

2013 Dental Industry Financial Benchmark Report

Portland Area Specialty Practices

Presented by Fluence



Introduction

Welcome to the 2013 Specialty Dentistry Financial Benchmark Report! Inside, you'll find a collection of financial data sourced from specialty dental practices in the greater Portland Area, compiled to help practices measure their financial performance against their peers.

How did your practice perform last year?

The Benchmark Report is designed to help dentists and dental practice managers make informed business decisions by comparing your company to competitors on average industry values, and tracking industry trends and insights.

In general, pediatric dentists realized an approximate 8% increase in fees collected, oral surgeons saw a decline of 3%, and orthodontists saw an increase of around 3%. See below for a breakdown of overall fees collected and expenses incurred for specialty dental practices in 2013:

2013 SPECIALTY PRACTICE AVERAGES

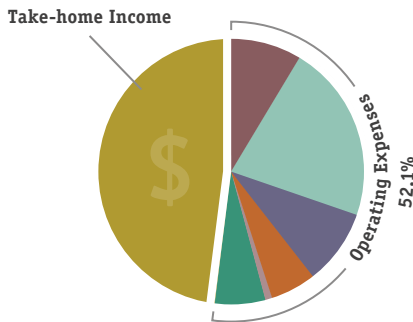
	Pediatrics	Oral Surgery	Orthodontics
Fees Collected	\$1,247,625	\$1,444,917	\$1,291,076
Operating Expenses	\$650,102	\$744,382	\$706,681
<i>Take-home Income</i>	<i>\$597,523</i>	<i>\$700,535</i>	<i>\$584,395</i>

How do your financials compare to these averages? This benchmark report delves deeper into the foundational elements of these figures, and Fluence is presenting them in an effort to help Portland area practices identify opportunities to improve their profitability.

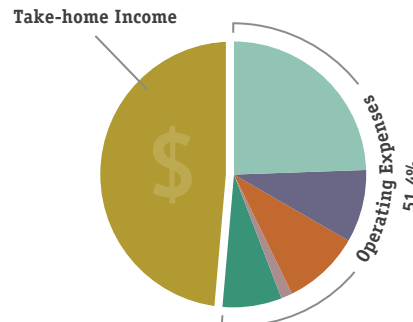
2013 OPERATING EXPENSE AVERAGES

	Pediatrics	Oral Surgery	Orthodontics
Hygienist Costs	\$108,884	n/a	n/a
Staff Costs	\$270,251	\$357,185	\$321,967
Occupancy Costs	\$116,125	\$126,203	\$131,608
Direct Costs	\$68,252	\$135,900	\$146,058
Billing Costs	\$10,592	\$20,461	\$18,378
General Costs	\$75,998	\$104,633	\$88,670
<i>Total Operating Expenses</i>	<i>\$650,102</i>	<i>\$744,382</i>	<i>\$706,681</i>
<i>Total as % of Revenue</i>	<i>52.1%</i>	<i>51.4%</i>	<i>54.7%</i>

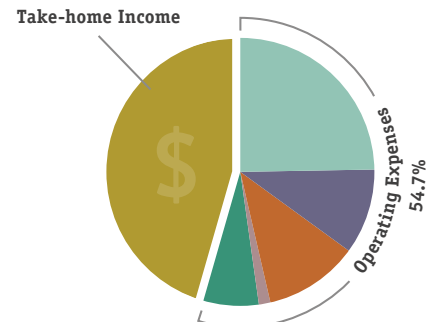
Pediatrics



Oral Surgery



Orthodontics



Hygienist Costs
 Staff Costs
 Occupancy Costs
 Direct Costs
 Billing Costs
 General Costs

As you can see, orthodontists spent more on operating expenses (as a percentage of gross revenue) than did pediatrics or oral surgery practices. In this report, we explore the various facets of this data, and outline a set of best practices to help you understand the implications for your practice.

