

HAS THE RECESSION GOT YOU HOOKED?

I just reviewed calendar 2006, 2007, and 2008 numbers for our orthodontic clients, with the following results.

Gross production is stable for the period with the 2008 average being \$152,267 per month, almost identical to the 2006 production of \$152,921. Our largest client is producing an average of \$566,000 per month and our smallest client produces an average of \$26,500 per month. Our largest single doctor practice is producing (and collecting) an average of \$267,000 a month!

New patient exam totals declined 4% from 2006 to 2007, but they remained stable between 2007 and 2008. Although we hated to see this lack of growth, we felt a cumulative 4% decline from 2006 to 2008 was not bad.

In 2006 our average client started 360 first time (Limited, Phase I, and Full) cases. In 2007 that number declined to 336 and remained at 336 during 2008. Overall case acceptance - first time starts (not counting Phase II starts) relative to total new patient exams - declined by 2% in 2007 compared to 2006. There was no decline in the rate of case acceptance between 2007 and 2008.

Actual "productivity" is down in 2008 because of the 6.7% decline in total new case starts. However the case fee generated by the average patient is up 6%, from \$5147 at the end of 2006, to \$5,357 as of the end of 2008 and that is why total production and revenue remained essentially identical in 2008 to that of 2006.

Patient delinquency, both in dollars and as a percentage of total accounts actually improved by 1% from the end of 2006 to the end of 2008, and the rate of delinquency averaged 3.2%. That 3.2% is not dollars delinquent but is the percentage of open accounts that are 30 or more days past due. The average practice had 455 accounts with balances, with 14 being 30+ delinquent. Total dollar delinquency averaged \$4500, about one half of one percent of total Accounts Receivable, which averaged \$827,011.

With every statistic reviewed, these numbers are dramatically better than the profession as a whole, which suffered a 20%+ decline in new patient flow, a 4%-7% decline in the rate of case acceptance, a small net decline in average case fee, a significant increase in patient delinquency, a decline in collections and a corresponding increase in the ratio of accounts receivable to production.

Our general dental clients had generally similar results, with stable new patient flow and production

per hour worked. On a national level, general dentists suffered a small decline in new patient flow but a very large decline in their case acceptance and production per hour worked.

What's the difference between the many thousands of practices in this country that suffered significantly during the past two year decline in our country's economy and the much smaller number of practices that continued with solid profitability and with critical practice statistics remaining stable?

These healthy practices did not sign up for any Managed Care/PPO plans, nor did they do any advertising or direct mail. They maintained and often increased their high quality internal and community marketing campaigns and they raised their fees proportional to the rate of inflation.

Most importantly though, these practices have always had highly flexible and generous financial policies, and in most cases have had those policies for years. Even the doctors with high lab fee procedures such as Invisalign and SureSmile knew that high quality patients should be allowed, when necessary, to have \$0 down payment and long term, in-office, financing in order to afford their treatment. These practices had taught their patient

such a consultant because case acceptance was pretty good. Since then however, case acceptance rates have declined, and the greatest part of that decline has occurred in the last 10-12 years, the same period that the profession has been buried in marketing from

auto-debit and third party finance companies. Even major dental and orthodontic study clubs were pushing their member doctors to use third-party financing - much to their chagrin today!

Twenty years ago, almost every dental practice routinely offered their patients in-house financing, with very little delinquency. Twenty years ago, auto-debit was almost unheard of. Twenty years ago, third party financing existed but less than 1% of the dental profession used it. Most importantly, twenty years ago, most dentists and orthodontists were more profitable (as a percentage of gross) than they are today! Because of fee inflation, the practices are much larger in dollars today, but most are less productive!

I believe that over these years many doctors have stopped understanding that they are offering a highly optional product, whether that product be a bridge or braces, and that if they want to sell this optional product they need to have office financial policies and case presentation procedures that make it easy for their patients to buy what the doctors are selling. The great majority of this profession does not do that and I believe the poor performance over the past two years is the result. Any practice can do well in a strong economy. The test of their reputation, their policies, etc. comes when times are tough!

What does the future hold for our profession? As is always the case, this downturn will be reversed by pent up demand. Government intervention in the form of stimulus plans, etc., is not going to save us! Pent up demand will do that, just as it always has in the past. People will not continue to deny their children or themselves the dental or orthodontic care they want and need. The daughter who was 13 in 2006 when Mom decided to postpone a visit to the orthodontist is now 15 and still has crooked teeth. Mom is going to get her daughter's teeth fixed and she is going to do it soon. For the health care practices that recognize that their financial policies can make or break their practice reputation, growth, and profitability, 2009 is going to be a great year!



Paul D. Zuelke
President, Zuelke & Associates, Inc.

