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Practice survival strategies for a recession

Posted March 3, 2009

By *Brandon Collier***Mr. Collier**

While plenty of dental practices continue to produce at record levels, there is no doubting that most practices are feeling the effects of the protracted economic downturn. The soft economy has particularly affected specialists, as families delay or shop around for orthodontic treatment, general dentists are referring fewer endodontic cases and cosmetic dentists may have too small of a hygiene practice to fall back on. The following are some ideas worth considering to help weather the storm.

Keep in mind, however, that despite the emphasis here on profitability, do not obsess over money. If you must obsess over something, obsess over your patients. It's amazing how dentists who focus most on what's important for their patients find that the

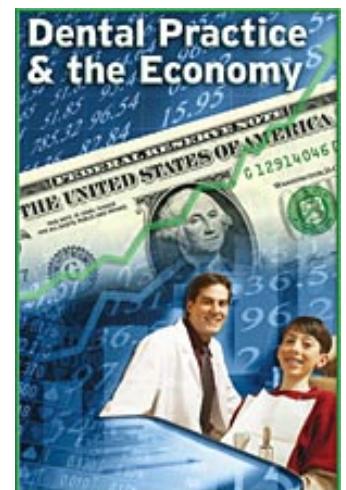
money always follows.

(1) The last patient of the day is by far the most profitable. Often the only major difference between a practice with revenues of \$600,000 and another with \$800,000 is that the dentist hustles just a bit more to squeeze in one or two more patients each day. Yes, there is still room in the larger practice for patients to receive excellent clinical care, and the benefit of being able to treat one additional patient is that practically the entire fee drops to the bottom line as profit. Why? Because the only new expenses incurred are the supply and possibly some laboratory costs. The fixed expenses, such as rent, staff and utilities, will not increase, so a practice with, say, a 65 percent overhead will have perhaps a 10 percent overhead on the last patients of the day.

(2) The best long-term practice builder is to make short follow-up evening calls to patients. This is especially true when you have just performed some invasive procedure or where you expect the patient to be feeling pain. These calls should average less than one minute. You will distinguish yourself as the only caring doctor they have ever had, and they will sing your praises to their friends and relatives. The only explanation that dentists give as to why they stopped this practice is because it worked so well that their practices got big and they got lazy. That is a wonderful problem to have.

(3) The best short-term way to boost a practice's size is to buy out the practice of a nearby retiring doctor at a fair price. Run both offices for a sensible transition period, and then consolidate them into whichever office makes more sense. You will likely retain almost all of the seller's practice revenues and can eliminate many of the seller's practice expenses so the acquired practice will almost assuredly be more profitable to you than it was for the seller.

(4) Eliminate unnecessary business expenses. We tend to rationalize every big equipment purchase as being absolutely crucial to the

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Wanted: Practice tips from dentists

Do you have a practice tip to share with other dentists about how to better survive a recession? Contact CDP's Dr. Pam Porembski, toll-free, Ext. 7463, or e-mail, porembskip@ada.org.

continued viability of our practice. But if revenues are shrinking, then profitability will do the same unless we spend more judiciously. The government has liberalized the tax depreciation rules in hopes of encouraging businesses to invest in new equipment, but this, by itself, is no justification.

Remember, no tax advantage is worth having if the cost of getting it outweighs the value of the tax advantage. If you can live without the new equipment, then delay the purchase. The rules permitting immediate deductions are not going away anytime soon. Rather than taking the entire staff cross-country to attend a practice management seminar, bring the consultant to the office or schedule an Internet-

based presentation. However, if you have an unused operatory or examination room that has become storage space, spend the money to turn it into productive space. What tends to happen is that the extra space does get used—for emergency or difficult patients, a part-time associate, or for a hygienist to use the intraoral camera to help patients better understand the treatment they need. If the renovation costs \$30,000, the fees from just one extra patient per day will quickly pay for it.

