# Dr. Farran's 30-Day MBA

Presented by

Dr. Howard Farran, DDS, MBA, MAGD

# 30-Day Dental MBA


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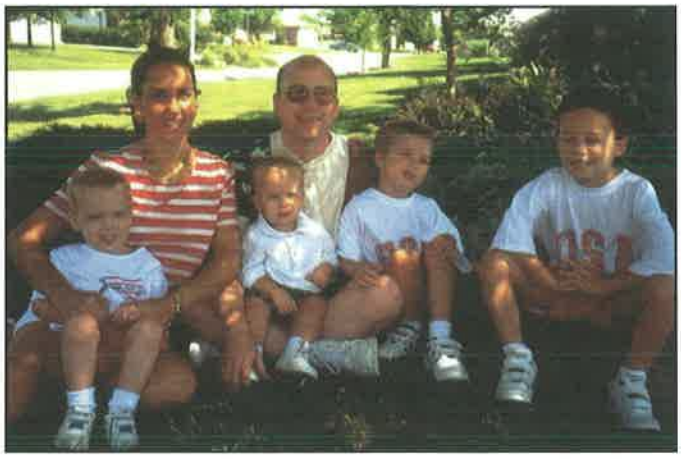
# Understanding Global Healthcare Macroeconomics

Your 30 Day Dental MBA
Day 1

## Understanding Global Healthcare

## Macroeconomics



**The "Top 10" signs that your business really needs to hear Howard's Seminar:**

**Number 10:**
**The sign in sheet on your front counter says: Sign in, Sit down & Shut up!**

**Number 9:**
**Your dentist stops during the middle of a root canal and says, "I think I'd better call the Psychic Hotline!"**

## Number 8:

You hear your hygienist ask a patient, "Why would someone as ugly as you want to get their teeth cleaned anyway?"

## Number 7:

After every dental appointment all of your patients swear they will never go an hour without flossing for the rest of their lives!

## Number 6:

Your dentist never spits out the Listerine!

## Number 5:

The hometown judge sentences a convicted murderer to 30 dental cleanings in your office!

## Number 4:

Your receptionist answers the phone with, "Can you please hold, my boyfriend is on the other line!"

## Number 3:

You overhear your assistant tell a patient, "Save your money, your teeth are all going to fall out anyway!"

## Number 2:

You often wonder why customers routinely ask if your receptionist lives in a van down by the river!

## Number 1:

You thought you were going to get off at 5:00 O'clock but now you have to stay until dark to drag a dead patient out to the dumpster!

- Claudius Galenus or Galen is the father of western medicine!
- He lived in Greece 130AD – 200AD. He was a physician & writer on medicine & Philosophy!

In 1997, 1 out of every 7 dollars in the United States was spent on healthcare!

- 4 million babies delivered
- 762 million visits to the physician
- 539 million days spent in the hospital
- Not bad for $1,087,500,000
- which was about $3,830 per person
- or 14.2% of the GDP.)

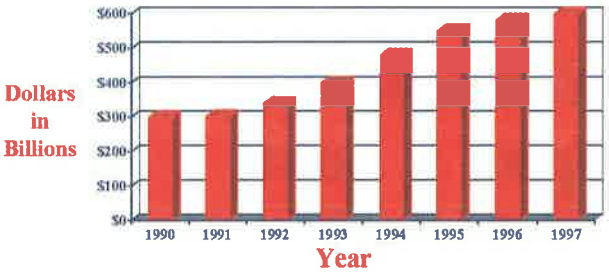
Regina Herzlinger Ph.D.
Economist Harvard University
Author of *Market Driven Health Care*

CABG = Coronary Artery Bypass Graft, Costs $40,000 and takes 54 days to return to work on average.

PTCA = Percutaneous Transluminal Coronary Angioplasty, Costs $10,000 and takes 18 days to return to work on average

*Health Against Wealth:*
*HMO's and the Breakdown of Medical Trust*
By George Anders
Author of Merchants of Debt

Gambling in the United States.....




Source: Las Vegas Gaming Commission

## The Gaming Industry is Big Business!

Last year Americans bet more than $650 billion legally and lost more than $50 billion, making the industry's take bigger than that of movie, recording and theme park industries combined!

Source: Forbes Magazine, Dec 1998

A Georgia Tech study earlier this year estimated that the "Business of Sport" was a $152 billion operation in the United States in 1997!

Source: Fortune May 12, 1997

## Americans Eating Out

1950's

1 out of 30 Meals

1990's

20 out of 30 Meals

## Americans Eating Out

1950's

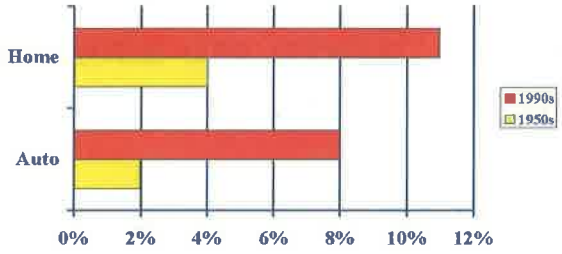
5% of Food Budget

1990's

40% of Food Budget

## The Macro View

Personal Consumption As % Of Net Income




- Two thirds of American households give to charity!
- One quarter of these households give $100 or less!
- One quarter gives $1000 or more!
- The average for all givers is around $700 per year!
- All charity is around $120 billion a year – 50% of which goes to religion!
- In the same year, dentistry was $47 Billion

**Forbes Magazine June 1, 1998**

## The Number of Hospital Personnel in America:

**1983 – 3,100,000**

**1992 – 3,600,000**

Regina Herzlinger Ph.D., Economist Harvard University Author of *Market Driven Health Care*

- "Why shouldn't the growing demand for health care by an aging population be considered a plus for the economy, a boon for providers, instead of a burden?
- Is it a crisis when people buy more cars, clothes, software or overpriced coffee?

Source: Steve Forbes, Forbes April 7, 1997

## In 1987 the annual total expense per American Hospital Bed was $183,000!

*Market Driven Health Care*
Regina E. Herzlinger PhD, Economist, Harvard University

### Health Expenditures as a Percent of GNP for Selected Countries, 1960-95

| Nation | 1960 | 1970 | 1980 | 1995[1] |
|---|---|---|---|---|
| United States | 5.1% | 7.1% | 8.9% | 14.2% |
| Canada | 5.5 | 7.1 | 7.4 | 9.6 |
| Switzerland | 3.3 | 5.2 | 7.3 | 9.7 |
| France | 4.2 | 5.8 | 7.6 | 9.8 |
| Netherlands | 3.8 | 5.9 | 7.9 | 8.8 |
| Germany | 4.8 | 5.9 | 8.4 | 10.4 |
| Australia | 4.9 | 5.7 | 7.3 | 8.6 |
| Italy | 3.6 | 5.2 | 6.9 | 7.7 |
| New Zealand | 4.3 | 5.2 | 7.2 | 7.1 |
| Sweden | 4.7 | 7.1 | 9.4 | 7.2 |
| Japan | 3.0 | 4.6 | 6.6 | 7.2 |
| United Kingdom | 3.9 | 4.5 | 5.6 | 6.9 |

Source: U.S. Dept of Health and Human Services, National Center for Health Statistics, *Health United States 1995* (1996) 1995 figures, OECD

### Hospital Facilities and Their Use, 1946-95

| Year | # of Hosp. | # of Beds ('000s) | Admissions ('000s) | Avg. Stay (days) | Outpatient Visits ('000s) |
|---|---|---|---|---|---|
| 1946 | 6,125 | 1,436 | 15,675 | 9.1 | N/A |
| 1950 | 6,788 | 1,456 | 18,483 | 8.1 | N/A |
| 1960 | 6,876 | 1,658 | 25,027 | 7.6 | N/A |
| 1965 | 7,123 | 1,704 | 28,812 | 7.8 | 125,793 |
| 1970 | 7,123 | 1,616 | 31,759 | 8.2 | 181,370 |
| 1975 | 7,156 | 1,466 | 36,157 | 7.7 | 254,844 |
| 1980 | 6,965 | 1,365 | 38,892 | 7.6 | 262,951 |
| 1985 | 6,872 | 1,318 | 36,304 | 7.1 | 282,140 |
| 1990 | 6,649 | 1,213 | 33,774 | 7.3 | 368,184 |
| 1995 | 6,291 | 1,081 | 33,282 | 6.5 | 483,195 |