ADDRESS SERVICE REQUESTED

Zuelke & Associates, Inc.
P. O. Box 201
West Linn, OR 97068



Zuelke & Associates' clients are located in the following cities:



Pre-Sorted
First Class
U.S. POSTAGE
PAID
Portland, OR
PERMIT NO. 2263

"Any practice can do well in a strong economy. The test of their reputation, their policies, etc. comes when times are tough!"

Zuelke & Associates, Inc. Corporate Purpose: To make a fundamental change in the nature of the health care profession by teaching that through risk identification, risk management, and accounts receivable control, our clients will have not only optimum growth, cash flow and profitability, but most importantly, an impeccable quality of life!

DOLPHIN HAS RELEASED THE “ZUELKE FINANCIAL EXPERT” (ZFE)!

Since I became a consultant in 1980, I have noticed that most doctors, and their staff as well, were unhappy with the reporting and the statistical tracking capabilities of their computer system. Reports were difficult to read and interpret, were often inaccurate, and terminology was often used that could not be understood. In many cases it was simply impossible for a doctor to know the true statistical health of the practice. It was not unusual for me to speak with doctors who had simply given up on trusting anything their computer told them. Unfortunately, the years since have seen only marginal improvement.

I developed ZFE for Dolphin to make their patient accounting and statistical tracking more feature rich while also making it more user-friendly. More importantly, data entry safeguards ensure the accuracy of ZFE reports. ZFE represents a fundamental change in how Dolphin users' practice statistics and reports are viewed and understood and an equally major change in how patient/insurance accounts, and especially delinquent accounts, are tracked and handled.

ZFE features are far too numerous to mention in this newsletter but Dolphin users are going to be very pleased with this new product! Please contact Dolphin at 800-548-7241 with questions or you may email questions about ZFE directly to me at zuelke@zuelke.com. You may also demo the ZFE module at the Dolphin booth at the AAO!

ELECTRONIC STATEMENTS

First, a definition. “Electronic” statements are actually regular paper statements, placed in regular envelopes and mailed via the U.S. Postal service. They are called “electronic” because the monthly statements are not printed in your office nor handled by your staff. Your statements are generated each month as a print file by your practice computer, but sent to a printer at your computer company's processing center.

There are some great reasons to use electronic statements. First, it is significantly less expensive to send electronic statements than it is to produce them in your own office. Second, producing, printing, stuffing, stamping, and mailing statements consumes time that your staff member(s) can better use performing tasks that are far more productive for the practice well-being. Third is practice security. Many instances of employee theft have been discovered, and many more have been prevented, by implementation of electronic statements. A dishonest employee who has manipulated a patient account (adjustments, etc.) does not want that patient to get a statement showing the manipulation! That employee will ensure that a statement is pulled from the pile, usually under the guise of “I have to review each statement individually to make sure they are correct before they get sent out.” Believe me doctors; your patients will call if they see a problem on their statement. That is something you should promote and not try to avoid. If the fee, payment, and adjustment posting in your practice is so inaccurate that your statements need to be individually reviewed, then you need someone else to be doing the posting! Call your computer company today to get set up to send your paper statements electronically!

THE ZUELKE AUTOMATED CREDIT COACH (ZACC)

Have you ever wanted to offer highly flexible financial arrangements to your patients, but were fearful of resulting delinquency or financial loss? Do you have evidence that your current financial policies have cost you case acceptance? Do you already offer flexible financial policies, but do not identify patient risk first, and are unhappy with the increasing accounts receivable, increasing delinquency, and reduced cash flow that is often the result? Is risk identification as simple and cost effective as you want?

For many years I have noticed that there are thousands of doctors and Financial Coordinators making credit decisions on their patients based on inadequate Patient History information, and trying to interpret credit reports when they had absolutely no proper training on how to do that. Unfortunately some of these doctors were current and former clients whose Zuelke-trained staff had left and new employees were hired and never properly trained.

The result of the lack of proper training has always been poor credit decisions resulting in strong, low risk patients being denied the liberal credit they deserved and high risk patients being granted inappropriate credit. Obviously this resulted in lost case acceptance, increased delinquency, and all too often, throwing the proverbial baby out with the bathwater by abandoning any risk identification at all.

I also realized that there was little chance that my consulting, lectures, and published articles could possibly reach enough of an audience to resolve this problem – so I created ZACC!

ZACC is a computer algorithm – a program - that evaluates patient/responsible party information contained in a Patient History document and assigns a “Zuelke” credit grade based on the maturity and stability of the person rated. ZACC then obtains an actual credit report and “reads” every line, every column, and every word contained in that report and makes a final “Zuelke” credit grade, just as if I had made the evaluation and assigned the grade myself! And, ZACC does all that in about 5 seconds at a cost that is comparable to what it typically costs to obtain an actual credit report in your office. It took years to develop this product and months to test it with hundreds of real world patients – and it works!