(5) Market more effectively. Our existing patients are the best source for generating new ones. All dentists should ask their patients for referrals.

There's a tasteful and an untasteful way to do this, but there's nothing wrong with prominently posting a sign in the office saying "We Welcome New Patients." And from time to time, the dentist should tell patients something like, "While we are certainly busy, new patients are the lifeblood of our practice and we always have room for them." This is especially important for an older dentist whose patients may incorrectly assume that he or she is not looking for new patients.

(6) Effective Web sites are also crucial. They won't bring in many new patients by themselves, but your patients will refer their friends and these friends will look you up online before scheduling an appointment. If they have two doctors' names, they will look at both sites before making their decision. Most dentists' Web sites are boring. The effective ones are not only visually attractive, but contain honest heartfelt messages from the doctor about why he or she became a dentist, what he or she loves most about dentistry, and what makes his/her practice unique. As for placing ads in the Yellow Pages, this seems almost useless. We've known some doctors to informally poll their patients, and they find that less than 1 percent of them came to the practice from ads in the phone book. Interestingly, ads placed in the White Pages seem to actually bear more fruit.

(7) Reduce broken appointments. Ideally, these should occur only about once every other day. Some things we've seen work over the years include:

- having the dentist call all new patients at home or on their cell phone to confirm the upcoming appointment (which you are very excited about!);
- having the dentist or a staff member write the dentist's home phone number on their professional business card. The patients tend not to call, and this personalizes the relationship making broken appointments less likely;
- have a staff member ask patients whether they will notify the office about a broken appointment, and then wait for the patient to affirmatively state that they will. Getting the patient to acknowledge this is a more effective way to reduce broken appointments than simply notifying the patient about the office's cancellation policy.

Each of these can be used in tandem with a "three strikes and you're out" philosophy. On a patient's first unexcused cancellation, they are mailed a modest cancellation fee, which is fully waived as a professional courtesy. This will get their attention. But, if they cancel a second time, they are billed the fee (with no offset) and are warned that if they do this again, they will likely be dismissed from the

ADA to provide information, advice

By Arlene Furlong

Created through the Council on Dental Practice in November 2008, the Subcommittee on Economic Issues is charged with identifying ways to help ADA members survive and thrive in tough economic times.

Working closely with the ADA Health Policy Resource Center, the subcommittee will periodically assess and monitor the effects of the recession on the dental profession and establish multiple channels of communication with ADA members to amass information and disseminate advice.

"We are hoping to become a source of information and perhaps advice to which the ADA membership can turn during difficult times—through both the ADA News and ADA.org," said Dr. Michael Halasz, subcommittee chair. "It is important for ADA members to know that we are aware of the difficulties many dentists are facing and that the ADA would like to help. We have a fantastic group of passionate dentists on the subcommittee. We feel that we can provide valuable information to our members."

Results from the HPRC 1st Survey of

practice. This may seem callous, but you need not tolerate patients who have so little regard for your time.

Despite how significantly your practice and finances have been affected by the Great Recession, you must avoid becoming paralyzed by fear and doing nothing.

There are still many ways in which to grow your practice and make it more profitable, but you must be proactive and seize the opportunities during these tough economic times.

Mr. Collier is a tax attorney and the president of Collier, Sarner and Associates Inc., a company that has been advising dentists on the business aspects of their practices for the past 40 years. He is the editor of the Collier Sarner Newsletter and conducts the popular Collier Sarner doctor seminars. He represents dentists in all phases of practice transitions, including valuing practices and structuring the sale. He regularly consults with clients to provide practice management, investment and tax savings advice.

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Economic Confidence are available on ADA.org at www.ada.org/goto/surveyresearch. Click on Free Downloadable reports. The subcommittee will track initial data with results of quarterly follow-up surveys.


As part of the ADA News continuing series on the economy and dentistry, the March 16 issue will include news from the subcommittee and highlights from the 2nd Survey of Economic Confidence.

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