The *Definitive* Guide to Key Performance Indicators

How the Healthiest Orthodontic Practices Achieve Strategic Goals *Faster*

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Most doctors and small business owners tend to ignore their financial numbers or not give them the appropriate respect and attention they deserve.

Often, the doctor or business owner is so busy running the practice that they really never take the time to fully understand the most important financial or key performance indicators (KPIs).

This is a tremendous mistake and opens a huge gap for your competition to exploit.

In this report, I will share a long list of KPIs and your job is to find which ones are most important to you in terms of your 3-5 year strategic plan and quarterly goals and targets.

No matter what your goals are, however, if you're in business, in addition to a daily report, there are three key monthly reports you need to receive like clockwork from your CPA or internal financial team: **The income statement, the cash flow statement and the balance sheet.** Early in practice, I used to receive these reports and shove them in a drawer, assuming if I worked hard enough and had enough income to meet my personal financial goals, all would be fine.

This was a dumb way to start and then grow a business.

When I enrolled in my MBA program and then started investing in other businesses and commercial and residential real estate, I quickly discovered the paramount importance of these financial statements. So, before we dig into ortho and dental practice-specific KPIs, let's take a few minutes to review and understand these three financial reports.

Cash Flow Statement

A cash flow statement measures the cash flow from regular operations. This does not account for new loans, investments or practice acquisitions or sales.

This report lets you know the cash that can be expected in a given period from the day-to-day operations of your business. It's a critical number and one you must guard in order to help you make decisions about large equipment, marketing and human capital expenses, the three areas where I see doctors go off the rails in terms of protecting cash flow.

You can't protect it if you can't define it...

so be sure your CPA sends you a cash flow statement every single month.

Compare the same period last year and measure up against your quarterly goals. Are you apace, ahead of pace or behind pace? What promotional cadence have you established that can help boost positive cash flow?

These are the things with which smart business owners concern themselves.

Sample Cash Flow Projection:

CASH FLOW PROJECTION

STEP ONE		Net income after taxes
	+	Depreciation
	=	Working capital from operations
STEP TWO		Working capital from operations
	-	Net increase in accounts receivable
	-	Net increase in inventory
	-	Net increase in other current assets
	+	Net increase in accounts payable
	+	Net increase in taxes payable
	+	Net increase in accumulated interest payable
	+	Net increase in other current liabilities
	=	Cash flow from operations
STEP THREE		Cash flow from operations
	-	Net increase in gross fixed assets
	+	Net increase in short-term debt
	+	Net increase in long-term debt
	+	Net increase in equity investment
	-	Dividends paid
	=	Net cash flow
STEP FOUR		Net cash flow
	+	Beginning cash balance
	-	Desired ending cash balance
	=	Net cash surplus / or borrowing required

DUSTIN BURLESON SEMINARS – Adapted from Collins JC, Lazier WC, Managing the Small to Mid-Sized Company, 1995.

Income Statement

The Income Statement will help determine net margin and is extremely important in making clinical decisions that can impact the bottom line while still maintaining clinical and operational excellence. If you can get the same results with a more efficient operating margin, you are morally obligated to do so, if you want your practice to survive and thrive as competition increases.

You might generate a tremendous amount of profit in your practice but if you do so at a 20 or 30% net income margin, your efficiency is twice as bad as a competitor operating at 40-60% net margin.

Write this down: efficiency equals stability. The higher your net margin, the more safety in the business.

Think about it this way: I've met and helped many clients who generate $2.5 million in collections, but because of their operational inefficiencies (think: high payroll, high lab costs, rent, marketing expenses) the net income margin is only 20% and the doctor is taking home $500k.

Now, consider a practice that only generates $1.2 million in revenue but because the practice runs a tight ship and is clinically efficient, hiring when it hurts, open the most-efficient hours and days of the week, only deploying capital that will drive more new patients or improved treatment outcomes, the net margin is 45%, generating $540,000 of net income for the owner. Which practice has more safety?

You might think the larger practice has more safety because it has over twice the revenue than the smaller practice, but you would be wrong. The answer is the smaller practice. The smaller practice has more safety because if new patient numbers ever drop for the larger practice, it can quickly enter a period where the practice is not profitable and goes into the red. The smaller practice, because of a higher net margin, can suffer a period of fewer new patients and still generate positive cash flow.

Stop thinking in terms of revenue and profit dollars. Instead think of margin. Write this down:

Revenue is vanity. Profit is sanity. Cash flow is king.

If your margin is too small, you can quickly find yourself in a period of negative cash flow even though you're generating millions and millions of dollars of revenue.

Most dentists and orthodontists never talk about net margin, which is exactly why you should make it a critical KPI that you protect and guard at all costs. Doing so makes it easy to say no to unnecessary expenses like staff lunches, large equipment purchases, etc. because so many doctors behave the opposite. They tell themselves, "Hey, I made a million dollars in net income last year, I'm going to buy whatever I want for the practice," unaware of the impact on the income statement and net margin, until one day new patients dip and they still have to make the payment on their new CBCT, scanners, Invisalign lab bill, payroll and high rent.

All of a sudden, even though you're generating tons of revenue, you've failed to protect the margin and there's more month at the end of the money. Listen. Any small business owner who tells you they've never faced this problem is lying to you and the reason they've found themselves in this situation is because they only focused on revenue and profit dollars. They didn't have a clue what their margin was and how vulnerable they were to any downturns.

