Four critical key performance indicators in your practice

By Roger P. Levin, DDS

Introduction

How is your practice performing? Key performance indicators (KPIs) will tell you. KPIs point out those factors primarily responsible for determining how your practice is performing at any given moment. Knowing these KPIs enables you to get an accurate picture of the state of the practice. Once you possess this information, decisions can be made more effectively regarding the efficiency of the practice.

KPIs enable you to get an accurate picture of the state of the practice. Knowing these KPIs will tell you. Production, however, should not be the only criteria for determining practice success. While it is a critical statistic to evaluate, production must be evaluated along with other performance statistics such as budget and case completion rates to achieve the most accurate assessment of how the practice is performing.

Four critical KPIs

Levin Group recommends the following KPIs be examined weekly by the practice:

I. Overall Production
II. Collections
III. Accounts Receivable
IV. Overhead

I. Overall Production

Nearly all practices have the potential to grow significantly by reorganizing and implementing systems in the office. Once efficient documented systems are implemented, practices are better positioned to achieve greater success.

Although most dentists know their production numbers, remember that production is only an indicator of how busy the practice is — it’s not an indicator of efficiency. This number reflects the scope of dental services provided by the practice.

Production, however, should not be examined without considering variable costs. Many factors increase overhead, many of which are beyond the control of the dentist. Overhead is composed of fixed costs, which remain stable no matter the level of production (rent, staff compensation), and variable costs. Variable costs that remain stable no matter the level of production (e.g., dental supplies, laboratory costs). Fixed overhead must be paid whether or not the practice is operational and often causes financial stress if not managed and controlled. As the practice grows, fixed overhead must be managed carefully. Variable overhead needs to be managed as production increases through careful inventory control and ordering systems.

Many factors increase overhead, including new materials and technologies that dentists would like to have. Whatever the source of the expense, overhead should be watched vigilantly. It is also important to be sure that each addition to overhead provides the practice a return on investment. By following a series of key business management strategies, a majority of practices can reduce overhead significantly. By doing so, it is possible to achieve overhead of 60 to 61 percent once all management systems are properly in place. Remember that reducing overhead by just 8 to 9 percent over the career of a dentist can translate into financial independence years earlier.

Conclusion

To get a clear picture of how the practice is performing, four KPIs must be examined. All practices should develop clear key performance indicators and targets. The dentist must always know the practice’s financial situation. This is accomplished by continually benchmarking against set goals in each key performance indicator category.

Dental Tribune readers interested in learning more about how to survive and thrive in today’s economy are entitled to receive a 20% courtesy on the Levin Group Practice Power Seminar™ held on November 20 and 21 in Chicago. To register and receive your discount, call (888) 973-0000 and mention “Dental Tribune” or e-mail customerservice@levingroup.com with “Dental Tribune” in the subject line.

About the author

Dr. Roger P. Levin is founder and chief executive officer of Levin Group, Inc., a leading dental practice management consulting firm that provides a comprehensive suite of lifetime services to its clients and partners. Since 1985, Levin Group has embraced one single mission — to improve the lives of dentists.

For more than 20 years, Levin Group has helped thousands of general dentists and specialists increase their satisfaction with practicing dentistry. Levin Group may be reached at (888) 973-0000 and customerservice@levingroup.com.