But wait! There's more! By using ZACC, you never have to get another credit report or worry that your Financial Coordinator may not be rating your patients properly. ZACC does not use FICO or any other credit scoring system, credit scoring that was never designed to determine the credit worthiness of orthodontic/dental patients, and fails miserably at doing so. Your patients' other creditors will never see a ZACC inquiry on your patients' credit reports and a ZACC inquiry does not in any way impact your patients' credit scores. ZACC simply, and instantly, reports one of seven “Zuelke” credit grades and also provides our recommended credit limits for that particular grade and for your particular specialty.

I have licensed the marketing and sale of the Zuelke Automated Credit Coach to Acceptx Financial Solutions, Inc., an otherwise unaffiliated company located in Salt Lake City, Utah. Because we expect significant demand for this product, and because we want to maintain the highest quality experience for each practice, it will be necessary to limit the number of new practices we will be able to get started on ZACC each week. Acceptx will process your request in the order it is received, and we encourage you to use the on-line order feature on the ZACC website. If you have any questions about ZACC please contact Acceptx directly at 866-222-3789 or go to the ZACC website at www.getzacc.com. You will not be disappointed!!

“We cannot become what we want to be by remaining what we are.” Max Depree

DELTA PREMIER

During the past year, we have had a couple of new clients who had insisted they were not members of any Managed Care or PPO plan. When we visited these offices and found them participating with Delta Premier, the doctors responded with, “That's not a PPO because we do not have to reduce our fee.”

Perhaps these doctors had never read their contract with Delta, but the Delta Premier plan is absolutely a PPO! I cut and pasted the following information from the Delta website on March 29, 2009. The underlines are my own.

“Delta Dental Premier is one of our three contracted national network based programs. Participating dentists agree to adhere to Delta Dental processing policies and are prohibited from billing a patient above the pre-negotiated fee, accepting billing under these terms as payment in full.”

There are many unhappy doctors in this country who, believing that they could safely be on this plan without fee restriction, signed up and over a period of years built their practice with 15%-30%, or even more, of their patients being on the plan. Then, when Delta chose to start limiting fees, these doctors had so many patients on the plan they were unwilling/unable to withdraw. A few years go by and now these doctors are writing off thousands of dollars every month (or they keep all of their fees artificially low) and they are a prisoner of the PPO!

As I have said many times in these pages, stay away from any form of Managed Care. Your profitability, and your practice quality of life, is at stake!

Joan Garbo's “Speaking of Self” Seminar

This was the single best seminar I have attended – ever! If you want to improve your personal communication skills, enroll in this seminar. Call Joan Garbo at 631-608-2979.

“IN THESE ECONOMIC TIMES.....”

You cannot possibly imagine, or perhaps you can, how many questions I have received in the most recent 12 months from doctors who finish that opening with . . . “should I cut my fees? . . . should I postpone fee increases? . . . should I push third party financing more aggressively? . . . should I start advertising? . . . should I do a direct mail campaign? . . . should I sign up for Managed Care/PPO's? . . . should I be more flexible with my “B” and “C” patients? . . . should I cut staff wages, their hours, or benefits? . . . should I postpone remodeling, or buying my land, or building my new office?”

These ten questions, and there were a few more, all have the same answer. Absolutely not!!

To a significant degree, this economic downturn was created exactly because of the attitude that generated those questions! We are in a longer lasting than most, but still a finite economic situation that has caused a relatively minor decline in productivity (if you take a long view) and a somewhat more significant reduction in profitability. This situation, for orthodontics and for dentistry as a whole, is going to turn around soon, certainly before the end of this year, so let's talk about those questions.

Are doctors really willing to take on a serious, long term problem in order to fix a very temporary situation? A 5% cut in fees results in a huge cut in profitability and will do absolutely nothing to improve case acceptance! Postponing needed fee increases will also do nothing to help case acceptance, yet will cause inflation to eat your lunch! Pushing third party financing will seriously damage case acceptance, not improve it, and will result in a lower quality reputation in the community and reduced new patient referrals! Any form of advertising, including direct mail, increases new patient flow, but with lower quality new patients, dramatically reducing case acceptance, and most importantly, turns off the quality “A” patients in your community who are exposed to your advertising and wonder why you need to advertise. “A” patients don't go to doctors who advertise!

How about Managed Care? Doctors who have signed on with these organizations have been able to sustain their new patient flow but case acceptance has declined sharply, they have write-offs varying between 12% and 38% of their case fees, and quality of patient and quality of life within the practice is no longer satisfactory. This is a solution to our economic situation?