Simple math: with a 20% net margin, you welcome 140 new patients in March but then only see 112 new patients in April. You just suffered a 20% drop in new patient volume and because your net margin sucks, you're taking home zero net dollars in May. Because you have bills to pay at home and your wife doesn't really like if the Mercedes payment and golf membership dues don't go through, you still take what you want from the practice but you're robbing from future growth.

Listen. Let's call a spade a spade. I'm the largest consultant to orthodontists on the planet and I see how many of you have credit card payments that are declined in late April / early May and again in November. If you have to pay your Invisalign bill a month late or your marketing expenses a month late in these times of the year, it's because you haven't paid close enough attention to net margin and you're not protecting it like your life depends on it.

Balance Sheet

The Balance Sheet is really your company's statement of financial position. You might think it's OK but until you try to play ball with the big boys and girls, you might quickly find you are small potatoes. Spend considerable time each quarter focused on your net worth. It is time well spent.

What significant assest (real estate, contracts receivable, intellectual property, copyrights, patents, book royalties and other assts) sit on your balance sheet to show real estate investors that you're a serious investor with very high net worth?

Have you set a goal for your net worth in the next 3-5 years? If not, you're unlikely to hit it by mistake. Have you similarly set a goal to reduce your liabilities and debts? Think about the strength (or weakness) of your current assets. How much do you have that can be quickly and easily converted into cash? If you find yourself stuck in between the next phase of growth, it's usually because your balance sheet just isn't that attractive to banks and investment partners.

Remember, growing firms eat a ton of cash (3-10X more than non-growing firms) and if you want to grow your balance sheet and cashflow-if you want to improve your quick ratio–you must know what metrics to place on your dashboard each day, week, month and quarter, so you can move in the right direction and avoid flying blind like so many small business owners. Now let's take a look at many of the KPIs you must know and track in order to help make decisions in the practice. It bears woth mentioning that all of these KPIs will affect the big three aforementioned reports that you need to receive each month from your CPA.

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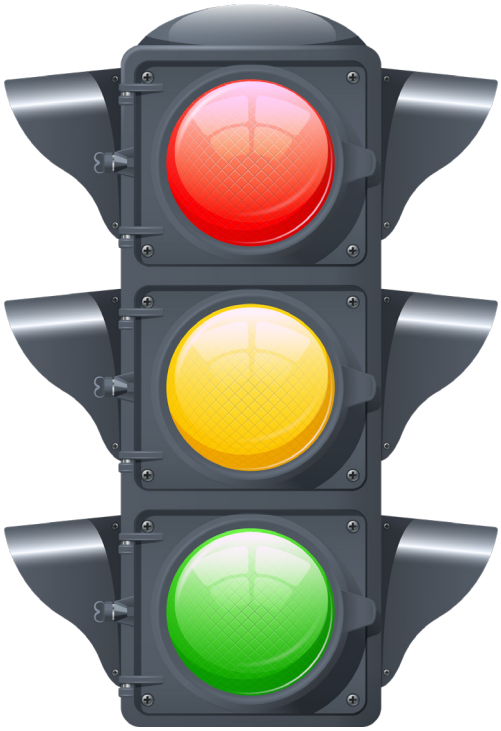


In terms of working with me and my team, you should also think of these KPIs like a red light, yellow light or green light.

In a **green light** situation, things in the practice seem to be going well. There are no major hiccups or speed bumps. You're hitting your goals and aside from minor issues with employees or patients, you're running full-speed ahead. You should be listening to the monthly coaching call, reading the monthly materials I send you, showing up to the events for which you're registered and making sure you're planning efficiently for the next quarter.

In a **yellow light** situation, there's something going on in the practice that requires attention. Maybe your payroll costs are suddenly too high. Perhaps a key referral source is dropping off or some marketing that usually works is now slowing down. You should be on the monthly coaching call and ask smart questions to help ascertain the problem. Start looking for reasons why things have slowed. Get out your KPIs and compare them to the same period last year. What has changed? Now is the time to reach out to us so we can help you. Meet with your team and ask what they think has changed. Now's the time to up your engagement.

In a **red light** situation, these are rare, but critical. You find yourself in the middle of a serious situation and the practice is facing a major crisis. Maybe a longtime employee or manager has quit and several have followed. Perhaps an associate doctor has left the practice. Maybe there's a health scare or some other issue that has severely impacted your productivity. In these situations, you need to reach out to my team immediately and schedule some phone calls so we can work together with you to get to the root of the problem and establish a plan to turn the ship around.

In your interaction with Burleson Seminars and this monthly program, I'm going to count on you, as the driver of your practice, to determine if you're in a green light, yellow light or red light situation and to reach out and interact with us appropriately so that you stay on track, moving forward.

OK, that being said...

Let's Dig into Some KPIs.

New Patients

The lifeblood of any business is consistent deal-flow. In healthcare, this represents new patients. You must know your 6-12 month baseline average and you must understand the average revenue per patient, so that you can make smart decisions about what it takes to welcome more and the associated marketing and human capital expenses.

Phones

The majority of new patients still find you on the phone. Knowing the baseline average for calls per day and per week and setting goals to answer 97-98% of your new patient phone calls, live, in fewer than three rings, will help you make staffing decisions, marketing decisions and overall growth goals.

