



# Practice Transitions Made Perfect™

## Newsletter Article Reprint

### New Year, New Costs, New Fees

February 2005

Each year, the cost of operating your dental practice increases. Supply costs increase, rent increases, insurance increases, staff costs increase, as well as every other cost of running your business. There are only two possible ways for you to make up this difference. Either you work more to increase your income, or you raise fees on the services you provide.

If your fees are below the median fee schedule for your area, you should consider an immediate increase of all of your fees of approximately 10%. If your practice overhead is 65%, a 10% increase of your fees will yield an increase in profit of approximately 30%. If your overhead is 75%, the same increase will yield a profit of 40%! We suggest that you maintain your fees in the 80th percentile of your area fees.

Afraid of raising all of your fees? Pay particular attention to those services that patients will notice the most. Prophylaxis and doctor exam fees that they are used to seeing should not necessarily be raised as quickly as others. Consider a smaller increase, possibly 5%.

Afraid of losing your patients? Your entire office needs to continuously promote the value of your services to your patients, and it is very unlikely that you will experience a mutiny. If your overhead is 65%, you would need to lose 22% of your practice revenue just to maintain the same level of profitability as prior to the increase.

Consider an alternative: An across the board increase in fees may not suit you or your practice now. You may not have increased your fees for many years, or you may have already increased some fees. Review your production reports and consider increases to specific groups of procedures. Be more aggressive in raising your fees where your fees are significantly lower than the 80th percentile of your area.

Lab fees: Generally, fees for laboratory related services should be in the range of five to seven times your laboratory fees.

Staff Compensation: Most offices annually raise their staff salaries. Whether this is a result of merit or just time, the staff looks forward to that increase. We suggest that you raise your fees in conjunction with the increases in staff compensation. Make sure that your staff understands that the increase is tied to your fee increase. Once the connection is made, they will be more willing to assist in the implementation of the increases. They are more likely to present and support the fees favorably to patients, or defend such increases, if they realize that their compensation depends on those increases. Additionally, they will make sure that there are regular increases in your fees.

Free dentistry: Does your office regularly give professional courtesy discounts or free services? We suggest that you monitor the amount of free dentistry by entering a \$0 fee for those services and tracking them on your production reports. You may find that the cost of your discounts is higher than you expected.

The health of your practice depends on a regular review of your fees. If you don't know how your fees compare to others in your area, ADS Florida, LLC can assist you in determining them.

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