

One Eye on the Wheel; One Eye on the Dashboard

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CODE BLUE

Pulse 140 and thready

Color blue

Lungs congested

Pupils non-responsive

Start CPR!!!

Or is it too late??

When a patient comes in or crashes in your practice you know exactly what to do based upon certain parameters--temperature, pulse, respiration, blood pressure, mucous membrane color, mentation, etc. You take the appropriate steps to start resuscitating the patient and bring it back.

What if, instead of your patient, the vital signs were indicative of your practice? What are the vital signs of a practice that is crashing? A practice that is healthy? Or a practice that is 'in trouble'? If you don't know which tests to run or which lab results to monitor or which body area to radiograph, how can you even tell the health of your practice?

Just like a patient, there are certain vital signs that help you to take the pulse of your practice, daily, weekly, monthly, and annually.

Where do you find your vital signs? Where can you check your "PULSE"?

There are two objective sources and one subjective source for information:

Objective sources are

- Your Practice Information Management Systems (PiMS) aka your practice management software
- Your accounting software, e.g. Quickbooks

Subjective sources are:

- your team's engagement and performance

PiMS

There are a plethora of practice management software systems in use. Whether they are in the cloud or in a closet doesn't matter, they can all provide for you a measurement of how your practice is performing on a regular basis. For the most part, the PiMS have access to the revenue side of the business and the inventory management side as well.

From the PiMS, you can gather information such as:

- Number of transactions
- Revenue
- Number of new clients

- Average client transaction
- Revenue by income or service or product category
- Which patients (clients) haven't been seen in 18 months or longer
- Number of examinations performed
- Number of Cephalexin capsules purchased
- Number of Cephalexin capsules dispensed
- Number of Cephalexin capsules in inventory
- Accounts receivables
- Client and patient data

From the above and other available data, you need to choose which Key Performance Indicators (KPIs) you want to track and which Benchmarks you want to track to determine the 'health status' of your practice.

What is the difference between KPI and a benchmark?

KPI— Key Performance Indicators: A set of quantifiable measures that a company or industry uses to gauge or compare performance in terms of meeting their strategic and operational goals.

Benchmark— Numbers, percentages, dollars or some type of measurable quantity for a given period that are industry standards

ACCOUNTING SOFTWARE

No matter which software you use, you should have a Chart of Accounts (COA) to which to correctly assign your accounting income and expense categories. The most readily accepted COA is the AAHA/VMG COA available for free at:

https://www.aaha.org/professional/resources/chart_of_accounts.aspx

By accurately encoding your expenses and income data, you can monitor routinely the expense side of the business and parallel it to the income side to see where your money comes from and where your money goes. The flow of your money.

Of course, with either PiMS data or accounting data, the more accurate your information the better your vital signs will reflect on the health of your practice. This is truly where the cliché "garbage in garbage out" comes into play.

What could you track with your accounting software? You can monitor expense categories by real dollars or you can monitor by percentages. And with any of the numbers monitored, you can compare to previous periods such as last month, last year same month, twelve months rolling, etc. For a budget, real dollars is where you start to build your budget. From a management standpoint, percentages routinely are the KPI or benchmark:

- % of gross revenue paid to cost of goods sold
- % of gross revenue paid to non-professional staff salary
- % of gross revenue paid to professional salary
- % of gross revenue paid for rent or mortgage
- % of gross revenue paid for....fill in the blank based upon your COA categories.

ENGAGEMENT

The subjective measure of how your practice is doing is MUCH, MUCH, MUCH more difficult than the objective measure. You can't just run a program and get a report. Staff surveys, face to face meetings, staff longevity, and staff performance can give you a feeling. Client surveys are also useful to measure how well you are doing. Today's discussion will focus on the OBJECTIVE measures however the subjective measures are useful diagnostically since they directly impact many of the OBJECTIVE measures

WHAT TO TRACK AND WHEN? HOW MANY IS TOO MANY?