Website

You must know the number of unique visitors per month, time on site, bounce rate and associated results with any online marketing efforts. Understand your keyword searches and pay special attention to any seasonal changes or new competition. Get in touch with my friends at Market Hardware to help your practice.

Production / Collections

Earlier in the report, I spent considerable time reviewing the three financial reports that really matter. Understand that your practice management software is only going to report production and collections to you, but you should still know these numbers like the back of your hand. Where are you compared to the same period last year and year-to-date, compared to your goals?

Once you surpass $400-500k per month in revenue, it becomes difficult to motivate and incentivize front-line employees on the overall revenue numbers. Imagine Apple computer offering incentives to the front-line employees on the sales floor based on total revenue numbers. It would be impossible for any individual on the floor to connect in his or her mind how their job directly ties to and can help grow revenue in the billions of dollars.

Your frontline employees are no different. As the business grows, especially beyond $1 million per month in revenue, it is extremely difficult for clinical assistants and entry-level administrative employees to see how their roles tie into such a huge overall revenue goal each month. You'll have to work with your team leaders and split the KPIs into areas and metrics each individual employee can control like their individual number of same-day-starts for a treatment coordinator and phone calls answered or new patients scheduled for an administrative assistant.

Clinical assistants and entry-level administrative employees usually are unable to see how their role ties into such a "huge" goal each month. You'll have to split these numbers into areas each employee can control, like number of same-day-starts, phones answered, new patients scheduled, etc.

Referrals

This one often surprises me, because nearly every business owner says they want more referrals and that their business thrives on referrals, but when I ask what they are doing proactively to stimulate more referrals or even if they can tell me how many referrals they've had so far this month compared to last month, very few people can give me an answer. You need to be one of the doctors that can. Know your referral statistics and motivate your clinical team and associates to grow this metric.

Net Promoter Score

Customer satisfaction is tied very closely to referrals. Ask your patients at least 2-3 times during the course of their treatment to complete a Net Promoter Score, via email or written survey.

From Bain and Company, Statmetrix and Fred Reichheld, the score's inventor: The Net Promoter Score is calculated based on responses to a single question: **"How likely is it that you would recommend our company/product/service to a friend or colleague?"** The scoring for this answer is most often based on a 0 to 10 scale.

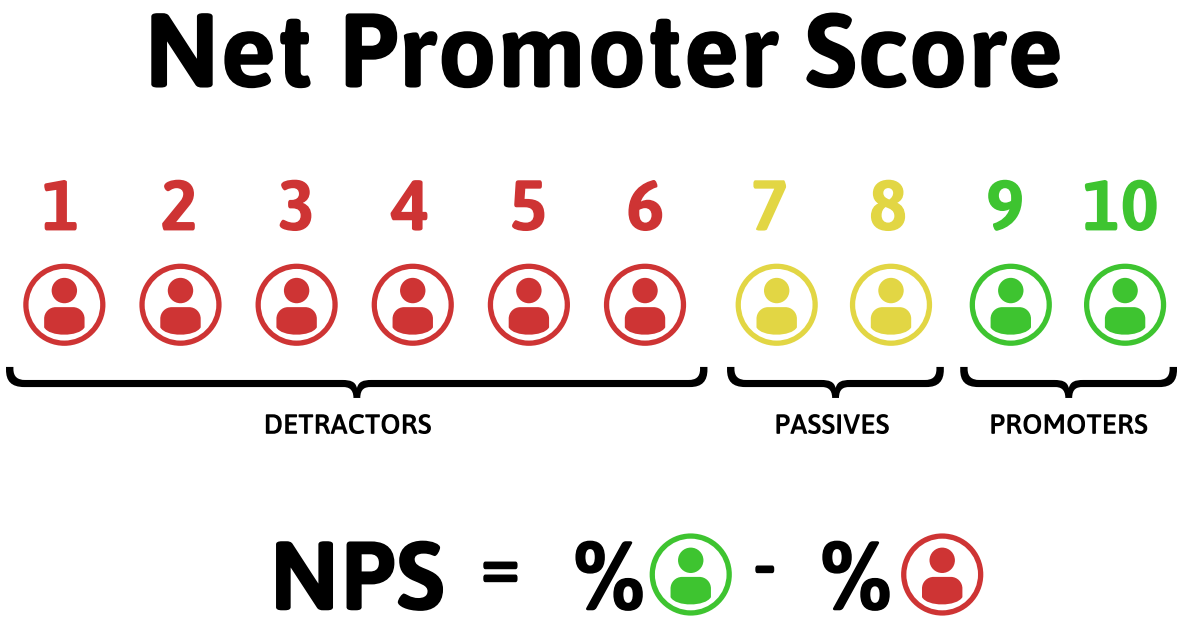
Those who respond with a score of 9 to 10 are called **Promoters**, and are considered likely to exhibit value-creating behaviors, such as buying more, remaining customers for longer, and making more positive referrals to other potential customers.

Those who respond with a score of 0 to 6 are labeled **Detractors**, and they are believed to be less likely to exhibit the value-creating behaviors.

Responses of 7 and 8 are labeled **Passives**, and their behavior falls between Promoters and Detractors.

The Net Promoter Score is calculated by subtracting the percentage of customers who are Detractors from the percentage of customers who are Promoters. For purposes of calculating a Net Promoter Score, Passives count toward the total number of respondents, thus decreasing the percentage of detractors and promoters and pushing the net score toward 0.