Note: N/A = Not Available. Source: American Hospital Assoc. *Hospital Statistics*

### Causes of Death in 1995

| All causes | 2,312,132 |
|---|---|
| Heart diseases | 737,563 |
| Cancer | 538,455 |
| Cerebrovascular diseases | 157,991 |
| Pulmonary diseases | 102,899 |
| Accidents | 93,320 |
| Pneumonia & influenza | 82,923 |
| Diabetes mellitus | 59,254 |
| AIDS | 43,115 |
| Suicide | 31,284 |
| Liver disease & cirrhosis | 25,222 |
| Kidney diseases | 23,676 |
| Homicide & legal intervention | 22,895 |
| Septicemia | 20,965 |
| Alzheimer's disease | 20,606 |
| Atherosclerosis | 16,723 |

Source: U.S. dept of Health & Human Services National Center for Health Statistics. *Monthly Vital Statistics Report 6/97.*

STATISTICS FROM THE U.S. CENSUS OF SERVICE INDUSTRIES,

DENTAL OFFICES AND CLINICS, 1986 - 1995

| Year | Total Number Of Employees | Annual Payroll (in $ Billions) | Annual Payroll (In $ Billions) Real (Base = 1995) | Total Establishments |
|---|---|---|---|---|
| 1986 | 464,708 | $8 | $11 | 99,991 |
| 1987 | 487,420 | $9 | $13 | 103,888 |
| 1988 | 499,440 | $10 | $13 | 102,241 |
| 1989 | 512,894 | $11 | $13 | 103,279 |
| 1990 | 533,248 | $12 | $14 | 104,654 |
| 1991 | 544,472 | $12 | $14 | 106,362 |
| 1992 | 564,795 | $13 | $15 | 108,458 |
| 1993 | 581,378 | $14 | $15 | 109,818 |
| 1994 | 594,259 | $15 | $15 | 110,559 |
| 1995 | 615,303 | $16 | $16 | 111,204 |

Source: S. Orzechowski; Bureau of the Census, Economic Planning and Coordination Division, Survey Processing and Products Branch, Business Patterns; written communications; July 15 & 16 1998.

**In the United States the #1 surgical procedure is a birth! There are about 4 million each year!**

Regina Herzlinger Ph.D., Economist Harvard University
Author of *Market Driven Health Care*

## The Most Frequent Occurring Surgeries:

- Births
- Reproductive Organ Procedures
- Cardiac Catheterizations
- Back Surgeries

Regina Herzlinger Ph.D., Economist Harvard University
Author of *Market Driven Health Care*

## Cutting Costs!

If every mother who delivered her baby vaginally left the hospital after only one day instead of two, the savings would be 5 million fewer hospital days nationwide, or roughly $6 billion in savings!

Source: *Health against Wealth*, George Anders, Copyright 1996

**Heart, Lung & Liver transplants average $100,000 in cost, but are rare, approximately 9,000 per year!**

Source: *Health against Wealth*, George Anders, Copyright 1996

**It is a well-known fact that demand creates a market, a market creates opportunity, and opportunities will not be ignored!**

Joanne Hite, The Arizona Republic Saturday, Sept. 5, 1998

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| 1990 | 33,774 | 6,649 | 1,213 | 7.3 | 368,184 |
| 1995 | 33,282 | 6,291 | 1,081 | 6.5 | 483,195 |

Source: American Hospital Association Hospital Statistics

## Health Care Expenses

- 1% of the population accounted for 30%. of the 1987 health care expenses!
- 10% of the U.S. population accounted for 72% of the 1987 health care expenses!

Regina Herzlinger Ph.D., Economist Harvard University
Author of *Market Driven Health Care*

## The sickest 3% of policy holders account for 40% of all medical spending!

Source: *Health against Wealth*, George Anders, Copyright 1996

## 73% of all healthcare costs come from 9 diseases and problems!

| | |
|---|---|
| Diabetes | Osteoporosis |
| Infections | Gastrointestinal |
| Hypertension | Asthma |
| Heart Failure | Mental Health |
| Arthritis | |

Regina Herzlinger Ph.D., Economist Harvard University
Author of *Market Driven Health Care*

## Asthma

- 13 million Americans suffer from asthma!
- It causes 10 million lost school days a year!
- It cost America $6.2 billion annually!

*Market Driven Health Care*
Regina E. Herzlinger PhD Economist, Harvard University

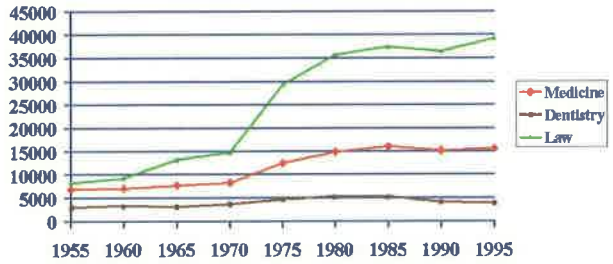
## Diabetes & Asthma

**Diabetes** affects 6 million Americans and is 15% of the health care budget.

13 million Americans suffer from **Asthma** and it causes 10 million lost school days each year.

*Market Driven Health Care*, Regina Herzlinger, Copyright 1997

## Professional degrees earned from 1955 to 1995:




Source: U.S. Department of Education, National Center for Educational Stats.

## Physicians & Dentists Per Person

**Physicians Per Person**

1 Physician Per 529 People
1 Specialist Physician Per 819 People
1 Primary Care Physician Per 1515 People

**Dentists Per Person**

1 Dentist Per 1850 People

Source: 1998, ADA Survey Center and Dartmouth Atlas of Healthcare.

## Number Rising of People Without Health Insurance

WASHINGTON – Despite the booming economy, the number of people without health insurance rose sharply last year, to 43.4 million, and the proportion of Americans lacking coverage reached the highest level in a decade, 16.1 percent, the Census Bureau reported Friday!

Households with annual incomes of $75,000 or more accounted for half the increase in the number of uninsured, the bureau said!

*Wall Street Journal*, January 18, 1998

## The Top 5 Killer Viruses Which Have Plagued Mankind!

1) HIV
2) Smallpox
3) Polio
4) Measles
5) Whooping Cough (Pertussis)

## Recommended Childhood Immunizations

| | |
|---|---|
| Bacteria | Diphtheria |
| Bacteria | Tetanus |
| Virus | Hepatitis B |
| Virus | Pertussis (Whooping cough) |
| Virus | Polio |
| Virus | Meningitis (Haemophilus influenza) |
| Virus | Measles |
| Virus | Mumps |
| Virus | Rubella (German measles) |
| Virus | Chickenpox (Varivax) |

## Common Diseases which are Caused by Viruses

| | | |
|---|---|---|
| AIDS | Foot and Mouth | Mumps |
| Canine parovirus | Hantavirus | Pneumonia |
| Chickenpox | Hepatitis | Poliomyelitis |
| Cold, Common | Herpesvirus | Rabies |
| Creutzfeldt-Jakob | Haemophilus Influenza | Rubella (German Measles) |
| Dengue | Influenza | Shingles |
| Distemper | Kawasaki disease | Smallpox |
| Encephalitis | Measles | Whooping Cough(pertussis) |
| Epstein-Barr virus | Mosaic disease | Yellow fever |