There are daily, weekly, monthly, quarterly and annual data you must keep track of. These may vary from practice to practice and based upon the number of doctors that you have. Consider the following as a place to start:

Daily

- Number of transactions
- Revenue for the day
- # of new clients AND where they came from
- Average Client Transaction for the day
- % of appointment book filled

Weekly, same as daily plus,

- # of dentistry procedures
- ACT by doctor (in a multi-doctor practice)

Monthly

- # of transactions
- Gross revenue
- Average client transaction
- (With the above being tracked on a doctor by doctor basis as well)
- Number of new clients and their source
- Number of dental procedures performed
- Number of surgeries performed, including number of Spay/Neuter procedures
- Staff payroll percentage
- Professional payroll percentage
- Cost of goods percentage

Quarterly and annual oversight will include the monthly numbers but aggregated for the period under observation.

How many is too many? Start simple and add metrics as you become more adept at tracking them. Five to eight KEY numbers are a great place to start.

HOW DO YOU KEEP TRACK OF ALL OF THIS DATA?

I found that Excel or Numbers or other similar spreadsheet software were a wonderful way to organize and coordinate the numbers in trackable and easily monitored format. Once you create the templates for tracking purposes (daily, weekly, monthly, annually) and identify the

data you want to track (# of transactions, revenue, payroll, etc.) it then just requires a system or routine to enter the data into the spreadsheets.

From the spreadsheets you can create 'dashboards' to share with the team and leadership to use for diagnosing trends and setting up treatment plans for the practice.

Of course, if time is a problem, on the revenue side there are a number of data aggregators or middleware companies that can collect the data and report it to you and will frequently offer advice based upon comparing your data to KPIs, benchmarks, or trends regionally and nationally.

Your data needs to be collected, organized and monitored routinely. Just taking printouts and putting them into a drawer is NOT the answer.

WHAT DOES IT ALL MEAN?

Now that you have the numbers and in an organized fashion, what do you do with them? What do they mean? And, what do you do when you see trends?

If you use a spreadsheet program you can also create bar graphs and line graphs for a visual interface that makes trends look more dramatic or at least more noticeable. When you start to see trends or numbers outside of the range that you are tracking you need to ask yourself: Who or what has a direct impact on this value?

Then, like a slowing pulse or increasing blood pressure, it is time to look for a diagnosis and start treatment.

Transactions down? Do you have a new receptionist? Did you forget to send reminders? How about the weather?

% of non-professional payroll outside of the range? Was it a three payroll month? Was revenue down while the amount paid for payroll the same? Are you paying a new employee and the old employee they are replacing concurrently?

Average Client Transaction higher for one doctor than all of the others? This could be a great doctor to learn from or a doctor to be concerned about? Were they lucky enough to have a series of great cases to work up; do they have great trust from their clients? Or are they one and done—great single visit ACT but their clients never come back.

WHEN DO YOU START CPR?

There are great resources to find benchmarks from the practices in the country and possibly in your region. Your KPIs will come from where you want your practice to go; your practice's goals.

As you start to compare your data to benchmarks and KPIs you have to know when to celebrate and when to worry. Celebration is much more fun. If you see downward trends, ongoing failure to meet KPIs, or sinking profits, it may be time to make some changes. You

have to diagnose the problem first. Remember a reaction will lead to an emotional change while a response will lead to a logical change. Since we are focusing on numbers, let's be logical and determine the cause so an appropriate response can be made. It may take new people, a marketing plan, a social media maven, or re-engagement of the team to re-direct the practice. It may even take an outside expert, consultant, to help you steer away from the iceberg ahead.

Failing to monitor your numbers is tantamount to NOT checking the pulse on a patient. If your patient dies without your monitoring its pulse, you have a medical malpractice problem. If your practice is dying because you were failing to monitor its pulse, you have a management malpractice problem. A little number crunching can go a long way to practice (and patient) health and success.