An NPS can be as low as –100 (every respondent is a "detractor") or as high as +100 (every respondent is a "promoter"). NPS scores vary across different industries, but a positive NPS (i.e., one that is higher than zero) is generally deemed good, a NPS of +50 is generally deemed excellent, and anything over +70 is exceptional.



Acquisition Cost

How much are you spending, both as an average and specifically by category (i.e., for comprehensive adult patients, for limited treatment, for Invisalign cases, for interceptive treatment, etc.) and media type (online, direct mail, radio, print, television, live events, etc.) to acquire new patients? This is different than cost per lead.

Cost per lead is a good metric and very important to know in high-volume media channels like online search, etc. but for the purposes of understanding marketing investments as they relate to net margin, what amount do you invest in order to attract a patient that says yes to treatment. Take total marketing investment divided by the number of case starts over a given time period. This is your acquisition cost or cost per sale (CPS). Know this number and use it to protect and guide your decisions in new marketing channels and campaigns.

Lifetime Customer Value

Very closely related to acquisition cost is the metric of what a customer is worth to the business over a given time period. For dental patients, consider a five or ten year average unless you practice in a highly transient area, like near a military base. For orthodontic practices, consider a two-three year period. If you provide in-house oral surgery, bump that metric to five-six years.

Again, it's important to understand not only what it costs to acquire a customer but also what they are worth to the practice. In some dense urban areas, these metrics can be very low,

where patients float from practice to practice, seeking the next best whitening and cleaning "deals" or discounts. In rural and suburban areas, these metrics can be very strong.

The national average hovers in the $2,900 to $3,400 range for dental and orthodontic patients. If these numbers seem low, you can do something about them in these areas. Lifetime customer value is suppressed in dental offices due to poor retention. Lifetime customer value in orthodontic offices suffers because of poor conversion. In order to grow this metric, you must know your running 6-12 month baseline and invest appropriately in order to attract patients who will maximize utilization of your products and services. You'll almost always find, as this number increases, the Net Promoter Score and referral metrics also improve.

Payroll as a Percent of Collections

The easiest thing in the world for most small business owners to do is to over hire as the business grows. Remember, growth creates complexity and complexity kills growth. Often, a team of 15-20 employees is every bit as efficient and effective as a team of 30, often they are more effective and efficient because a lean staff forces focus on who does what. With too many employees, everyone is "cross trained" and no one knows who is really responsible for anything. Treat this mindset/behavior like the plague and eliminate it from your practice.

In elective health care services, 18-22% of revenue can comfortably go towards total payroll costs. This includes associate doctors. This includes benefits, payroll taxes, uniforms, everything. It's not uncommon to run lean in the 12-18% but if you creep above 25% or run 30-33% like many of your peers, you kill your net operating margin and you weaken your safety in the market. You must know your average revenue per full-time employee. In dentistry and orthodontics, we recommend you count anyone working less than 28 hours per weekas part-time or 0.5 employees for the sake of these calculations.

** Note that The Fair Labor Standards Act (FLSA) in the U.S. has no definition for part-time or full-time employment, and employers may determine their own definitions, usually centered around benefits and responsibilities - employers are only required to pay overtime to nonexempt employees who work more than 40 hours in a work week — whether they are "full-time" or "part-time."*

Take total revenue from the previous 12 months and divide by the total number of employees. Full-time = 1.0 employee and part-time = 0.5 employee. The national average in the U.S. for elective healthcare is $185,000 to $200,000 in revenue per employee. We aim to see clients grow this metric to $400,000 or more per employee, specifically for the reasons described at the beginning of this report, as they relate to net margin.

Marketing Investment and Return on Investment (ROI)

It's important to know both your marketing investment as a percent of collections and the return on investment. Remember, you're taking net dollars you could invest in other areas of the business or take home as net income, so it's critical to hold each dollar accountable. Most practices in growth mode invest 6-8% of their revenue on marketing, though it is dangerous to think in restricted terms like this. Some businesses and regions can get by with 3-4% of revenue invested in marketing, while some new startups in competitive areas might invest 10-15% or more.

The final determinant of marketing investment should be your objectives and whatever it takes for you to achieve them. You've probably heard me cite the case study of Lending Tree, which recently invested as much as 67% of revenue in marketing because they had an oversupply of investors willing to lend money and a shortage of customers willing to take out loans Obviously, there are few businesses that can survive with 67% of revenue dedicated to marketing, but Lending Tree did "whatever it took" to get the results and then scaled back the investment.

I'm often asked what's an acceptable ROI for direct-response marketing campaigns. My answer has to do with my aggressive style of marketing, the need to fuel many practices with a high flow of new patients, confidence in my back-end systems for referrals and next in-family treatment + additional products and services like pediatric dentistry offered in my clinics. Your answer might be different, but everyone should be more than thrilled with a 5:1 ROI for any direct marketing investment.

2:1 and even 1:1 are acceptable to me if I can generate back-end referrals, but that might be a little too aggressive for your style. Whatever your range of risk tolerance, know this: marketing must be consistent and omnipresent, otherwise don't do it because you'll just disappoint yourself and blame the marketing. This is not how smart investors behave. If you need to get caught up on effective marketing campaigns, join the Look Over My Shoulder Marketing Program at GreatOrthoMarketing.com and you will literally have hundreds of millions of dollars of campaign results at your fingertips. Put them to use.