## Health Expenditures as a Percent of GNP for Selected Countries, 1960-95

| Nation | 1960 | 1970 | 1980 | 1995[1] |
|---|---|---|---|---|
| United States | 5.1% | 7.1% | 8.9% | 14.2% |
| Germany | 4.8 | 5.9 | 8.4 | 10.4 |
| France | 4.2 | 5.8 | 7.6 | 9.8 |
| Switzerland | 3.3 | 5.2 | 7.3 | 9.7 |
| Canada | 5.5 | 7.1 | 7.4 | 9.6 |
| Netherlands | 3.8 | 5.9 | 7.9 | 8.8 |
| Australia | 4.9 | 5.7 | 7.3 | 8.6 |
| Italy | 3.6 | 5.2 | 6.9 | 7.7 |
| Sweden | 4.7 | 7.1 | 9.4 | 7.2 |
| Japan | 3.0 | 4.6 | 6.6 | 7.2 |
| New Zealand | 4.3 | 5.2 | 7.2 | 7.1 |
| United Kingdom | 3.9 | 4.5 | 5.6 | 6.9 |

Source: U.S. Dept of Health and Human Services, National Center for Health Statistics, *Health United States 1995* (1996) 1995 figures, OECD

## Causes of Death in 1995

| | |
|---|---|
| All causes | 2,312,132 |
| Heart diseases | 737,563 |
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| Kidney diseases | 23,676 |
| Homicide & legal intervention | 22,895 |
| Septicemia | 20,965 |
| Alzheimer's disease | 20,606 |
| Atherosclerosis | 16,723 |

Source: U.S. dept of Health & Human Services National Center for Health Statistics. *Monthly Vital Statistics Report 6/97.*

## 5 - Year Survival Rates for Cancer, by Site from 1960 to 1992

| Cancer Site | 1960-63 | 1970-73 | 1986-92 |
|---|---|---|---|
| All Sites | 39% | 43% | 59% |
| Thyroid | 83 | 86 | 96 |
| Prostrate | 50 | 63 | 89 |
| Breast (females) | 63 | 68 | 85 |
| Bladder | 53 | 61 | 82 |
| Cervix | 58 | 64 | 71 |
| Colon | 43 | 49 | 62 |
| Rectum | 38 | 45 | 62 |
| Ovary | 32 | 36 | 46 |
| Leukemia | 14 | 22 | 43 |
| Stomach | 11 | 13 | 19 |
| Lung | 8 | 10 | 14 |
| Liver | 2 | 3 | 7 |
| Pancreas | 1 | 2 | 4 |

Source: U.S. dept of Health and Human Services, National Center for Health Statistics, *Monthly Vital Statistics Report.* June 12, 1997

## Life Expectancy at Birth in U.S., 1920-95

| Year[1] | Male | Female |
|---|---|---|
| 1920 | 53.6 | 54.6 |
| 1930 | 58.1 | 61.6 |
| 1940 | 60.8 | 65.2 |
| 1950 | 65.6 | 71.1 |
| 1960 | 66.6 | 73.1 |
| 1970 | 67.1 | 74.7 |
| 1980 | 70.0 | 77.4 |
| 1990 | 71.8 | 78.8 |
| 1995 | 72.5 | 78.9 |

1. Data prior to 1960 exclude Alaska and Hawaii. Data Prior to 1940 are for death-registration states only. Source: U.S. Dept. Health & Human Services, National Center for Health Stats. *Monthly Vital Statistics Report,* June 12, 1997

## U.S. Infant Mortality Rate from 1940 to 1995 (per 1,000 live births)

| Year | All Races |
|---|---|
| 1940 | 47.0 |
| 1950 | 29.2 |
| 1960 | 26.0 |
| 1970 | 20.0 |
| 1980 | 12.6 |
| 1990 | 9.2 |
| 1995 | 7.6 |

Source: U.S. Dept. Health & Human Services, National Center for Health Statistics, Monthly Vital Statistics Report, June 12, 1997

## In the United States, Syphilis Killed:

**1920 – 17 out of 100,000**

**1980 – 1 out of 100,000**

*Market Driven Health Care*
Regina E. Herzlinger PhD, Economist, Harvard University

## Leading Causes of Death - 1990

| Causes of Death | Death rate (per 100,000)population |
|---|---|
| 1990: All causes | 1,719.1 |
| Pneumonia & Influenza | 202.2 |
| Tuberculosis | 194.4 |
| Diarrhea, Enteritis, and Ulceration of the Intestines | 142.7 |

Source: U.S. Dept of Health and Human Services, National Center for Health Statistics, Monthly Vital Statistics Report, June 12, 1997

## Leading Causes of Death - 1995

| Causes of Death | Death rate (per 100,000)population |
|---|---|
| 1995: All causes | 880.0 |
| Heart disease | 280.7 |
| Cancer | 204.9 |
| Cerebrovascular disease | 60.1 |

Source: U.S. Dept of Health and Human Services, National Center for Health Statistics, Monthly Vital Statistics Report, June 12, 1997

## Death Rates (per 100,000 population) by Sex and Race, 1940-95

| Year | Total | Male | Female |
|---|---|---|---|
| 1940 | 1,076.4 | 1,197.4 | 954.6 |
| 1050 | 963.8 | 1,106.1 | 823.5 |
| 1960 | 954.7 | 1,104.5 | 809.2 |
| 1970 | 945.3 | 1,090.3 | 807.8 |
| 1980 | 873.9 | 976.9 | 785.3 |
| 1990 | 863.8 | 918.4 | 812.0 |
| 1995 | 880.0 | 914.1 | 847.3 |

Source: U.S. Dept. of Health & Human Services, National Center for Health Statistics, Monthly Vital Statistics Report, June 12, 1997.

## AIDS Cases and Deaths in the U.S. 1981-1996

| Year | Cases Diagnosed | Cases Diagnosed To Date | Known Deaths | Known Deaths To Date |
|---|---|---|---|---|
| Pre-1981 | 94 | 94 | 31 | 31 |
| 1981 | 327 | 421 | 128 | 159 |
| 1982 | 1,196 | 1,617 | 460 | 619 |
| 1983 | 3,141 | 4,758 | 1,504 | 2,123 |
| 1984 | 6,311 | 11,069 | 3,500 | 5,623 |
| 1985 | 11,965 | 23,034 | 6,971 | 12,594 |
| 1986 | 19,293 | 42,327 | 12,096 | 24,690 |
| 1987 | 28,946 | 71,273 | 16,360 | 41,050 |
| 1988 | 35,871 | 107,144 | 21,086 | 62,136 |
| 1989 | 43,024 | 150,168 | 27,731 | 89,867 |
| 1990 | 48,770 | 198,938 | 31,466 | 121,333 |
| 1991 | 59,600 | 258,538 | 36,458 | 157,791 |
| 1992 | 77,984 | 336,522 | 40,807 | 198,598 |
| 1993 | 77,641 | 414,163 | 43,889 | 242,487 |
| 1994 | 68,959 | 483,122 | 47,636 | 290,123 |
| 1995 | 61,614 | 544,736 | 45,765 | 335,888 |
| 1996 | 36,693 | 581,429 | 25,695 | 361,583 |

Source: U.S. Dept. of Health and Human Services, Centers for Disease Control and Prevention, HIV/AIDS Surveillance Report, Vol.. 8, No. 2 (1997).

## AIDS Cases and Deaths in the U.S. 1989-1996

| Year | Cases diagnosed | Cases diagnosed to date | Known deaths | Known deaths to date |
|---|---|---|---|---|
| 1989 | 43,024 | 150,168 | 27,731 | 89,867 |
| 1990 | 48,770 | 198,938 | 31,466 | 121,333 |
| 1991 | 59,600 | 258,538 | 36,458 | 157,791 |
| 1992 | 77,984 | 336,522 | 40,807 | 198,598 |
| 1993 | 77,641 | 414,163 | 43,889 | 242,487 |
| 1994 | 68,959 | 483,122 | 47,636 | 290,123 |
| 1995 | 61,614 | 544,736 | 45,765 | 335,888 |
| 1996 | 36,693 | 581,429 | 25,695 | 361,583 |

Source: U.S. Dept. of Health and Human Services, Centers for Disease Control and Prevention, HIV/AIDS Surveillance Report, Vol.. 8, No. 2 (1997)

## HIV/AIDS Worldwide: Cases, Infections, Deaths, as of December 1996 (millions)

| Cumulative | Total | Adult Males | Adult Females | Children |
|---|---|---|---|---|
| HIV infections | 29.4m | 15.5m | 11.3m | 2.6m |
| HIV/AIDS-cases | 8.4m | 3.9m | 2.8m | 1.7m |
| HIV/AIDS-related deaths | 6.4m | 2.9m | 2.1m | 1.4m |

Source: United Nations AIDS/AIDS: The Global Epidemic, A Report from the Joint United Nations Program on HIV/AIDS and the World Health Organization, 1996 (Dec. 1996).