Survey Description

The data compiled in this report was collected from over 100 dentistry practices in the greater Portland area, and spans the 2013 fiscal year. This report is designed to:

- Act as a benchmark to help dentists better understand the areas where your practice is performing in relation to comparable practices in your area
- Provide important insights into the current health of your business
- Serve as a useful resource for financial planning and evaluation

Fluence provides accounting and consulting services to dental practices in the Portland area. This report is one more way that Fluence is helping practices maximize their earnings and identify opportunities to improve financial performance.

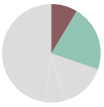


Not sure how to take action on this information? The Fluence dental accounting principals are making themselves available for specialized one-on-one consultative services with Portland area dentists and dental practice managers. If you're ready to discuss practice performance and opportunities for financial improvement with one of our dental accounting principals, simply call **(503) 245-0766** to set up your free, one-hour consultation.

Cost Breakdown

Staff Costs

Staff costs provide an overall picture of your payroll and staffing expenses, to ensure your practice's total compensation package is in line with comparable offices in your area.

2013 STAFF COST AVERAGES

	Pediatrics	Oral Surgery	Orthodontics
Staff Salaries	\$221,536	\$287,334	\$261,685
Payroll Taxes	\$24,947	\$29,571	\$30,307
Retirement Plan Contrib.	\$7,347	\$12,041	\$11,731
Employee Benefits	\$16,421	\$28,239	\$18,244
Total Staff Costs	\$270,251	\$357,185	\$321,967
Hygienist Costs	\$108,884*	n/a	n/a
Total as % of Revenue	21.7% *8.7% 	24.7% 	24.9% 

What it means for you:

Are your staff costs higher than the survey average? This could mean:

- Your practice is overstaffed, or your wages and benefits are in excess of the norms for the Portland area.
- Your practice is underperforming, or not collecting fees at full potential.
- Your practice offers significant PPO write-offs.
- Your team needs help with time management and/or fine tuning systems in the front and back office.




While hygienist expenses are only applicable to pediatric offices, these expenses (as a percentage of gross revenue) equal 8.7% for these practices. If you operate a pediatric practice and your costs are higher than this survey average, it could mean your hygiene team is underperforming.

THE TAKEAWAY: By evaluating your staff costs, you can conduct a personnel analysis to determine if your salaries, benefits, and retirement plans are conducive to continued profitability. Conversely, if you find that your salaries and benefits are *below* industry averages, you may need to develop a compensation structure that keeps your employees happy, mitigating turnover and improving the overall performance of your practice.

Occupancy Costs

Occupancy costs may be the most inflexible of expenses, but it is crucial to understand your practice's performance in this area to ensure certain factors — like your office size or location — are not undermining your financial success.

2013 OCCUPANCY COST AVERAGES

	Pediatrics	Oral Surgery	Orthodontics
Rent	\$83,426	\$82,232	\$87,282
Telephone	\$6,207	\$12,966	\$11,379
Utilities	\$5,041	\$6,172	\$6,456
Repairs & Maintenance	\$12,867	\$19,856	\$21,272
Insurance	\$8,584	\$4,977	\$5,219
<i>Total Occupancy Costs</i>	<i>\$116,125</i>	<i>\$126,203</i>	<i>\$131,608</i>
<i>Total as % of Revenue</i>	9.3% 	8.7% 	10.2% 

What it means for you:

If your office's rent is high compared to the survey average, this usually means:




- Your practice has more space than it is utilizing. In a start-up practice, this is typical and will continue until adequate growth occurs.
- Your practice is in an expensive location — which is often a strategic business decision (if the location is generating more new patients, the extra rent expense may pay for itself).

THE TAKEAWAY: If your rent is higher than the survey average and neither of the above is true for your practice, consider whether you might benefit from a relocation to a less expensive site.

Direct Costs

Analysis of survey averages for direct costs is instrumental to ensuring proper coordination with vendors and sales representatives.

2013 DIRECT COST AVERAGES

	Pediatrics	Oral Surgery	Orthodontics
Dental Supplies	\$63,694	\$132,202	\$117,560
Lab Fees & X-Ray	\$4,558	\$3,698	\$28,498
<i>Total Direct Costs</i>	<i>\$68,252</i>	<i>\$135,900</i>	<i>\$146,058</i>
<i>Total as % of Revenue</i>	5.5% 	9.4% 	11.3% 

What it means for you:

If your cost of **dental supplies** is greater than the survey average:

- Your dental supply rep (or the assistant in charge of ordering) is either over-ordering, or not finding the best prices for your practice.
- You may be using materials that are too expensive — especially if you offer substantial PPO discounts for patients.