Number of Appointments Per Finished Case

This is another area where I'm baffled that doctors don't have a strong grasp on their practice. You absolutely, positively must know the number of appointments, on average, it takes you and your associate doctors to complete each type of case: comprehensive adult, comprehensive adolescent, segment aligners and fixed appliances, interceptive child, surgery cases, TMD cases, etc.

If you don't know your averages, you'll never know if you're apace, ahead of pace or behind pace. You'll also, most likely, set your fees incorrectly. Knowing that it takes our office, on average, 9-12 appointments to finish a clear aligner case, allows my team to schedule the clinic appropriately each quarter and month based on patient starts. We know how many of each appointment type we need in the clinic and we always add at least 20% capacity on top of that in order to allow for growth.

If your team either subconsciously or consciously bottlenecks your calendar and schedule, it's usually because you are not operating efficiently in the clinic and/or you don't know your numbers and you're just guessing. This can lead to overstaffing, overcapacity, inadequate capacity, inadequate staffing, etc. All of these are bad.

Delta Airlines knows exactly how many people fly from Pittsburgh to Dallas each day on their airplanes and they know, seasonally, how many to adjust for and how much capacity to build into the system. If Delta can do all this for $300 and $400 sales, why can't we do it for $5,000 and $6,000 sales?

Running on time and finishing your patients ahead of schedule is one of the best ways to grow referrals. Assign one of your clinical team leaders to go back into your software (you'll have to do it manually; I've never seen a PMS do this accurately on auto-pilot) and calculate every single case that has been finished in the last 18 months. Separate by case type and answer these two big questions: (1) How many appointments, total, did it take us to finish the case? and (2) Did the patient finish treatment on time? Yes or no.

Set some goals to improve your numbers. Try a 10% increase in efficiency and measure each month. Reward your team and associates for improving this KPI. Ask your team how they feel when their flight is delayed. Ask them how they feel when they can't get their preferred appointment at the hair salon for weeks and weeks. Do better for your patients. They will pay you handsomely in referrals and goodwill / word of mouth.

Percent of Recall Patients Overdue

For restorative dentists, how many patients are past-due on their cleanings and exams? This is a practice killer. Find the real number, as an average, over the last 18 months. Incentivize team leads to reduce the number. Call, email, text and direct mail consistently. Offer convenient appointment times. Consider adding a lifetime guarantee on restorative treatment for patients who do not miss their regular checkups and cleanings, etc.

For orthodontists, what percent of your growth and observation patients are ready for treatment but haven't come back for the next appointment? The same rules apply: call, email, text and direct mail. Send offers to get them to come back. Put incentives at play for your team leaders. Know your numbers. Most doctors have $500k or more sitting idle in a list of patients who are ready to start treatment but have allowed life to get in the way. Reach out to them consistently and you'll see your results soar.

If you don't have an automated follow-up system that consistently reminds patients why they have a relationship with your office, now is the time to implement one. We contact our patients for eighteen months since their last appointment. Patient newsletters, reminder cards, birthday cards, live event invitations, etc. -- these all happen on autopilot. There are plenty of CRM software solutions on the market. We use Keap, formerly known as Infusionsoft.

Accounts Receivable

I spend a lot of time working with clients on their accounts receivable. Many of you have heard the story about my grandfather in his auto-parts business. He told my father, in high school at the time, that he could take the entire 90 days + accounts receivable and anything he got, he could keep 100% of the collections. My dad spent the entire summer and collected zero dollars. When I was in high school, he taught me the same lesson. "Here," he said, "these are the people that owe money 90 days and out. Call them, write them, go to their house for all I care. Whatever you collect you can keep."

I thought I would get rich that summer. I did not. Just like my father learned the lesson when he was in high school, I too collected zero dollars that summer. The lesson stuck. Don't let them get to 90 days or they are as good as gone.

I've never used a collections agency. Neither did my father or my grandfather. We believe people pay the people they like. Sending someone to collections or garnishing their wages is a quick way to remind them of all the things they didn't like about your practice and often an invitation to a lawsuit. Instead of focusing on the ones who will never pay you, roughly 5-10% of any market, focus on the 20% of your patients who are responsible for 80% of your results and try to mitigate everything else.

This might sound jaded or lazy, but after collecting $96 million in revenue in my own practices in the last 13 + years, I've learned a thing or two about collections. I've also helped my clients collect over a half billion dollars of revenue that we can tie to my own advice and consulting, probably much more. So, you can take this advice, knowing it comes from in-the-trenches truth. I still have the scrapes and bruises. I carry them proudly.

Would you rather have 99% of $1.6 million or 95% of $7.5 million? When you cast a bigger net, you're going to haul in more fish but also some boots, tires, turtles and broken bottles.

You must know your own acceptable range of tolerance for accounts receivable. I think if you're collecting 100% of your accounts, you're not pushing hard enough into the market and you've likely installed bottlenecks, either consciously or subconsciously, in your business. I know the data on the elective healthcare market like a horse knows its way back to the barn at feeding time, so I'm comfortable with 97% of anything being a "good enough" spot. 98% or 99% of accounts collected within 30 days is truly best of class, but 97% or even 95% for me is acceptable and here's why:

If you're only treating patients that come to you from referring dentists and patient referrals, then you should collect 100%, but if you treat some patients who come to you from Google, radio, print, billboards and direct mail, expect a few of them to stiff you on the bill. That's life.

