



## Re-Investing in your practice

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With the economy not doing so well and talk of recession prevalent in all the papers, some dental practices are starting to rethink their expansion and major purchase plans. They have started looking at their plans for practice renovations, a new fit-out or high tech equipment that they had wanted for the practice and have started to think “should I put this off till later?” There is no doubt that putting off spending money is the cautious thing to do, but, will cutting back mean that you miss out on opportunities for growth?

A practice owner facing this decision would obviously have to weigh up the potential benefits and opportunities that the investment would bring to the practice against the cost and risks involved.

### Equipment purchase leading to extra revenue or reduced costs

Buying new equipment could lead to new revenue or cutting costs for the practice. For example:

- **OPGs and Cone beam scans:** could be done in-house, rather than being referred out,
- **Lasers:** Certain perio treatments (e.g. crown lengthening) being done in-house by the general dentist with lasers rather than being referred to specialists,
- **Bleaching/ whitening Equipment:** could bring in new patients or stop current patients seeking whitening elsewhere,
- **Cad Cam milling machine:** could lead to lower lab fees.

The decision to purchase any equipment to increase revenue or reduce expenses needs to be examined thoroughly to ensure that this is going to be a cash flow positive exercise.

### Calculations

How do you do the calculations? Let's use a Cad-Cam machine purchase as an example:

An average inlay/onlay/crown made in the practice will cost you approximately \$X in supplies.

To have this made in a lab may cost you \$Y

At first glance it may appear that the calculation would be  $Y - X = \text{savings}$ . However, you need to factor in the cost to your practice of purchasing the equipment. Let's say you leased the Cad-Cam machine and the lease repayments are be \$Z per year in repayments.

So...in order for you to be saving money on buying such a machine you would need to be doing in excess of Z/Y-X Cad-Cam units per year.

{Important note: This does not factor in the difference in time taken to do a Cad-Cam unit nor the reappointment needed for the patient with the lab option. These would have to be considered in the equation}

A word of caution: buying machines does not mean that the treatment opportunities will just present themselves. You will absolutely need to commit to:

- learning how to best use the machine
- learning how to sell the machine's treatment to your patients

Without this commitment the expensive new machine will sit in a corner gathering dust.

### **Breaking even**

Calculations should always be made as to the anticipated profitability of the exercise, as otherwise dentists would fall into the trap of 'breaking even' on these purchases.

The problem with breaking even is that by definition you don't get any benefit. No business should ever be run, nor investments made, with the aim of breaking even.

When a dentist makes a break-even decision when purchasing equipment, they are really condemning themselves and their practice to working harder to make the same amount of profit.

Consider the situation (grossly exaggerated to make the point) as set out below: A dentist is grossing \$100,000 with overheads of \$50,000. He makes a business decision to invest in equipment that will cost him \$100,000pa, but bring in \$100,000 pa. At the end of 12 months, his gross has doubled and the profit is the same. However, whereas previously, his break-even point (after which he has paid his overheads and making profit) was Wednesday at lunch time, it is now late on Thursday afternoon before he is making any money for him/herself.

### **Modernisation and Aesthetics**

Renovation and modernisation of a facility, or moving into a new facility will definitively make the practice a more efficient, attractive facility for both patients and staff. When a practice needs this kind of aesthetic or functional redesign we hear reports from our clients that their new facilities can result in increases in turnover of around 30-40%. With dramatic increases like that one would think that everyone would be modernising their practice at some point. Usually though, the people working in the practice have become blind to the functional and aesthetic shortcomings of the current space and the need for change.

Apart from increases in profit, modernisation and new aesthetics for practices will also result in other changes, including:

- Increased happiness, satisfaction and pride of the Principal Dentists and a renewal of their passion and excitement for the practice.
- Increased staff contentment, improved staff recruitment and retention
- Increased opportunities to get new patients through walk-by and referral
- Increased patient retention

In times like this, when there's no 'safe' place to invest, putting the money back into your practice can often provide a better return for your money. You are investing in yourself.

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