## Number & Survival Rates of Transplant Operations, 1996

| Organ | Year first performed | Number[1] (1996) | Survival Rates[2] |
|---|---|---|---|
| Heart | 1967 | 2,342 | 78.6 % |
| Heart-lung | 1982 | 39 | 54.3 % |
| Kidney | 1954 | 11,949 | – |
| Cadaver | – | 8,560 | 90.7 % |
| Living donor | – | 3,389 | 95.9 % |
| Liver | 1963 | 4,058 | 76.3 % |
| Lung | 1963 | 805 | 65.0 % |
| Pancreas | 1966 | 1,022 | 81.7 % |

1. Data as of Oct.. 21, 1996. 2. Two-year survival rates for operations performed between Oct.. 1, 1987, and Dec. 31, 1994.
Source: United Network for Organ Sharing.

## Health Care Spending by Category, 1995

| Category | Amount (billions) | Percentage |
|---|---|---|
| Hospital Care | $350.1 | 35.4 % |
| Physicians' Services | 201.6 | 20.4 % |
| Drugs, Other Non-Durables | 83.8 | 8.5 % |
| Nursing Home Care | 77.9 | 7.9 % |
| Other Professional Services | 52.6 | 5.3 % |
| Admin. & Cost of Private Health Ins. | 47.7 | 4.8 % |
| Dental Services | 45.8 | 4.6 % |
| Government Public Health | 31.4 | 3.2 % |
| Home Health Care | 28.6 | 2.9 % |
| Other Personal Health Care | 25.0 | 2.5 % |
| Research | 16.6 | 1.7 % |
| Vision products, Other Durables | 13.8 | 1.4 % |
| Construction | 14.0 | 1.4 % |
| Total | $988.9 | 100.0 % |

Source: U.S. Dept of Health and Human Services, Health Care Financing Admin. *Health Care Review* (Fall 1996)

## Health Spending per head & as % of GDP in 1995

| Country | Health spending Per head in $ | Percent of GDP |
|---|---|---|
| United States | $3,830 | 14.2 % |
| Germany | $2,840 | 10.4 % |
| France | $2,620 | 9.8 % |
| Switzerland* | $4,150 | 9.7 % |
| Canada | $1,800 | 9.6 % |
| Netherlands | $2,250 | 8.8 % |
| Australia | $1,620 | 8.6 % |
| Sweden | $2,010 | 7.2 % |
| Italy | $1,460 | 7.7 % |
| Spain | $1,080 | 7.6 % |
| Japan | $2,940 | 7.2 % |
| Britain | $1,300 | 6.9 % |

Source: U.S. Dept. of Health & Human Services, National Center for Health Statistics. Health United States, 1996, OECD. *Indicates 1994 figures

## MRI's per Million Citizens in 1990:

| | |
|---|---|
| USA | 11 per million |
| West Germany | 3 per million |
| Canada | 1 per million |
| United Kingdom | 1 per million |

"Clearly, the American health care system costs more because it has much more technology than other systems and we use it more too!"

*Market Driven Health Care*
Regina E. Herzlinger PhD, Economist, Harvard University

## CT Scanners per Million Citizens in 1990:

| | |
|---|---|
| USA | 27 per million |
| West Germany | 12 per million |
| Canada | 7 per million |
| United Kingdom | 4 per million |

"Clearly, the American health care system costs more because it has much more technology than other systems and we use it more too!"

*Market Driven Health Care*
Regina E. Herzlinger PhD, Economist, Harvard University

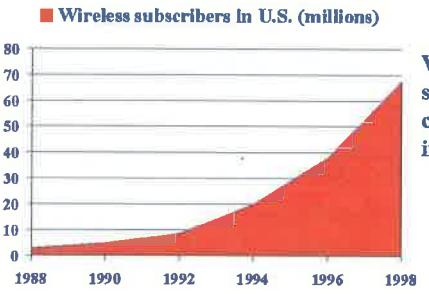
## Coronary Artery Bypass Graft Per Million People in 1990:

| | |
|---|---|
| USA | 1000 per million |
| West Germany | 500 per million |
| United Kingdom | 400 per million |
| France | 400 per million |

- In the United States 70% of patients who needed a CABG waited 7 days!
- In Canada 70% of patients who needed CABG waited 31 to 60 days!
- This causes a threefold increase of death or a nonfatal heart attack!
- Americans returned to work 23 days sooner!
- Only 37% of Americans reported a change in work status while over 57% of Canadians did!

Market Driven Health Care, Regina E. Herzlinger PhD Economist, Harvard University

## Is the wireless era on hold?




While the U.S. subscriber base continues to increase.....

Source: Cellular Telephone Industry Association (CTIA)

## Number of Business Establishments with Employees and Payroll, by Major Group, 1994

| Major Group | Number of establishments | Number of employees | Annual payroll ('000s) |
|---|---|---|---|
| Agriculture, Forestry & Fishing | 104,390 | 586,069 | $11,204,284 |
| Mining | 28,313 | 607,721 | $25,119,987 |
| Construction | 620,852 | 4,709,379 | $136,531,697 |
| Manufacturing | 386,868 | 18,098,123 | $597,896,033 |
| Transportation & Public Utilities | 276,188 | 5,713,515 | $190,876,776 |
| Wholesale Trade | 512,489 | 6,365,973 | $210,157,350 |
| Retail Trade | 1,564,175 | 20,320,266 | $282,292,931 |
| Finance, Insurance & Real Estate | 617,374 | 7,002,431 | $239,030,171 |
| Services | 2,342,302 | 33,253,032 | $793,953,361 |
| Unclassified | 56,325 | 76,791 | $1,165,292 |
| Total | 6,509,276 | 96,733,300 | $2,488,227,882 |

Source: U.S. Bureau of the Census, Country Business Patterns 1994(1996).

"In the U.K. for example people over 60 are not eligible for heart transplants through the government operated health care system, although they pay the taxes that support this health care system!"

Regina Herzlinger Ph.D., Economist Harvard University
Author of *Market Driven Health Care*

## Living Longer!

Between 1950 and 1998 the developing world's average life expectancy rose from 40 to 63 years, and the world population more than doubled!

Source: 1998 National Geographic Society, Millennium in Maps

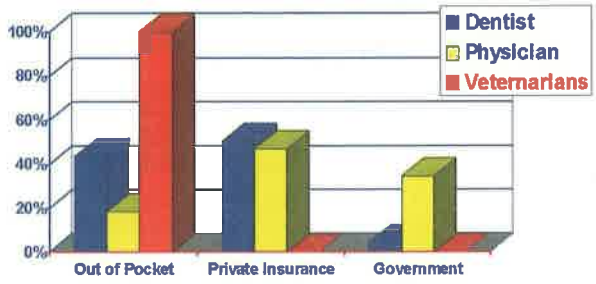
## International Differences in the Standard of Living for the 12 Most Populous Nations, 1992 Population

| Country | Income per Person (in U.S. dollars) | Population |
|---|---|---|
| United States | $23,571 | 271,000,000 |
| Japan | 19,840 | 125,000,000 |
| West Germany | 19,320 | 82,000,000 |
| Soviet Union | 10,168 | 147,000,000 |
| Mexico | 8,213 | 94,000,000 |
| Brazil | 5,099 | 163,000,000 |
| Indonesia | 2,761 | 203,000,000 |
| Bangladesh | 1,983 | 122,000,000 |
| China | 1,961 | 1,243,000,000 |
| Pakistan | 1,881 | 144,000,000 |
| India | 1,683 | 960,000,000 |
| Nigeria | 1,285 | 118,000,000 |

Source: The Penn World Table, An expanded Set of International Comparisons.