Remember, don't take outliers and absolutize them into a problem that doesn't exist. Just because one person that found you on the radio doesn't pay does not mean everyone from the radio is a "bad" patient for you. Where others react emotionally or in theory, I operate based on data. Unless you've spent over a million dollars advertising on the radio and held it accountable for producing a return on investment, you really don't get to have a say in the debate. Sorry. You do get to have a debate with yourself over the acceptable range of bad debt you'll allow in your practice and what you'll do about it; and you must know these numbers every month, no excuses, if you hope to be successful in this effort, but you don't get to pick and choose your own facts.

Also, if you're not using an ACH payment processing tool like Vanco or FattMerchant to autodraft patient checking accounts, with a backup credit card, you're leaving A/R on the table. Mitigate your collections expense and bad debt by offering extending financing - specifically because you're the only office in town that will finance patients up to 36-48 months without a credit check at zero percent interest, you kindly ask for a primary checking account and backup credit card. If this doesn't get the contract signed, make an offer to take care of the last monthly payment when the contract is signed with a primary checking account and backup credit card.

To make the math simple, on a $5 million practice, treating 1,000 cases at $5,000 each, financing over 36 months with a $398 down payment, the patient will pay approximately $128 per month. By waiving the last monthly payment of $128, and getting everyone in the practice on automated ACH from a primary checking account, you cover the cost of bad debt with a $128,000 write down or 2.5% of collections, leaving you with a 97.5% collections rate. The good news is that only a small percentage of patients require the last payment write-off to incentivize primary checking ACH, so you can realistically expect the write down to be only a fraction of 1 percent.

Whatever your range of tolerance and whatever your past performance, put focus on A/R and deploy best practices to drive down bad debt. Financial coordinators and office managers are perfect candidates to be incentivized in these areas.

Contracts Receivable

In orthodontics and in large cosmetic dental and surgery practices, you'll find contracts that are on the books and payable over time. Much of this discussion was covered under accounts receivable, but contracts receivable deserve a few mentions here.

First, be sure you plan appropriately for growth and understand the nature of fulfilling on future contracts and the impact on net margin, principally in relation to human capital and clinical efficiency.

Second, be sure your practice valuation properly reflects contracts receivable. If you just put $8 million in signed contracts on the books, that's a tremendous asset and should be properly reflected on the balance sheet. Some CPAs only deal with dentists or other small business owners and don't fully understand the day-to-day operations of an orthodontic practice. If you have one of these CPAs, you must either get rid of them or train the one you like on the ins and outs of orthodontic and/or cosmetic dental and surgery practices.

Revenue Per Chair, Hourly and Annually

In clinical healthcare practice, your most-valuable asset is the relationship with your patient list and nothing strengthens that relationship like running on time and keeping the promises you make. When patients are told they will get their braces off in 18 months, this promise must be kept. Not only does overextended treatment hurt patient satisfaction, compliance and referrals, but it directly impacts the bottom line.

To calculate revenuer per chair per hour, go back 12 months and determine total collections. Divide this number by the total number of chair hours you worked in the same period. Only calculate the number of chairs that are scheduled or open in the appointment book. Do not count chairs that you don't actively book. In other words, if your office has eight chairs but you only schedule six columns, factor in the six not the entire eight. We'll take care of the eight chair issue in the revenuer per chair per year. For now, we're focused on hourly costs.

For example, if you collected $2.5 million last year and you worked four days per week, from 8 am to 5 pm with a one hour lunch break, 50 weeks per year and run five active clinical chair columns, you would have worked 1,600 hours total (or 8,000 chair hours) and generated $312.50 per chair per hour. Knowing this number is of paramount importance for you and your clinical team leader and every person your team lead manages.

Every single hour in every single chair, in this mathematical example, if you're not generating at least $312.50 in revenue, you're moving backwards and shrinking the practice. If you take 14 or 15 total appointments to treat a $5,000 case, great, you're turning a positive margin. In this example, after 16 appointments, you're inefficiently utilizing this fixed asset in the business and variable costs like human capital, laboratory fees and supplies are going to eat the margin you should be taking home.

This is powerful stuff. You must know what your office clears per hour and per chair per hour so that you can make smart decisions in the clinic that delight both your patients and your bottom line.

Revenue Per Chair Per Year

This takes into consideration whether or not you've overbuilt or under built your practice. At peak performance, most dental and orthodontic practices top out at $1.0 or $1.2 million in revenue per chair per year. When my four-chair clinic grew to $900k in revenue per chair, we were literally wearing out the carpet, beating up the small reception room and physical facility. Patients were waiting on the steps in the parking lot or in their parents' cars and waiting weeks to get prime new patient appointment slots. We had to fix this serious capacity issue. There are only two solutions to a capacity problem: raise fees or increase capacity. We chose to increase our capacity with a new 22-chair clinic and three additional locations.

If you want an in-depth exercise for your team leaders to understand, track and manage this metric, get and implement The Instant Cash Flow Surge System by calling my office at 816-226-7988.

If you've built out eight chairs and you're only doing $1.6 million in revenue, you're generating $200,000 in revenue per chair per year and you have lots of opportunity to increase utilization of your fixed assets. It's like a manufacturing company buying a $1.6 million piece of equipment and failing to use it to its full potential. In these situations, fix the marketing, fix the deliverable, fix the hours, fix the people, process or place in which you sell and increase utilization until you see $500k or $800k or $1 million in revenue per chair per year. Then, go build a bigger clinic because at that point, you're working six days a week and truly approaching maximum capacity. There is an upper limit to this kind of practice utilization but the good news (and opportunity) is that most doctors are nowhere near their true capacity which means there is lots of room for growth. And growth is a good thing.

