find that being an owner, leader, and a dentist can be overwhelming and is not all it's cracked up to be. After your practice reaches a certain level of success, you discover that you're spending more time as an owner and leader, and less time as a dentist – and if you wanted to be an owner, you probably would have gotten your MBA instead.

You can't ignore the harsh reality that you're running a service business, but you can make a choice to take control of your practice systems. No, you'll never be able to take off your owner hat completely. However, by concentrating on the key areas of a dental practice's operational economic model, you can spend more time with patients as the lead revenue generator supported by a high performing team and enjoy a smoother, more productive workday.

The fact is, every component of your practice's economic model impacts the other, and it takes a methodical approach to know every aspect of your business and your future growth potential. Do you have the time and training for such an undertaking? Most dentists don't. That's why, in my feature story for this issue (see page xx), I talk about 12 of the key puzzle pieces for assembling a successful practice. These are just some of the key pieces that my practice development team at Transitions analyzes when we do a Comprehensive Business Assessment.

All businesses need to know where they stand in relation to industry standards. Equally important is the need to review your operational and financial health. Our Comprehensive Practice Assessment does exactly that, but even though it uses evidence based hard data as part of the process, it's far from a cookie-cutter, one-size-fits-all program. It begins with a review of your unique goals and ends with a plan that will not only help you achieve those goals, but also keep your practice healthy for years to come.

For example, let's talk about overhead. According to most experts, the cost of running a dental practice is rising every year, and the profit margin is decreasing. If you've been in practice for awhile, you may not have noticed that your margins are slipping. Or, you may have attributed the change to other factors that have grown out of control, such as cancellations or patient retention issues. How would you know for sure which is which?

In the 1980s, the average overhead for a dental practice was about 50%. In the 90s it had increased to about 55% and since then it has once again climbed significantly. In fact, according to business analysts, average overhead for general practice today is between 60 and 68%. Some sources cite higher percentages. If overhead is not analyzed and kept in check, you will find yourself working harder for a lower return.

Sure, you could aggressively recruit more patients and grow your patient count. You could invest in external marketing and advertise; you could buy new equipment and integrate new technologies or redesign your office. These things may increase your gross revenue by 10% a year, but your bottom line needs to also be considered and the above actions may not affect your bottom line. This can be a major source of financial frustration if you don't take the time to assess your internal systems and efficiency that we know help build or sustain profit.

There's never a bad time for a practice checkup. Is it necessary? That's like answering a patient who only comes to see you when they are in pain. "Why do I have to come for a checkup every six months?" You know the answer.

Prevention rather than repair!!

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