## The Macro View

Source of Health Care Payments




Source: ADA, 1996 Survey of Dental Practice

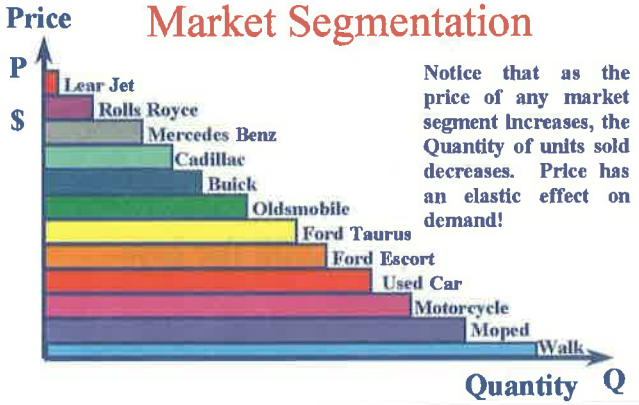
**In 1996 7 HMO's accounted for over 74% of all the HMO enrollees!**

*Market Driven Health Care*, Regina Herzlinger, Copyright 1997

## United States Style Health Care

| What is good about United States style health care? | What is bad about United States style health care? |
|---|---|
| Choice<br>Control<br>Convenience<br>Technology | A single high price market stratification instead of an appropriate cost, price and quality per each market segment. |

## Market Segmentation




Notice that as the price of any market segment increases, the Quantity of units sold decreases. Price has an elastic effect on demand!

- In 1929 Americans paid for 88.4% of their healthcare expenditures out of pocket!
- 1993 it was 20.1%!

Source: NCHS, Health in the United States

**The value that Americans receive for their health care money is inversely correlated with the third party payment system!**

| | |
|---|---|
| Hospitals | 97.5% |
| Physicians | 85.0% |
| Dentists | 46.5% |
| Eye glasses | 41.0% |
| Pharmaceuticals | 36.0% |

Regina Herzlinger Ph.D.,Economist Harvard University,
Author of *Market Driven Health Care, and ADA 1996 Survey Center*

## Health Care Costs

**Increases in health care costs are inversely correlated with the percentage of out-of-pocket payments!**

Between 1982-1994 the costs of:

| | Percent Insured | Inflated by: |
|---|---|---|
| Hospitals | 97.5 % | 245.6 % |
| Physicians | 85 % | 199.8 % |
| Eye Care | 41 % | 133 % |

Market Driven Health Care, Regina Herzlinger, Copyright 1997

## From 1958 to 1975 the highest educated smokers gave up smoking 9 times faster than the lowest educated smokers!

Regina Herzlinger Ph.D, Economist Harvard University
Author *of Market Driven Health Care*

## Average Yearly Cost of Health Care

| Non Smoker | Smoker |
|---|---|
| • Not overweight<br>• Exercise 3 times per week | • Overweight<br>• No Exercise |
| • $638 per year | • $1155 per year |

*Market Driven Health Care*, Regina Herzlinger, Copyright 1997

## In 1990, the eminent public health specialist J. Michael McGinnis and William H. Foege concluded the percentile causes of death as:

19% Tobacco
14% Poor nutrition and lack of exercise
5% Alcohol
4% Lack of vaccination
2% Firearms
1% Sex
1% Motor vehicles
1% Drugs

These totaled over 1 million deaths in 1990.

## The Decline in the Death Rate from 1960 - 1986 went from:

5.8 to 2.9 per 1,000 for highly educated men.

9.0 to 7.6 per 1,000 for low educated men.

Regina Herzlinger Ph.D., Economist Harvard University
Author of *Market Driven Health Care*

## U.S. Cigarette Consumption, 1900 to 1994

| Year | (Billions) | Per Capita 1 |
|---|---|---|
| 1940 | 181.9 | 1976 |
| 1950 | 369.8 | 3552 |
| 1960 | 484.4 | 4171 |
| 1970 | 536.5 | 3985 |
| 1980 | 631.5 | 3849 |
| 1990 | 525.0 | 2817 |
| 1994[2] | 480.0 | 2493 |

1. Among persons age 18 and older. 2. Estimated. Source: U.S. Dept. of Health and Human Services, CDC&P, MMWR, (Nov 18, 1994)

## Drug Use by U.S. High School Seniors, 1975 - 96

| Drug | 1975 | 1980 | 1985 | 1990 | 1996 |
|---|---|---|---|---|---|
| Alcohol | 68.2 % | 72.0 % | 65.9 % | 57.1 % | 50.8 % |
| Cigarettes | 36.7 % | 30.5 % | 30.1 % | 29.4 % | 34.0 % |
| Marijuana | 27.1 % | 33.7 % | 25.7 % | 14.0 % | 21.9 % |
| LSD | 2.3 % | 2.3 % | 1.6 % | 1.9 % | 2.5 % |
| Cocaine | 1.9 % | 5.2 % | 6.7 % | 1.9 % | 2.0 % |
| Heroin | 0.4 % | 0.2 % | 0.3 % | 0.2 % | 0.5 % |

Note: Drug use during the 30 days preceding the survey. Source: U.S. Dept of Health & Human Services, National Institute on Drug Abuse, *Monitoring the Future Study*, 1996

## Lifetime Experience with Illicit Drugs, 1995

| Age | Used in lifetime | Used in past year | Used in past month |
|---|---|---|---|
| All Ages[1] | 34.2% | 10.7% | 6.1% |

Note: Included marijuana, cocaine, heroin, hallucinogens, inhalants, or prescription-type psychotherapeutic drugs (stimulants, sedatives, tranquilizers, and analgesics) for non medical purposes. 1. Age 12 and older. Source: U.S. Dept of Health and Human Services, Substance Abuse and Mental Health Services Administration, *National Household Survey on Drug Abuse 1995* (June 1996)

## Those Who Rate Their Own Health as Excellent:

17 - 27% – no education

27 - 42% – 9 to 11 years of education

51 - 62% – 16 years or more of education

Regina Herzlinger Ph.D., Economist Harvard University
Author of *Market Driven Health Care*

**Obesity**
**Percent overweight**

| Country | Men | Women |
|---|---|---|
| U.S. | 19.9% | 24.9% |
| Germany | 18.2% | 21.3% |
| Britain | 16.0% | 17.0% |
| France | 8.6% | 8.4% |
| Netherlands | 8.4% | 8.3% |
| Italy | 6.5% | 6.3% |
| Sweden | 5.3% | 9.1% |
| Japan | 1.8% | 2.6% |

Fortune, December 1998, p. 154

## The 3 Most Common Variables Dependent with Poverty in the United States

1. The number of children you have out of wedlock.
2. Getting married before the age of 20.
3. Not finishing high school. (The 12th Grade)

George Will
Commencement Speech May, 1998

## Poverty Levels

| Year | % Living in Poverty |
|---|---|
| 1940 | 30% |
| 1960 | 13% |
| 1995 | 13% |

Source: Commencement speech by George Will 5/98

## The 4 Dependent Variables of the Independent Phenomena of Observed School Success!

- Number of parents at home
- Hours of reading at home
- Hours of TV watching at home
- Hours of homework at home

Source: Commencement speech by George Will 5/98

- In 1994 over 20 million people in America had a health club membership!
- In 1991 sales of athletic shoes, clothing, and equipment was over $30 billion in America!