Missed Appointments

Perhaps nothing is more frustrating to doctors and teams than patients who schedule and fail to keep their appointment. This is a KPI that must be meticulously measured and managed. Assign your administrative team leader to go back 12-18 months and calculate the number of missed appointments. It's important to know the acceptable range in your practice by appointment type. For restorative dentistry, I would break down missed appointments for new patients, hygiene recall and operative appointments. If you suspect there are significant differences, demographically, then break down by age as well.

For orthodontics, you must know your missed appointment averages for new patients, monthly adjustments, recall / growth and development patients and I would break down these numbers for adults and kids.

Knowing these data is useless to your practice until you use them to make better decisions about your process and schedule. Break down the missed appointment percentages by half-day worked. What percent of new patients, for example, miss their appointments on Tuesday mornings? What about Friday afternoons? Most doctors will find a pattern in revenue per half-day and missed appointment percentages. Like a smart coach, I highly recommend you put your team on the field with the best possible statistics for them to hit home runs and win the game. Putting a highly trained team in the clinic for a half-day with high no-show rates and bottlenecking your most productive day, where patients show up, by restricting the number of clinical chair hours, is simply bad business.

There is a rhythm and cadence to every business in terms of capacity and foot traffic. It's your job to know it and leverage it. Tracking, managing and incentivizing this KPI in order to reduce missed appointments is absolutely critical.

Wait Times

We've surveyed over 10,000 patients in our market and many more for our clients. What we've discovered is relatively simple. Patients want a great result with zero defects, and they want it delivered in a timely manner by friendly people. Sounds simple, but you'll never make progress in the timely delivery of care if you don't know your average wait times. In our office, we want 98% of our patients seated within 3 minutes of their scheduled appointment time and dismissed within 3 minutes of their anticipated departure time. I've never had a patient thank me for running slow or being inefficient.

It's like the classic dental joke where the patient has a tooth extracted and then complains to the dentist, "120 bucks for that? But it only took you a few minutes of work." To which the dentist replies, "I can extract the next one very slooooooooowly if you prefer."

If you have a problem with running on time, it starts with the doctor. Providing ample capacity in your schedule and opening up a few columns actually gives your team the power to schedule appropriately for each appointment, instead of cramming every patient into too small appointment intervals.

A simple exercise for your clinical team leader is to go back through the days in the last 6-12 months where you ran on time and were the most efficient in the clinic, your PMS should be tracking wait times. Look at the schedule. How many of each appointment type did you see that day. What was the interval and dispersion of each appointment type, especially around new patients and bondings? Now, go add 20% capacity to this template and put it to work.

Create a team incentive for running on time. Make it a culture in your office to do whatever it takes to run on time for the patient. You'll see compliance and referrals improve significantly.

New Patient Conversion

I've become somewhat famous for helping business owners convert more new cases, clients and projects, using my five step "domino" system for ethically helping customers, clients, patients and donors say yes to your proposed recommendations.

If you haven't gone back through the Treatment Coordinator Bootcamp, now would be a good time to do that with your entire team. There's an online version of the live in-office training for a fraction of the investment you would spend to have one of my trainers come to your practice. Visit TreatmentCoordinatorAcademy.com for more details.

After working with hundreds of private clients and thousands of doctors and teams in my live seminars, it seems apparent to me that dentists and orthodontists are confused about how to calculate conversion. It's pretty simple, really:

Calculate the number of treatment recommends and then how many said yes to treatment within 24 hours of your proposal. Saying "yes" is a head nod and a signed contract. Calculate signed contracts over recommends within the last 24 hours and you have your real conversion rate.

If patients aren't ready for treatment or you don't want to treat them, they are not added into the treatment recommend category. For example, if you saw 100 new patients this month and 20 were not ready for treatment and 5 you did not want to treat (TMD, surgery, referred out) and you have 70 signed contracts, your conversion rate is 70/75 or 93.3%

Doctors who tell me they had 110% conversion last month because patients who didn't say yes in the previous month finally came back and started treatment, simply don't know how to calculate accurate conversion and are confusing their employees. Allowing patients 30 days to say yes to something where they've already spent an hour in your office is simply unacceptable.

Anyone that doesn't say yes within 24 hours is put into an automated no-sale sequence and we start calculating how long it takes and how many touches and what percent of that group comes back to start treatment. This is an entirely different metric and one that your TC, office manager or administrative team can track and be incentivized for improving.

If your treatment coordinator and doctors are doing the five domino system, they will consistently convert above 85% of new patients starting treatment within 24 hours. If you're not achieving results like these, it's not because it's impossible, but rather that you are not giving the patient enough clear and obvious reasons to choose you out of all the other options, including the option to do nothing.

Percent of Insurance Claims Overdue

If you accept assignment of benefits, which I highly recommend you do, unless you're the only doctor in your area for a 500 mile radius, then you must track and manage the percent of claims that are overdue.

Insurance companies have an entirely different set of priorities and objectives than you and your patients. If you don't measure and manage this KPI closely, you'll easily rack up a half million dollars or more in unpaid insurance claims very quickly. Ask me how I know.

