ORTHO2

Six Steps for Reinvesting in Your Ortho Practice

by **Dr. Roger P. Levin**

In a difficult economy, strategic planning matters more than ever. As orthodontists seek to erase recent production declines, they must not lose focus on reinvesting in their practices.

An orthodontist wanting to reinvest in his or her practice should realize that there is no standard approach. Each practice situation differs. To design a reinvestment strategy for your unique practice situation, the following steps need to be taken:

1. Develop a Vision for the Practice
Before considering any other factors, orthodontists need to determine where they want to take the practice. Every orthodontist has a different idea of success based on his or her unique practice situation. For some, living a high-quality lifestyle now is most important. Others have moderate lifestyle goals now, but want to produce enough to fund their children's college tuition, their own retirement, or charitable programs.

The type of practice you run is an important consideration when deciding your long-term goals, as well as how your budget should be constructed. Practices have diverse needs when it comes to staff, technology, and facilities.

Reinvestment strategies will be dictated by your vision. For example, if the objective is to become a high-tech ortho practice, the orthodontist should invest in the latest equipment and technology. Naturally, such plans require a significant investment and perhaps financing.

2. Analyze Key Production Indicators
A critical concept for understanding and managing profitability is Key Production Indicators™ (KPIs). These are the core elements and variables that truly drive practice performance.

All ortho offices have 12–15 KPIs that are barometers for success. Without these statistics, determining practice performance becomes nearly impossible. KPIs are easy to establish, fast to review, and should be monitored daily or, at the very least, weekly.

KPIs enable orthodontists to understand what has happened in the practice each day, week, month, or year. They empower you to predict whether your practice will achieve its goals. KPIs make it possible to ask questions about why the practice is not achieving all goals and make adjustments as early as possible.

3. Create (and Track) a Budget
Budgeting will help ensure the health and growth of your practice both now and in the future. By creating a budget, orthodontists put themselves in a better position to reinvest in the practice. To develop an effective budget:

Set a Revenue Target. For the revenue goal, look at last year's production and collections. Often, orthodontists first think of what they want their profit to be, without considering the revenue that must be generated to reach that number or having an accurate account of expenses. To set an achievable profit goal, know what the practice can actually produce in a given period. Look at the trends in the practice's production over the past few years, such as the number of days worked, the number of staff members, revenue generated, and fees collected.

Track Everything. Follow critical budget numbers on a monthly, weekly, or even daily basis. This allows ortho practices to closely monitor progress and be alerted early on if performance is falling short of goals.

4. Evaluate the Office Objectively
Orthodontists see the practice each day with a professional's eyes. But how will patients and parents view it? Anything that makes parents and patients have second thoughts about choosing your ortho practice should be addressed. Something as simple as an attractive office can

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determine whether parents select your practice.

Perform a walk-through of your office to determine what works and what doesn't from a parent's standpoint. Walk in the front door, go through the reception area, check in, visit treatment rooms, and check out as if you were a parent. Observe the efficiency of the communication systems. Evaluate how many times a day parents are put on hold, which indicates the need for more phones and more team members at the front desk.

The list of potential ways to improve the practice is enormous and the question must always be, "Which possibilities will yield the best return on investment?" In many cases, the return will be significant and, over time, the practice can grow exponentially just by rethinking how the office best serves patients and parents.

5. Create a Viable Plan
The current state of the practice has been analyzed and a vision statement written. Now, it's time to figure out how to make the vision a reality. It's time to set goals that are written in clear, specific language, have a deadline, and are measurable.

Setting goals will help you to clearly focus on where you want the practice to go and when you want to get there. But how do your goals affect your reinvestment strategy?

For example, consider this goal and its consequences:

Goal—Open a Second Office

A second location or satellite can make sense, but only if it is fully supported. I believe that at least 30% of all satellite offices perform poorly because they receive insufficient attention. The orthodontist's attitude often seems to be, "If it grows, I will pay attention. If it doesn't, I have other things I need to concentrate on." This attitude will lead to a self-fulfilling prophecy. Clearly, if you do not pay attention to it, the odds of it growing are slim. Never venture into a business arena where you are not fully committed to doing what it takes to succeed.

A good reason to open a second site is if the primary location's patient base has changed. Suppose you have a practice that has been in the area for many years and this neighborhood is now experiencing dramatic demographic shifts. In this case, your patient base may be migrating to an area farther away, and you are afraid of losing many patients over the next few years. Then, the strategy is to open a second location and turn it into your primary office, ultimately selling off or closing the first office.

6. Implement Appropriate Marketing Strategies
Reinvestment plans don't rely exclusively on the orthodontist's vision, buildings, or equipment. Investing in marketing will produce a swift and substantial return on investment if implemented correctly. Levin Group recommends a robust referral marketing program run by a Professional Relations Coordinator (PRC). The PRC will work with referring practices and administer the referral marketing program, which consists of 15 strategies to generate referrals from current and new referral partners.

Effective referral marketing quickly returns on the investment by accomplishing three vital tasks:

1. Creates the opportunity for frequent contact with referring sources.
2. Enhances the relationship with existing referral sources.
3. Develops a pipeline of new potential referral sources.

Reinvesting in your practice only makes sense if you're continually increasing the number of new patients each month. Smart referral marketing is crucial to this objective.

To achieve success throughout your ortho career, you must reinvest in your practice. The doctor's vision and the practice's performance will determine the appropriate reinvestment strategies. Practices that think strategically, set goals, and reinvest properly will be the ones that not only survive but also thrive in the new dental economy. A clear vision, proven management systems, effective referral marketing, and the acquisition of new equipment and technologies enable ortho practices to increase production in a difficult economy.

About the Author

Dr. Roger P. Levin is Chairman and CEO of Levin Group, Inc. Levin Group provides premier, comprehensive consulting solutions that increase production to orthodontists in the U.S. and around the world.