Regina Herzlinger Ph.D.
Economist Harvard University
Author of *Market Driven Health Care*

## Percent of US Population with Medical Insurance and % of GNP spent on Healthcare 1940 - 1989

| Year | Total U.S. population | % with medical insurance | % of GNP spent on healthcare |
|---|---|---|---|
| 1940 | 132,164,569 | 9 % | 3.9 % |
| 1950 | 151,325,798 | 5 % | 4.1 % |
| 1960 | 179,323,175 | 60 % | 5.1 % |
| 1970 | 203,302,031 | 82 % | 7.1 % |
| 1980 | 226,542,203 | 75 % | 8.9 % |
| 1990 | 248,709,873 | 86 % | 12.1 % |

Source: New York Times Almanac & *Health against Wealth*, George Anders, Copyright 1996 & World Book Encyclopedia, 1997

## The 2 Major Pitfalls of Insurance in Any Type of Market

1) Adverse Selection: The people who most want to purchase insurance are those who are most likely to need it!

2) Moral Hazard: A person who is insured has less incentive to act prudently with someone else's money than an uninsured person spending their own money more efficiently!

## Population Increases per Year in the United States of America

| | |
|---|---|
| 1990 | 2,629,000 |
| 1980 | 2,216,000 |
| 1970 | 2,324,000 |

Source: U.S. Bureau of the Census

## Population of the United States

| Year | Population | Multiple |
|---|---|---|
| 1800 | 5,308,000 | 1 |
| 1900 | 76,210,000 | 14 |
| 2000 | 275,000,000 | 52 |

Source: U.S. Bureau of the Census

## Population of the United States

| | | |
|---|---|---|
| 2000 | 275,000,000 | |
| 1990 | 248,710,000 | |
| 1980 | 226,542,000 | |
| 1970 | 203,302,000 | |
| 1960 | 179,323,000 | |
| 1950 | 151,325,000 | |
| 1940 | 132,164,000 | Doubled |
| 1930 | 123,000,000 | |
| 1920 | 106,000,000 | |
| 1910 | 92,228,000 | Tripled |
| 1900 | 76,212,000 | |

Source: U.S. Bureau of the Census

## Dental HMO Participation

**HMO** Health Maintenance Organization

**CMC** Capitated Managed Care

**14% of dentists participate**

Source: NADP and Interstudy

Give me your tired, your poor,
Your huddled masses yearning to breathe free,
The wretched refuse of your teeming shore.
Send these, the homeless, tempest-tossed to me,
I lift my lamp beside the golden door.

From the inscription on the Statue of Liberty

## Is it "Selfish" or "Self - Interest"?

If I get more pleasure out of feeding my strawberries into the mouth of my beloved little child, and who smacks her lips over them, and if I thereby have a wonderful time and enjoy myself watching her eat the strawberries, which would certainly give me pleasure if I myself ate them, then what shall I say about the selfishness or the unselfishness of this act? Am I sacrificing something? Am I altruistic? Am I being selfish, because after all I'm enjoying myself? Obviously, the best way to say this is that the words selfish and unselfish as opposites, as mutually exclusive, have become meaningless. The two words have fused together.

Source: Maslow on Management, Abraham Maslow, 1998

## Think abundance not scarcity!

When the world is good enough and wealthy enough so that there is no scarcity, then we can see that our interests as human being are pooled and that what benefits one person benefits me, or benefits anybody else for that matter!

Source: Maslow on Management, Abraham Maslow, 1998

## Relativity

The average per capita yearly income on the planet earth is $200! That is a dentist's worst financial nightmare but to a billion other people it is a best dream!

The fundamental myth of all national socialized medicine schemes, which are paid for almost entirely from taxation, is that the demand for health care is a finite amount!

The lesson of history is that the demand for health care will never be entirely satisfied! The only way to control the growth in healthcare expenditures will be trying to keep the most individuals buying their health care benefits in freedom to choose markets where they are spending their own money!

## "Where I was born in Wichita and your business is halfway between Wall Street and Washington D.C.!"

Howard Farran DDS, MBA, MAGD

"Experience should teach us to be most on our guard to protect liberty when the government's purposes are beneficial! Men born to freedom are naturally alert to repel invasion of their liberty by evil-minded rulers! The greater dangers to liberty lurk in the insidious encroachment by men of zeal and well-meaning, but without understanding!" Justice Louis Brandeis, *Olmstead v. United States*, 277 U.S. 479 (1928)

**Despite lower rates of tobacco consumption, the death rate for lung cancer among men was 10% higher in the UK than the US and more than twice as high for men and women with stomach cancer, in the period 1987 – 1990!**

Regina Herzlinger Ph.D., Economist Harvard University
Author of *Market Driven Health Care*

- **In 1991 to 1993, for example, 10 percent of those needing cancer therapy in British Columbia were served in the United States!**
- **In 1993, the Province of Ontario contracted with nearby American hospitals to provide MRIs and brain injury care!**
- **Canadians accounted for 75 percent of the patients in one Minnesota hospital's chemical dependency unit!**

Regina Herzlinger Ph.D. Economist Harvard University
Author of *Market Driven Health Care*

**"How to Be a Clinician in a Socialist Country,"**
**Dr. Gunnar Biörck**

- The setting in which medicine has been practiced during thousands of years has been one in which the patient has been the client and employer of the physician!
- Today the State, in one manifestation or the other, claims to be the employer and, thus, the one to prescribe the conditions under which the physician has to carry out his or her work!
- These conditions may not – and will eventually not – be restricted to working hours, salaries and certified drugs; they may invade the whole territory of the patient-physician relationship!
- If the battle of today is not fought and not won, there will be no battle to fight tomorrow!

**It is always much easier to call other people names than to engage in hard intellectual analysis!**

Free to Choose
Milton & Rose Friedman, copyright 1980

**Notes the *Economist*, "In many regions, intensive-care units quietly restrict the admission of those over 75, alcoholics are not given liver transplants, and diabetic patients are not given renal (kidney) dialysis." These decisions are often equivalent to a death notice!**

**Howard adds, "These decisions are also made by a strong centralized government which takes the majority of the individuals money and then spends it foolishly and inefficiently on the individuals behalf. Their motto is 'save the stupid peasants from themselves.' Take their money and spend it for them."**

**Communism assumes the lowest common denominator and drags everyone down to the level of a peasant!**

**Free enterprise assumes the highest common denominator and allows the rich to lead, create capital, and use it to leverage everyone forward!**

## A World Growing Less Equal?
## or
## A World Using More Leverage?

**From 1960 and 1994 the disparity in per capita income between the richest and poorest fifth of the world's nations widened from 30 to 1 to 78 to 1!**

Source: 1998 National Geographic Society, Millennium in Maps

### Government Bureaucrats vs. Capitalists

**What is the difference between a government bureaucrat and a capitalist? Their success is measured on opposite behaviors! The government bureaucrats get paid to spend money and hire people! The more they spend and the more people they hire, the larger their organization becomes, and the more they are respected!**

**On the other hand, for the owners of capitalist organizations, the fewer people they hire and the less money they spend, the more they are respected by their investors!**

**That's why government people and capitalists are bipolar opposites and have different objectives! As the government grows, more and more tax dollars will be needed to support it! As free enterprise capitalism grows, less people will be needed to make more stuff so that everyone can afford more stuff!**

The passage of taxes was only possible because the masses believed in the Robin Hood theory of economics, which was to take from the rich and give to everyone else!

The problem was that the government's appetite for money was so great that taxes soon needed to be levied on the middle class, and from there it just kept "trickling on down!"

A government bureaucrat's goal is to avoid having excess money! If you fail to spend your allotted funding, you risk losing it in the next year's budget!

You would certainly not be recognized for being efficient! Business people, on the other hand, are rewarded for having excess money and are only recognized for being efficient!

Every time people try to punish the rich, the rich don't simply comply, they react! They have the money, power and intent to change things! They do not just sit there and voluntarily pay more taxes! They search for ways to minimize their tax burden! They hire smart attorneys and accountants, and persuade politicians to change laws or create legal loopholes! They have the resources to effect change!

**The abuse of power is when some of us impose restraints through force upon others of us.**

Free to Choose
Milton & Rose Friedman, copyright 1980

## The Only 2 Functions of Government:

1) To protect all individuals from the force and coercion of others!
2) To administer justice in the protection of life, liberty and the pursuit of happiness!