If your **lab costs** are greater than the survey average:


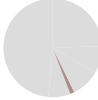

- Your practice likely uses an expensive lab for PPO patients, and receives a much lower reimbursement for services after PPO discounts.
- You may be undercharging for your cases relative to the lab costs involved.

THE TAKEAWAY: Coordinate with your dental supply rep and lab to identify opportunities to eliminate unnecessary costs associated with overpriced product or lab fees.

Billing Costs

While billing represents the smallest allocation of revenues, it is important to understand where those dollars are deployed and whether your practice's billing process can be optimized for greater cost efficiency.

2013 BILLING COST AVERAGES

	Pediatrics	Oral Surgery	Orthodontics
Billing Fees	\$10,592	\$20,461	\$18,378
<i>Total Billing Costs</i>	<i>\$10,592</i>	<i>\$20,461</i>	<i>\$18,378</i>
<i>Total as % of Revenue</i>	0.8% 	1.4% 	1.4% 

What it means for you:




If you find that your billing costs run higher than survey averages, you may be subject to higher credit card processing fees, the leading contributor to your cost of billing.

THE TAKEAWAY: Consider getting quotes from several credit card processing vendors to take advantage of the best rates and minimize fees incurred.

General Costs

While many dentists see general costs as “miscellaneous” expenses, it can be easy to overlook (and therefore overpay) for these items, compromising your financial performance.

2013 GENERAL COST AVERAGES

	Pediatrics	Oral Surgery	Orthodontics
Malpractice Insurance	\$1,925	\$16,506	\$1,963
Legal & Accounting	\$13,367	\$16,599	\$14,514
Office Supplies	\$22,478	\$24,053	\$27,846
Advertising & Promotion	\$34,818	\$41,713	\$39,640
Uniform & Laundry	\$1,178	\$3,617	\$2,666
Trust Fees	\$2,232	\$2,145	\$2,041
<i>Total General Costs</i>	<i>\$75,998</i>	<i>\$104,633</i>	<i>\$88,670</i>
<i>Total as % of Revenue</i>	6.1% 	7.2% 	6.9% 

What it means for you:

If your advertising costs run high, it may actually be a good sign for your practice — assuming you are seeing sufficient return on your investment. Practices that want to grow typically need to invest in advertising, and it’s not uncommon to see these costs average 3–5% of gross revenues.

THE TAKEAWAY: Much like direct costs, general cost averages allow you to determine whether you are overspending on items like office supplies, or if certain vendors (like your laundry provider) are more expensive than other Portland options. Leverage this information to make an educated decision about your service providers, and cut down on unnecessary additional expense.



Stay Fluent in Practice Management

Whether you represent a pediatrics, orthodontics, or oral surgery practice, there are ample opportunities to make informed decisions that promote better financial performance for your business. By assessing your revenues, expenses, and net income against like practices in your area, you can evaluate the current state of your business, effectively allocate resources, and improve your bottom line.

Our 2013 Benchmark Report helps shed light on these key financial metrics, and can inform your strategy for optimizing profitability. Our goal? **To help your practice prosper, so you keep more of what you earn.**

Where to Go from Here

Comparing your financial reports with these benchmark averages can help inform your business decisions — but reviewing your practice's overall performance and moving toward financial success requires a partner in practice management.

The Fluence dental accounting principals are making themselves available for free consultative services for dentists interested in delving deeper into an assessment of their financial strategy. Fluence can help you leverage these data points, identify opportunities for improvement, and optimize your practice's financial performance. Call **(503) 245-0766** to schedule your free one-hour consultation, and take the next step toward a prosperous future.

About *Fluence*

Fluence has been helping Portland area dental practices grow their businesses for more than 40 years. Through practice management, accounting services, and tax preparation, we work closely with dental practices to help them realize their long-term financial goals and maximize opportunities for success.

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