

Washington Dental Service Fee Change effective June 15, 2011

Previous letter, dated February 28, 2011, warned of major changes in the Dental Insurance Market.

The Boeing contract changes early in the year were a pre-cursor to what was coming.

The Richardson Group clients held
2 Mastermind Meetings
February 25 and April 16

February 25th meeting topic:

‘How would you manage a 20% drop in income?’

April 16th meeting topic:

‘Now that it’s happened, what can we do?’

Conclusions and Recommendations

Summary of Action Steps

1. Remove all emotion and begin serious work on your business.
2. Measure the anticipated impact
3. When possible, pay your own bills; if not, ask your accountant for a cash basis P&L.
4. Reduce variable costs
5. Consider dropping WDS plans

Conclusions and Recommendations

1. Remove all emotion from the issue and begin serious work on your business.

Conclusions and Recommendations

2. Measure the anticipated impact:
 - Print the new fees for PPO and Premier
 - Collect all 1099s from Delta for 2010
 - Print a Procedure Code Analysis for the total practice
 - Determine what percentage of your total income came from insurance in 2010
 - Subtract Delta payments
 - Pick the top 10 revenue generators on the analysis, insert the new fee and calculate the difference.

This will provide a 'ball park' estimate of the impact!

Conclusions and Recommendations

3. When possible, pay your own bills.

Understand your Profit and Loss Statements
You are a cash business!

Conclusions and Recommendations

4. Reduce Variable Costs, i.e. staff, lab and supplies:

- The Mastermind Group identified quality labs that potentially would reduce lab costs by 40 – 50%
- Bulk buying to reduce supply costs by 20%
- Reduction of staff costs by re-inventing patient flow, patient management and salaries/benefits.

Conclusions and Recommendations

In aggregate, a practice producing \$1,200,000 per year, has potential savings approaching 10% from variable costs alone.

Everyone –from the dental supply companies, to labs to staff must re-invent how things are done.

The old model does not work any longer.

Conclusions and Recommendations

The new model must improve the overall patient experience –that means less chair time, significantly improved communications, much greater use of auxiliaries, and working much smarter, not harder.

This new model not only has the potential to maintain profitability, it may also increase it.

Conclusions and Recommendations

5. Consider Dropping WDS plans:

- Read the Eastman Kodak study to better understand the effect of volume and price on productivity and profitability.

Conclusions and Recommendations

- Be VERY clear about what you want and develop a non-emotional plan with clearly defined time frames to get there.
 - Do not send letters to patients – talk with them as you begin to implement your plan.
 - Significantly increase the level of ‘Customer Service’ to ensure that the emotional needs of your patients are met.
 - Target market – what do you want to do more of and where will those patients come from?