Free to Choose
Milton & Rose Friedman, copyright 1980

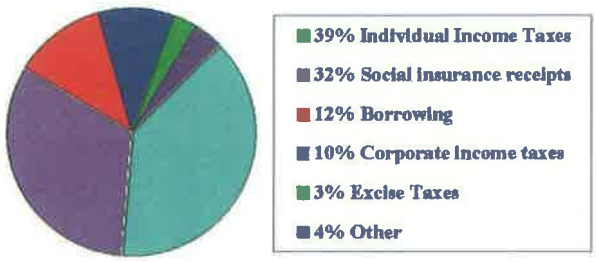
## What do you want the brightest kids to go into?

In the 1960s, when I was in high school, if someone did well in school academically, almost immediately people assumed this bright student would go on to be a medical doctor! Often no one asked the child if they wanted to be a doctor! It was assumed! It was the profession with the promise of the greatest financial reward!

Today, doctors are facing financial challenges I would not wish on my worst enemy: insurance companies taking control of the business, managed health care, government intervention, and malpractice suits to name a few!

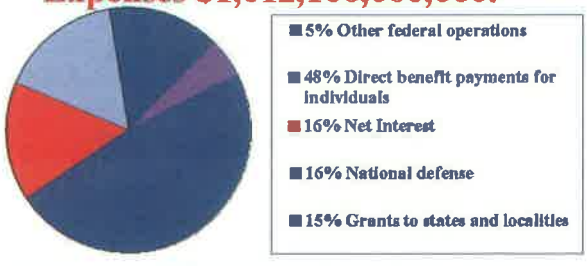
Today, kids want to be basketball stars, golfers like Tiger Woods, computer nerds, movie stars, rock stars, beauty queens, or traders on Wall Street! Simply because that is where the fame, money and prestige is! That is the reason it is so hard to motivate kids in school today! They know that professional success is no longer solely linked to academic success, as it once was!

## Federal Government Dollar, FY 1998
## Revenues: $1,415,500,000,000!




Source: Office of Management and Budget, *Budget of the United States Government*, FY 1998 (1997)

## Federal Government Dollar, FY 1998
## Expenses $1,612,100,000,000!




Source: Office of Management and Budget, Budget of the United States Government, FY 1998 (1997)

If Progress means to move forward, What does Congress mean?

**The Federal Government: Employees and Budget, 1910 - 97**

| Year | Number of Employees | Receipts In $100,000 | Outlays In $100,000 | Surplus or deficit (-) |
|---|---|---|---|---|
| 1910 | 388,708 | $676 | $694 | -18 |
| 1920 | 655,265 | $6,649 | $6,358 | 291 |
| 1930 | 601,319 | $4,058 | $3,320 | 738 |
| 1940 | 1,042,420 | $6,548 | $9,468 | -2,920 |
| 1950 | 1,960,708 | $39,443 | $42,562 | -3,119 |
| 1960 | 2,398,704 | $92,292 | $92,191 | 301 |
| 1970 | 2,984,574 | $192,807 | $195,649 | -2,842 |
| 1980 | 2,875,866 | $517,112 | $590,947 | -73,835 |
| 1990 | 3,128,267 | $1,031,969 | $1,253,163 | 221,194 |
| 1997[2] | N.A. | $1,505,425 | $1,631,016 | -125,591 |

Source: Office of Management and Budget, Budget of the U.S. Government, FY 1998 (1997)

**Politics - from the words "poly", meaning "many"**

**and "ticks", as in "small blook-sucking parasites"**

**"More than any other time in history, mankind faces a crossroads! One path leads to despair and utter hopelessness, the other to total extinction! Let us pray we have the wisdom to choose correctly!"**

**Woody Allen**

**Eat right, exercise, die anyway!**

**Poverty in America is an inner poverty!**

**Disintegrate = Dis integrate**

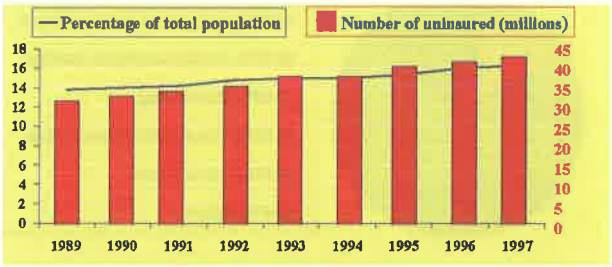
**Integrity is wholeness**

**Disintegrate is to undo**

**It means mind, body, family, spirit and community.**

**Growing uninsured population**

The number of Americans without Health Insurance hit a record high in 1997, as did their percentage of the total population




Source: U.S. Census Bureau

| Car Accidents<br>Number injured per 62 million miles driven | |
|---|---|
| South Korea | 725 |
| U.S. | 137 |
| Japan | 129 |
| Germany | 87 |
| Britain | 72 |
| Italy | 63 |
| France | 36 |
| Sweden | 33 |
| Netherlands | 11 |

Source: Fortune, December 1998, p. 154

# Life is Not Risk Free!

"True progress is not possible until technology has been made available to the masses!"

Henry Ford II
President of the Ford Motor Co.

"Free trade, free markets, and free men and women create stronger economies and better lives"

Adam Smith
*The Wealth of Nations*
*1776*

## Free to Trade (The 20 Best)

| Rank | Country | Rank | Country |
|---|---|---|---|
| 1 | Hong Kong | 12 | Australia |
| 2 | Singapore | 12 | Japan |
| 3 | Bahrain | 14 | Belgium |
| 4 | New Zealand | 14 | Canada |
| 5 | Switzerland | 14 | United Arab Emirates |
| 7 | United States | 17 | Austria |
| 7 | Taiwan | 17 | Chile |
| 7 | Luxembourg | 17 | Estonia |
| 10 | Bahamas | 20 | Czech Republic |
| 10 | Ireland | 20 | Netherlands |

Source: The Heritage Foundation/Wall Street Journal 1998 Index of Economic Freedom.

## Free to Trade? The Ten Worst

| Rank | Country |
|---|---|
| 147 | Congo / Zaire |
| 147 | Iran |
| 147 | Libya |
| 147 | Somalia |
| 147 | Vietnam |
| 152 | Bosnia |
| 153 | Iraq |
| 154 | Cuba |
| 154 | Laos |
| 154 | North Korea |

Source: The Heritage Foundation/Wall Street Journal 1998 Index of Economic Freedom.

## World's Leading Exporters in Merchandise Trade, 1996

| Rank & Country | Value (Billions) | Share of World Trade |
|---|---|---|
| 1. United States | $624.8 | 11.9% |
| 2. Germany | $521.2 | 9.9% |
| 3. Japan | $412.6 | 7.9% |
| 4. France | $290.3 | 5.5% |
| 5. United Kingdom | $259.1 | 4.9% |
| 6. Italy | $250.7 | 4.8% |
| 7. Canada | $201.2 | 3.8% |
| 8. Netherlands | $197.1 | 3.8% |
| 9. Hong Kong | $180.9 | 3.4% |
| 10. Belgium Luxembourg | $166.7 | 3.2% |

Source: World Trade Organization

## Countries with Highest and Lowest GNP per Capita, 1994 (in U.S. dollars)

| Country | Highest GNP per/cap. | Country | Lowest GNP per/cap. |
|---|---|---|---|
| Luxembourg | $41,210 | Mozambique | $80 |
| Switzerland | $40,630 | Ethiopia | $100 |
| Japan | $39,640 | Tanzania | $120 |
| Norway | $31.250 | Zaire | $120 |
| Denmark | $29,890 | Burundi | $160 |
| Germany | $27,510 | Malawi | $170 |
| United States | $26,980 | Chad | $180 |

