

## A view of practice finance by Richard George, chief executive officer of DPAS



As we are fast approaching the end of yet another year, what better time to take stock of our personal and business circumstances and make resolutions for the future?

As chief executive officer of DPAS, my specific experience in the dental market now stretches over three years; my pedigree in finance, however, is much longer and, with this hat on, I remain convinced of the relatively simple rules that should guide the financial management of any business, including that of a dental practice.

So, before you pull your chair up to the fireside and sentimentally reminisce about all the things you have achieved in 2009, take a moment to consider the simple rules of financial viability and how, in 2010, you might get even more from what you already have.

For all of us, whatever business we are in, there are three critical success factors that determine survival and, ultimately, prosperity.

- Offering products and services that people want to buy, and at a price that enables the provider to make a profit
- Finding people to buy those products and services at that price
- Delivering the products and services efficiently.

### Framework

By following these simple principles, a successful dental practice will be one that delivers its clinical services within a balanced framework that combines:

- Fee rates that, when delivered across the patient base, cover the operating costs of the practice plus a reasonable post-tax profit
- Identification, attraction and retention of the required number of patients to whom you can deliver treatments
- Delivery of treatments, taking into account the resources required including chairside hours, premises, equipment, staff

and working capital.

When all these elements are provided in equilibrium, a practice will have the key building blocks for financial success. A successful business plan is built on two basic, yet fundamental, questions; where are you and where do you want to be?

The gap between these two is the journey you must take and how you get from A to B forms the basis of your business plan.

Gratifyingly, you already have the answers to these questions because they are all about your business and nobody should know your business better than you. All you need is a little nudge in the right direction and someone to ask the right questions at the right time – a business advisor or your accountant is usually the perfect person.

The need for planning, and the role it plays in success, cannot be underestimated. It would be unusual to embark on any journey without some idea of which method of transport you would use, timing information to ensure you arrive on schedule, and at least some knowledge of the general direction in which you are heading. The process is exactly the same as you embark on your business journey.

As a chartered accountant, I have seen some very poor business plans in my time; some are basically a 'to do' list, others are enormous Excel spreadsheets and there are yet more with no coherent thinking, defined objectives or measurements of success.

However, having at least determined your destination, it is much easier to start to add detail; treatments you wish to offer, the demographics of new patients you wish to attract, how to retain those patients you already have. Each scenario will be different for every practice and my only overarching

piece of advice is that the 'holy trinity' of 'product', 'patients' and 'delivery' should each be afforded the same status and have the same resources allocated to them.

It is important to think both qualitatively and quantitatively about your business as this helps to substantiate your aims and objectives and give a definite unit by which to measure success.

But don't just consider success in terms of simple turnover, look also at your treatment offering; which is your most profitable type of treatment, what does your treatment offering say about your practice, and is this the image you want to project?

### Goals

If one of your goals is to introduce new technology into your practice, what impact will this have – both financially and in terms of the functionality of the business?

It is easy to envisage the income generated from additional treatment offerings, but such diversification requires consideration of the actual return on investment. How much would it actually cost for you to introduce dental implants for example? Costs should be measured in terms of equipment, training, additional marketing and how will you manage such expansion, logistically and financially.

Ultimately, of course, your

business must be viable and outgoings must not exceed incomings, Mr Micawber's famous words in *David Copperfield* are as wise an adage today as they were 150 years ago.

Projected revenue of the practice must exceed projected costs (including tax and remuneration), you must carefully work out the number of planned treatments that need to be delivered in order to: 1) break even and 2) achieve your profit target and, by a series of reasonably simple calculations, you will be able to establish:

- Practice operating costs
- Number of chargeable chairside hours from principal and associate
- Average cost per hour
- Average patient chairside time per year.

Introducing a payment plan is one way of 'smoothing out' the peaks and troughs of income and, at the same time, provide patients with a solution that enables them to easily budget for dental care, giving them peace of mind and reassurance.

Ultimately, a dental practice is a business and achieving clarity of thought is essential to establishing a platform on which to build. Understanding the costs of your business – and how these need to be set in equilibrium against numbers of patients, treatments, prices and resources – is a fundamental factor for success.



Your practice. Your patients. Your choice.

For more information on DPAS' range of practice-branded plans and how they can help you gain control over your business finances, please call 01747 870910 or email: [enquiries@dpas.co.uk](mailto:enquiries@dpas.co.uk).