Let's see what happens when a practice decides to “be more flexible” with the 25% of patients who are in the “B” and “C” risk categories. First, case acceptance goes up about 10% among those weak patients, about 2.5% overall. Delinquency and bad debt write-off doubles – or worse. Failed appointments, instances of poor clinical cooperation, etc., increase dramatically. Is 2.5% better overall case acceptance worth the stress and dissatisfaction of having to deal with this new problem?

How about cutting staff hours, wages, or benefits? I have heard from doctors, “After all, we're a team and if I have to take a hit to my salary, why not the staff as well?” That's another simple answer! Your staff does not have any money, or at least not much money, left over each month after paying the bills necessary to live. They do not live like you do! If you cut their salaries, or their working hours, they quite often have to decide what bill not to pay, or they must decide not to have that one night a month out to dinner and a movie. If your productivity is down, then workload is down as well. The proper solution is to cut staff! That sounds terrible perhaps, but better that one person loses their job than an entire staff loses their morale, spirit, and confidence in their employer! That's tough to recover from.

Want to remodel or build a new office? “Prime” borrowers (that's you, doctors!) can get all the money they need right now for land, for construction of new offices (or for whatever else you may want), at rates that you will likely never see again while most of you are still in practice. Now is the best time to invest in your future! That's especially true if my belief about coming inflation turns out to be accurate. Debt does not inflate. Remember that!

The bottom line is simple. Get your head on straight! This current situation is nothing more than a longer lasting version of what we have seen at least seven times in the past 30 years. This one too, shall pass! Take great care of the patients you have. Market (not advertise!) aggressively. Don't let your patients get a busy signal or an answering machine during working hours. See them on time, always! Finish them on time. Use flexible financial policies to make it easy for your quality patients to buy the product that you sell. Ask your patients for referrals. Stick to the basics doctors and ride out this weakening storm. You will be well rewarded!

ORTHOTRAC

Orthotrac has recently announced that they are in the process of developing a major addition to their patient accounting, delinquency control, and practice statistical reporting package, designed entirely according to Zuelke & Associates and Paul Zuelke's recommendations. No release date had been announced but we are hoping to see this outstanding addition to Orthotrac before the end of this year.

“Great things are not done by impulse, but by a series of small things brought together.”

Vincent Van Gogh

MARKETING FAILURE?

There is some debate about which of the dozens of policies and procedures that make up practice marketing are the most important and have the most impact, although almost all dental/orthodontic consultants and virtually all patients agree that being on time for your patients is at the very top. We believe that number two is how a practice handles the telephone.

A practice may do wonderful community marketing, do a lot of games and internal things to generate patient referrals, and generate a lot of new patient calls. But what happens when that potential new patient, calling during normal working hours, gets a busy signal or an answering machine? What happens when that potential new patient hears the phone answered with, “Dr. Jones office, please hold!”? All the wonderful marketing you have done to attract this person to your practice may well have been a waste of your time and money!

Betty was in a client's office a short time ago. This office had three incoming lines and a rollover feature to an answering machine in the event all three lines were in use. Betty noted that the answering machine was taking calls from patients, multiple times each day, because all three of the phone lines were busy with outgoing calls made by the doctor and staff members and incoming calls to the doctor and staff by family and friends - a great example of a marketing failure!

The solution is simple. Have enough telephone lines to cover all anticipated patient related incoming calls. Have additional “private” numbers (unlisted) to be used by the doctor and staff for outgoing calls (if they cannot use their cell phones). Have a firm policy that no one on staff, including the doctor, is allowed to use your primary patient phone lines to place an outgoing call. Be certain that friends and family of the staff and doctor are given your private phone line number(s) so their calls into your office do not tie up patient lines. The cost of these extra phone lines and the cost of delaying a personal call a bit until the appropriate line is available, will be far less than the cost of losing a patient, or never getting a referral from an existing patient, because of poor telephone etiquette and policy.

ALL-STARS

Our “All-Star” list for this newsletter contains our “top ten” clients who, during the most recent two-year period had outstanding overall practice performance, including excellent delinquency control and healthy receivables along with strong new patient flow and an excellent rate of case acceptance. These practices chose not to participate in the weak economy! Congratulations to each of these practice teams.

David J. Allen, DDS, MS	Wheaton, IL
Drs. Arkwell & Schuler	Peoria, IL
Normand S. Boucher, DDS	Wayne, PA
Drs. Carlough & Burzin	Clinton, CT
Drs. Geyer & Binzer	Spencer, IA
Drs. Hanrahan, Spry, & Ton	Townsville, Australia
Drs. Hime & Salome	Austin, TX
Warren T. Johnson, DDS	Murfreesboro, TN
Andrew J. Kapust, DDS	Olympia, WA
Drs. Meyer, Dana, & Meyer	Rapid City, SD