

THE EXTERNAL FORCES SHIFTING THE LANDSCAPE OF OUR PROFESSION

BY DR. JAMES R. SCHROEDER



A graduating dentist came into my office last month to discuss life after graduation. He had been presented with a contract from a corporate dental provider,

commonly known as a dental service organization (DSO) and wanted to discuss the opportunity with me.

As a side note, this recent dental school graduate was encouraged to pursue a master's degree before applying to dental school. Now, six years later, he's married with two children and financially burdened with over \$350,000 in educational loans. During his interview process with several private practices, he was not viewed as a strong candidate due to his heavy debt load and his limited clinical experience. His clinical experience consisted of 4 crown preps, 3 anterior endodontic procedures and very limited exposure to pediatrics, a skill set often desired by practices when seeking recent graduates.

Before I tell you the rest of this story, let me share with you the other side of this equation. After working with a number of private practitioners firsthand, I've gained insights into the very real and common challenges private practice dentists face when looking to bring on an associate.

First and foremost, many dental practices today are now experiencing 25%-35% in insurance write-offs from their gross production leaving less revenue on the table to pay for an associate salary. The increasing number of negotiations between insurance companies and employers is taking place and the dentist is not at the negotiation table - yet he's the "featured item" on the menu.

Dentistry has become one the last arms of healthcare to avoid the tremendous power of leverage. Traditionally, we've operated as solo doctors or group practices.

Medicine and pharmacy have long experienced the demise of mom and pop operations. Today, the solo doc and pharmacist are becoming part of our history. The mindset as "clinician owners" is evolving to the mindset of "providers". This mentality shift is probably the most notable in recent graduates. For example, many young graduates are not only signing up for higher salaries made available by the DSOs, but they're also signing up for multiple insurance programs not realizing the poor reimbursement fees many are providing. Many practices I consult with are finding that their insurance write-offs are as high as 42%. This leaves 58% on the dollar to pay for staff, fixed costs and doctor salaries.

This situation is further complicated by the many students who carry \$200,000-\$300,000 of educational debt, most of which is paid for by after-tax dollars. The financial status of practices today is literally being shaped by insurance companies who are bidding on employer contracts.

As these external forces occur, it's imperative that we understand the implications they have on each stage of the dental practice. Remember, venture capitalists are evaluating our industry from a business standpoint and they see amazing opportunities for increasing the bottom line.

DSOS RECOGNIZE THAT THEY CAN PROVIDE THE FOLLOWING:

1. Centralize and create business efficiencies that far exceed anything currently being utilized.
2. Leverage marketing dollars and using tested methodologies to bring in new patients into the dental practice.
3. Expand access to dental care by increasing operational hours and days that the facility will be open for business.



4. Reduce operational costs of supplies due to economies of scale.
5. Enhance the ability to provide benefits to employees, thus impacting the caliber of staff.
6. Provide strict adherence to budget line items.
7. Allow the dentist to focus on delivering patient care and the rapid changes taking place in technology, materials and throughout the industry.

SO WHERE DOES THAT LEAVE THE FUTURE OF SOLO PRACTITIONERS OR GROUP PRACTICES?

There is little doubt that the traditionally structured dental practices will continue to see increasing competition with DSO-"owned" practices for the foreseeable future. However, there are lessons to be learned from DSOs and opportunities to excel where DSOs are weak.

Developing strong leadership skills, relationship building skills and word-of-mouth marketing enhanced by social media will be more critical than ever for the private practice. Likewise, hiring and retaining quality associates, hygienists, assistants, and support staff can help differentiate the private practice from

DSOs. This is the Achilles' heel of many corporate practices as they cut staff salaries to increase profit.

Spend time assessing the quality of the workplace culture you provide employees, and set aside your ego in inviting constructive criticism and ideas to grow. Ideas often come from the employees and may help owners more quickly figure out what works for the practice, patients, and specific location. It's important to recognize that in addition to the dentist's acumen, some may have an affinity toward leadership and staff development, while others may have an affinity towards marketing and business management. Very few dentists will have the unique ability to have or seek to excel in all three areas. As a result, I find many who are isolated within their four walls and wake up one day with a disturbing realization that they don't know what they don't know. The landscape surrounding suddenly looks foreign and is a far cry from the day he hung his dental license on the wall.

SO HOW DID THE STORY END FOR THE YOUNG DENTIST CONSIDERING THE CORPORATE POSITION?

The young dentist ended up accepting the corporate dental position with a salary of \$120k and benefits. The \$10k/month is before taxes and his note payment for school loans is \$3500/month. Along with the \$120k annual salary comes an expectation for this young dentist to see between 40-45 patients a day. My recent follow-up with this gentleman revealed that his greatest challenge that he personally faces is his ability to deliver the quality of care he deeply desires to embrace.

WHERE DO WE GO AS AN INDUSTRYFROM HERE?

There are several areas for examination and strategic development using a collaborative approach.

1. Bring a balance of productivity and profit with assurance in quality patient care. The external forces of insurance companies and corporate entities must be included.
2. Address and examine the declining clinical experience in a 4-year doctoral curriculum with increasing debt; this must be acknowledged by multiple stakeholders.
3. Be open to growing your skill sets. Success in today's challenging world will require not only outstanding dental acumen but a keen understanding of business, marketing and leadership to navigate a successful and satisfying journey; these skills will also allow dentists to become leaders within their industry rather than be subjugated to large corporations who have a limited understanding of the complex world of patient care.

There are many lessons we can learn from corporate dentistry in today's world. In Virginia, in the last five years, two new corporate structures have been developed. There unique model has the dentist as the owner and decision maker within the corporate structure. Please take the time to visit their websites to learn about the exciting changes taking place in the delivery of private practice dentistry: Atlantic Dental Care (Virginia Beach) and Central Virginia Dental Care (Midlothian). These new models provide economies of scale often enjoyed by larger corporate structures. As professionals, we must stand strong and avoid passively watching our profession be shaped by outside forces. This is a unique opportunity for individuals and organized dentistry to be proactive in shaping our future.

What's important to understand today is that no matter where you are within your career journey as a dentist, there are and will continue to be, external forces actively changing the dental landscape. Yet, if you are an owner-dentist, you still have the greatest advantage of all: to proactively influence the change taking place in your environment. Take time to examine the many new developments taking place and to be part of the solution as we move forward.

Editor's Note: Dr. James R. Schroeder practiced dentistry in Richmond and is the founder of **Leadership by Design**. If you have questions or would like help implementing a change in your office, contact Dr. Jim at 804-897-5900 or email drjim@lbdtransitions.com