

Tracking Key Practice Indicators

By Renee Knight, Editor

Most dentists don't spend a lot of time focusing on key practice indicators (KPIs) or even really know what they should be tracking. As long as they have enough money in the bank to pay the bills, they think they're doing OK.

Unfortunately, they're usually not, and they certainly aren't meeting their full potential as practice owners.

"Think about the show Shark Tank," said Brent Saunier, CPA with Pro-Fi 20/20, CPAs. "To be taken seriously, or to know that you are serious about growing your business, you must know your numbers. Most doctors want to avoid this and just focus on the clinical side. The doctor is the employee who practices clinical dentistry and gets a salary paycheck, but an owner is focused on the numbers, growing revenues, and making a profit."

KPIs tell you how your practice is performing, and give you the opportunity to make adjustments when needed. If you ignore them completely or only pay attention to a few, you're missing the big picture—which means it becomes difficult to make solid business decisions that will help your practice grow.

"It's like following a road map. If you don't follow the map, there's no guarantee you're going to get where you want to go," said Nancy Caudill, Senior Consultant for McKenzie Management. "Following these indicators helps you determine if your practice is healthy and if you're on track to meet your goals. It also helps with accountability and making sure your front desk employees are doing what they're supposed to be doing."

TRACKING THE NUMBERS

Part of the reason many dentists don't monitor KPIs is they don't know what to track. Caudill and Saunier both have suggestions to help with that. Here are a few KPIs you should monitor each month through your practice management software:

From Caudill:

- Net collections to net production. The goal is to be collecting 100 percent after adjustments, with no more than 2% written off for bad debt.
- Accounts receivable, which should be 1X net production or less. (Make sure your accounts receivable report doesn't include credit balances or your number won't be accurate.)
- Hygienist production, which should be three times their salary.
- Gross wages, which should be 19 to 22 percent of net collections.



PHOTO COURTESY OF XLDENT

From Saunier:

- Number of new patients per month per doctor, which should be between 20 and 25.
- Acquisition cost per new patient, which is marketing spend / number of new patients. This should be \$120.
- Average revenue per new patient, which is total collections / total number of new patients. This should be between \$1,800 and \$2,000 per new patient.
- Average revenue per chair, which is total collections / chairs / 12 months. This should be between \$25,000 and \$40,000 per month.
- Production adjustments.

This list is by no means all inclusive, but it should give you an idea of what needs monitored. Keep in mind you might have to include certain filters when you run reports, Caudill said, depending on what you're tracking. Don't be afraid to ask the practice management software manufacturer for some guidance with this, as well as with understanding how to read the reports. It's also a good idea to reach out to a dental consulting firm like McKenzie Management for help.

THE KPI DASHBOARD FROM XLDENT

XLDent recently added the KPI Dashboard to their software, giving practices the ability to analyze critical numbers in real time, which can be especially beneficial for new dentists.

"Establishing new patient and production goals are key to growth, as well as knowing what marketing sources are working better than others," XLDent President Dawn Christodoulou said. "A/R age, front desk collections and write-off composition are keys to establishing financial policies, making contract decisions, and setting up standard operating procedures from the get go. Real-time KPIs for a new dentist are like a magnifying glass. They clearly report the information

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critical to the establishment of the systems that will keep the organization streamlined and overhead low relative to growth.”

Moira Campbell, a clinical financial manager at a Washington-based practice, has been using XLDent for about five years and the new KPI Dashboard for a few months. She, and anyone else on the team who has access to the dashboard, no longer has to wait for individual reports to be run to see key indicators, and can look at statistics in real time from a computer or a mobile device.

Users also have the ability to customize how the graphs are laid out and can drill down reports for more specific information, such as the best times of day to open up spots for new patients. Team members can filter to see production numbers by provider and type of treatment, and can even make comparisons of KPIs month to month and year to year. And if they find they aren't meeting a particular goal, they can quickly make adjustments to get back on track.

“We are a pediatric practice so patients are always graduating from the office. Demographics and revenue tracking are important to us,” Campbell said. “We don't want to see that information 30 days later. We want to see it in real time.”

“There are really only three phases of business: Growth, Plateau, or Decline. Which one do you always want to be in?”

– Brent Saunier, CPA with Pro-Fi 20/20, CPAs

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NOW IS THE TIME

No matter which practice management system you choose, it's important to start tracking KPIs and making the necessary changes based on what the numbers tell you.

“There are really only three phases of business: Growth, Plateau, or Decline. Which one do you always want to be in? Growth, of course. But it won't just magically happen for you. It has to be set as a goal with defined numbers,” Saunier said. “If you truly want to be a success, you must become a student of the game, of your numbers. Focus on your business like an engine that you have to keep fueling, repairing, and maintaining. The goal is to start tracking, keep tracking, and systematize your business for repeated, predictable results.” **TND**



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