

Chapter 21

IMPLEMENTING EFFECTIVE MEASUREMENTS AND CONTROLS

No matter where you are in your practice career, it is important to be happy, both professionally and personally. One way to be happy is to manage your practice, its profitability and your future. If you don't, your practice will manage you at the cost of high stress. How do you control your practice? Figure out where you're at, develop an action plan and attain the goals you set.

What are you trying to manage? Production per hour in light of the hours per week you choose to work. This assumes no compromise of quality. Look at the actual results in the areas you desire to monitor, then measure the actual, per month/annual results, against your goal in each category. Some of the categories to monitor are described in Figure 21-1.

While it is important to establish operational expense categories which are meaningful in order to control costs, it is more important to monitor productivity per hour. If productivity goals are consistently attained, expenses will be at a proper percentage. Drop productivity and expenses rise.

Maintain a "sinking fund" in the event of anticipated expenditures. What if an x-ray tubehead goes out or your air compressor no longer works. You have immediate replacement costs. Consider the long-term costs of a possible relocation and plan for relocation years in advance. You may find a prime real estate parcel at a bargain price. Wait and the price goes up, way up. The analysis for Paying Relocation Costs is described in Figure 21-2. It shows that a practice with gross revenues of \$310,000, with owner compensation of 40%, must increase annual collections to \$360,000 to pay yearly relocation expenses of \$30,000. This analysis makes the assumption that the practice owner desires compensation in all forms of 40%. This type of analysis can and should be completed for any significant practice expenditure.

Managing Systems

You can't hire and properly delegate staff responsibilities without knowing the practice which you intend to maintain. Significant growth should not come as a surprise, it should be planned. Staff responsibilities can then also be designed and staff compensation can be predetermined. Staff compensation can and should be a function of improved profitability and production. If not, the increased pay for staff reduces your compensation.

Look for someone nearby or a study club to work in your practice in the event of your temporary disability, permanent disability or death. It may be advisable to have a buy-sell agreement in place with a colleague in the event of either of your death or permanent disabilities.

Having security that you will be bought out in the event of a catastrophe may allow you to operate as a sole practitioner and provide you the flexibility that you may not have in a group, e.g., flexibility to fund and design your retirement plan. While group practice has advantages, you are one vote among other members or shareholders which can be unsettling. However, you

cannot remain a sole practitioner without managing the key systems which comprise your practice. Some of those systems are described in Figure 21-3.

Without systems management, you probably won't enjoy operating your practice. In this case, you may be better off in a multiple doctor setting, whereby you practice your profession and somebody else can manage systems who wants to do so.

The bottom line is that successful practice management means that you need to be an entrepreneur; a business person who is also a dentist.