In addition to online tracking services, my team uses an old-fashioned tickler file, which, believe it or not, has been the most effective tool in tracking unpaid claims. PMS simply aren't perfect at tracking these claims, but an old fashioned tickler file is. You can use a physical file or a digital file system, but the process is simple:

Any claims that were charged today go into a file for that day. When claims are paid, they are taken out of the tickler file. By this time next month, the employees assigned to track and manage this KPI go into the tickler file and see if there are any remaining claims in today's day of the month. Those claims receive special attention. Simple online verification, phone calls and faxes to the insurance company resolve these quickly before they become an issue.

If you really make this aspect of your practice water tight, you'll not only boost your bottom line, but you'll also delight your patients as they won't have to call and track down their benefits or scratch their heads when they get a bill from your office for unpaid insurance claims.

Write-offs as a percent of production

Most doctors think they charge a certain amount per procedure. When we calculate the math for each category, comprehensive adult Invisalign for example, we often find the average is far below our standard case fee. The reason is clear: insurance write-offs, family discounts, etc.

Each month, your administrative team should calculate the total number of write-offs and then show them as a percent of overall production. I like this number to be no more than 3% to 10%. If the write-offs approach 15% or higher, you must seriously consider whether or not you want to continue accepting certain insurance programs, etc.

If a doctor accepts a 15% case write-off for insurance purposes on a $5,800 case, that's $870 per patient, or far more than we need to invest to attract cash-paying patients, without even considering down chain referrals, you can see that the insurance discount is a far less attractive proposal than spending the same money (or less) on external and internal marketing campaigns that can generate fee-for-service patients.

Caution: if more than 25% of your practice production comes from these insurance discount programs, you cannot go killing them overnight, even though I just recommended killing anything that discounts over 15%. You must have a solid strategic plan to slowly wean yourself off the diet of insurance patients over 18-24 months, strengthening your marketing and new patient numbers as you make progress.

I mentioned earlier in the program that this would be a lengthy and somewhat complicated and detailed discussion about a ton of metrics I measure and recommend you measure. If you've never measured these numbers this closely, you're not alone. That doesn't give you an excuse not to do it, but I do give you permission to introduce this slowly into your practice.

Pick 3-5 KPIs that you feel will make the most traction in your practice and sit down with your team and talk about how you're going to start measuring and managing these numbers. Do this each quarter and by this time next year, you'll have no other competitors in your market that manage and measure their numbers as closely as you do. That's the point.

And remember, your mind will only see what it is prepared to see. No amount of KPI tracking or data measurement will magically encourage you to finally build the practice you've always wanted. That takes vision, courage and a proper road map. If you're curious about Burleson Seminars and want to see how we can help you on your growth journey, or you'd like to learn more about our programs and how we've helped thousands of private practice owners just like you, I've prepared a special resource for you below.

Let's get to work!

Take the Burleson Challenge Today

www.TheBurlesonChallenge.com

Dustin's *Free* Practice Growth Assessment

KPI Exercise:

Send your stats and contact information to support@burlesonseminars.com to claim a FREE Strategy Call with a Burleson-Certified trainer.

How many new customers did you welcome to the business last year?

What did you spend, on average, to attract each one?

How do these customers find you and how long do they have to wait before their first appointment?

For each method of communication (phone, web, messenger, text) what percent schedule?

For each customer that shows up, how many say yes to treatment or proposed work?

What is each one of them worth after 12 months as a customer? After 24 months? 36 months?

How many referrals did each one of these new customers send to the business, on average?

What percent of our revenue is financed and/or what percent of bad debt exists in the business?

What was the total payroll expense as a percent of revenue last year, quarter, month, pay period?

How much revenue do you generate per chair per year? Per associate per year? Per employee?

How many total hours of work does it take to complete the treatment or proposed work?

What is your average revenue generated per hour?

Have you identified times of the day or week where the average revenue per hour is more than 30% better or worse than the average? If so, what will you do about these?

Have you identified case types, procedures or services you offer that fall above or below your average revenue per hour? If so, what will you do about these?

Total Spent on Marketing Last Year: $

÷

Total Number of New Patients Last Year:

=

Average Cost Per Sale (CPS) Last Year: $

Total Practice Collections Last Year $

÷

Total Number of Employees Last Year:

=

Average Revenue Per Employee $

Dr. Dante Gonzales

"Amazing! Mind-blowing!"

"This will make a huge impact in our practice and on the rest of my career. I just cannot say enough... the results are amazing!"

Dr. Andrea DeLurgio

"This Changes Everything!"

"We are up 22% this year and we're only getting started implementing Dustin's advice."

Dr. Lisa Grant

"Hands down..."

"...the best information I've implemented into our office in almost 20 years of orthodontic practice."

Dr. Nicole Teifer

"We're Up 157%"

"Our New Patient Conversion is up over 157% in just one week after working with Dustin Burleson!"

Dr. Jim Stork

"56% Growth in One Year"

"Our practice grew over 56% in one year just from implementing what Dustin teaches. It's that dramatic on the future of our practice. THANK YOU!!"

Dr. Dustin Wilson

"This is the Next Level"

"I can honestly say this has changed our practice and changed my life. Thank you!"

Dr. Darin Ward

"The best!"

"Burleson provides far more value than any other practice consulting/coaching experience I've ever participated in."

Is Your Practice Next?

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www.TheBurlesonChallenge.com

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