



## **Replacing Uncertainty with Absolute Confidence**

By Howie Horrocks & Mark Dilatush

### **Intro**

The purpose of this article is to help you assess where your practice is, and what to do. We're not going to go into the \$2.3 trillion in consumer buying power that has evaporated, why it went away, who is to blame, or offer any political views on the subject. That would be a monumental waste of time. Because, in the end, there isn't a whole lot any of us can do about how we got here. The best thing we can do is prepare for moving ahead. Dentistry is still (even with a nervous economy) entering its "Golden Years". Dentistry is still the #1 individually owned businesses in the US. If you don't believe us, just ask any lender of money. They will climb all over each other to lend any dentist money. Yes, even in this environment!

### **Where is my practice right now?**

Your practice has its own little economy. Too many dentists don't know how to measure where they **were**, where they **are**, and where they **are headed**. This is the root core of the "uncertainty" dentists feel when faced with a "nervous economy". Uncertainty causes all humans to become overly stressed. You are not alone. So, if you don't know where you were, where you are right now, and where you are headed – it makes perfect sense that you feel some heightened level of stress. **The opposite of uncertainty is certainty. Certainty relieves stress.** So let's take a look at how you can be absolutely 100% certain of where your practice is and where it is headed. This is the first step in knowing for sure what you need to do in the future regarding the promotion and management of your dental practice.

"Oh no, more numbers for me to look at?" Yes, that is what we are saying. Do you *like* feeling *uncertain* all the time? In response, we offer 3 promises.

Promise #1: The following is simple. Every dentist reading this periodical has the ability to delegate this task to a team member. *You*, don't have to do it. You just get the benefit.

Promise#2: The following should take your team member less than 10 minutes per month.

Promise #3: There is NO viable excuse NOT to do this.

Let's get started:

**Active Patients (Tracking Instructions):**

At the same time each month (the 1st, the 15th, the last day, it doesn't matter), I want you to have a team member do the following:

1. Run a re-care report for the NEXT 12 months. As an example, let's say it's Feb 15th 2009. I want you to run a re-care report for 2-15-2009 to 2-15-2010. I want you to count the number of re-care patients and make note of the total number of patients.
2. Run an appointment list for ALL dentists for the same time line (the NEXT 12 months). I want you to count the number of patients currently scheduled in all of the doctor schedule(s). Make a note of this number.
3. Add the number of re-care patients and the number of patients in the doctor(s) schedule(s). This gives you the total of truly active patients for your specific dental practice.
4. Do this every month on the same day of each month. Do this every month for the rest of your dental career.

Then, build a very simple spreadsheet (as shown below) in Excel. Each month, enter the total of truly active patients in the appropriate column. TTM Revenues = Trailing Twelve Month Revenues. All you do to find that number is run a collection report for the previous 12 months. Doesn't this sound pretty simple? Avg Rev/Active Patient is calculated by the spreadsheet. It is a simple formula. Divide TTM by Active patients!

What you end up with is something like this. In the example below, Dr. Smith has just started two months ago.

Dr. Smith - Future Predictor Spreadsheet

MM/DD/YYYY	Active patients	TTM Revenues	Avg Rev/Active Patient
2/15/2009	700	\$700,000	\$1,000.00
3/15/2009	710	\$723,000	\$1,018.31

Now, let's take a look at a different doctor that has been tracking these indicators for a year. Let's call this dentist, Dr. Jones.

### Dr. Jones – Future Predictor Spreadsheet

Month	Active Patients	Revenues	Avg Rev/Pt
1	833	\$750,000	\$900.36
2	831	\$761,000	\$915.76
3	826	\$743,000	\$899.52
4	819	\$745,000	\$909.65
5	821	\$739,000	\$900.12
6	816	\$721,000	\$883.58
7	811	\$733,000	\$903.82
8	812	\$738,000	\$908.87
9	809	\$716,000	\$885.04
10	811	\$722,000	\$890.26
11	806	\$731,000	\$906.95
12	799	\$719,500	\$900.50

What **conclusions** could you make about Dr. Jones's practice using this data? Here are some things that tell us where Dr. Jones was, where he is, and where the practice is going.

Dr. Jones had a net loss of 34 active patients over the last year.

The numbers show healthy and consistent average revenue per active patient.

Dr. Jones has seen a slight decline in annual revenues – most likely caused by a decline in new patient flow coupled with an increase in loss of existing active patients.

In Dr. Jones's case, we really need to attack these issues from multiple angles. We need to re-energize the existing patient base. Simultaneously, we have to look at the external promotion of the practice to drive more volume. Dr. Jones is already attracting "quality" new patients to the practice; otherwise the average revenue per active patient would be dropping. Perhaps all Dr. Jones needs to do is re-allocate some of the external marketing dollars to other mediums that may generate a greater volume of good solid patients.

Either way, Dr. Jones feels ZERO stress. Dr. Jones knows EXACTLY where the practice was, where it is, and where it is headed. Wouldn't it be nice if you knew these things in a "nervous economy." Dr. Jones isn't nervous. Dr. Jones knows the score. Dr. Jones is prepared to **do something about it** and is confident that he will **see** the results show up on his spreadsheet as the plan is implemented. This gives Dr. Jones **total control**.

When you first begin to build your very own Predictor spreadsheet, it will likely be pretty boring to look at. Two or three months of result data doesn't necessarily show viable trends. But, six months to one year from now (trust us), you will know **exactly** where

you've been, where you are, and where you are going. This should help many of you sleep better, be better leaders of your teams, and better managers of your business.

If you have any questions about this, email Howie or Mark.

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