Source: The World Bank, The World Bank Atlas, 1997

## World's Leading Importers in Merchandise Trade, 1996

| Rank & Country | Value (billions) | Share of World Trade |
|---|---|---|
| 1. United States | $817.8 | 15.2% |
| 2. Germany | 456.3 | 8.5% |
| 3. Japan | 349.6 | 6.5% |
| 4. United Kingdom | 278.6 | 5.2% |
| 5. France | 275.3 | 5.1% |
| 6. Italy | 207.0 | 3.8% |
| 7. Hong Kong | 202.0 | 3.7% |
| 8. Canada | 175.0 | 3.2% |
| 9. Netherlands | 174.1 | 3.2% |
| 10. Belgium-Lux. | 154.6 | 2.9% |
| 11. South Korea | 150.3 | 2.8% |

Source: World Trade Organization

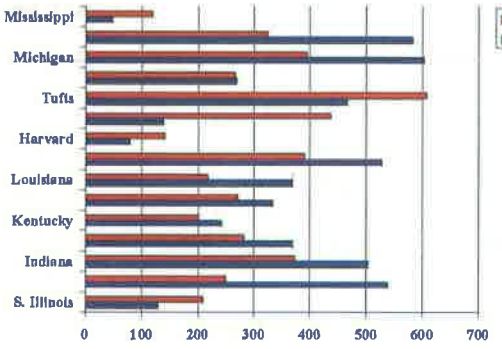
## The Theory of Comparative Advantage:

- Voluntary trade must be perceived as mutually beneficial or they would not be made!
- This places the well-being of the consumer, rather than the manufacturer or the king, at the center of the economic analysis!

Adam Smith
The Wealth of Nations
1776

## Philosopher David Hume argued that all forms of trade were beneficial in a famous 1752 essay, "Of the Balance of Trade!"

## Dental School Enrollment Reduction




Source: ADA Survey Center, Survey of Pre-Doctoral Dental Educational Institutes

## World Births, Deaths, and Population Growth, 1996

| Characteristic | World |
|---|---|
| Population | 5,772,351,000 |
| Births | 133,350,000 |
| Deaths | 53,756,000 |
| Natural increase | 79,594 |
| Births per 1,000 population | 23 |
| Deaths per 1,000 population | 9 |
| Growths rate (percent) | 1.4% |

Source: U.S. Bureau of the Census, *International Data Base* (1996)

## World Vital Events per Time Unit, 1997

| Time Unit | Births | Deaths | Natural Increase |
|---|---|---|---|
| Year | 133,210,159 | 54,122,413 | 79,087,746 |
| Month | 11,100,847 | 4,510,201 | 6,590,646 |
| Day | 364,959 | 148,281 | 216,679 |
| Hour | 15,207 | 6,178 | 9,028 |
| Minute | 253 | 103 | 150 |
| Second | 4.2 | 1.7 | 2.5 |

Source: U.S. Bureau of the Census, International Data Base, (1997)

## Some Perspective on the Concept of GDP

"Gross domestic product does not allow for the health of our children, the quality of their education, or the joy of their play. It does not include the beauty of our poetry or the strength of our marriages, the intelligence of our public debate or the integrity of our public officials. It measures neither our courage, nor our wisdom nor our devotion to our country. It measures everything, in short, except that which makes life worthwhile, and it can tell us everything about America except why we are proud that we are Americans."

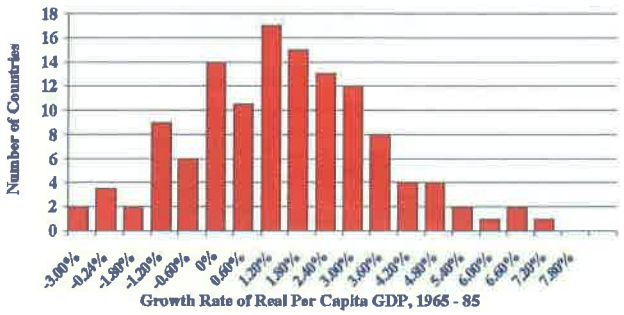
Senator Robert Kennedy (1968)

## Macroeconomic Data for Selected Countries

| | GNP | | GNP Per capita | | Inflation | Trade | Investment |
|---|---|---|---|---|---|---|---|
| | US dollars Millions 1995 | US Dollars 1995 | Av. Annual Real growth(%) 1985 – 95 | PPP dollars 1995 | Avrd. Annual rate (%) 1985 -95 | % of GDP 1995 | % of GDP 1995 |
| Argentina | $278,431 | $8,030 | 1.9 | $8310 | 255.4% | 9% | 18% |
| Brazil | $579,787 | $3,640 | -0.7 | $5,400 | 873.8 | 7% | 22% |
| Canada | $573,695 | $19,380 | 0.4 | $21,130 | 2.9% | 37% | 19% |
| Chile | $59,151 | $4,160 | 6.1% | $9,520 | 17.9% | 29% | 27% |
| China | $744,890 | $620 | 8.0% | $2,920 | 9.5% | 20% | 40% |
| France | $1,451,051 | $24,990 | 1.5% | $21,030 | 2.8% | 24% | 18% |
| Germany | $2,252,343 | $27,510 | – | $20,070 | – | 23% | 21% |
| India | $319,660 | $340 | 3.1% | $1,400 | 9.8% | 11% | 25% |
| Italy | $1,088,085 | $19,020 | 1.7% | $19,87– | 6.0% | 23% | 18% |
| Japan | $4,963,587 | $39,640 | 2.9% | $22,110 | 1.4% | 9% | 29% |
| Korea | $435,137 | $9,700 | 7.6% | $11,450 | 6.8% | 33% | 37% |
| Mexico | $304,596 | $3,320 | 0.1% | $6,400 | 36.7% | 25% | 15% |
| Singapore | $79,831 | $26,730 | 6.2% | $22,770 | 3.9% | 139% | 33% |
| United Kgdm | $1,094,734 | $18,700 | 1.4% | $19,260 | 5.1% | 28% | 16% |
| United States | $7,100,007 | $26,980 | 1.4% | $26,980 | 3.2% | 12% | 16% |

Source: The World Bank, The World Bank Atlas 1997

## Large Growth Differentials




Y
Knowledge
K

$W = \frac{K}{P}$

The Wealth Of A Nation, W = The Cumulative Knowledge, K Divided By The Population, P

Population
P
X

•The Wealth of a Nation is equal to its cumulative knowledge divided by its population!

•The greatest means to increase the wealth of a nation is to either contribute to its increase in overall cumulative knowledge or to contribute to humanitarian efforts to decrease the rate of overall population growth!

## LDC Farmer
(Less Developed Country)

= $1.00 a Bushel

L + K = P

Humans + Capital = Price

## American Farmer
(Highly Developed Country)

= $1.00 a Bushel

L + T + K = P

Humans + Technology + Capital = Price

## Four Major Changes in the Business Environment in the Last 10 Years

- Boundaryless economy
- Worldwide labor markets
- Instantly linked information and communication
  - –Practice Outlook, SoftDent, Dentrix, Eagle Soft
  - –The Farran Report
- Resilient, new companies

## Long Run Aggregate Supply: Depends upon

1. Available technology
2. Available capital
3. Available labor
4. Taxes
5. Laws, property rights, & regulations that affect people initiative.

Source: ASU Macroeconomics ECN 503, Professor Reffett

## And Round and Round it goes!

## Remember when "American-made" meant quality and "Made in Japan" meant cheap?

Remember when banks were secure and risk averse, hospitals were safe and affordable, sexually transmitted diseases were cured with a shot of penicillin, marijuana was our primary drug of concern, and computers were big and expensive?

Managing at the Speed of Change, Daryl R. Conner, 1992

## Problems with the theory

- How did classical economists explain the US Great Depression?
- What did they think should be done about it?
- Could a shift in the AD curve explain the drop in output?
- Could a shift in the AS curve explain the drop in output? What role did bank failures play?

Source: ASU Macroeconomics ECN 503, Professor Reffett

## Some Economic Facts about the U.S. Great Depression

- 1929 – 1933, real GDP in the U.S. fell by 30%.
- The price level fell by more than 20%.
- The unemployment rate in the United States rose to almost 255 of the 2workforce.

Source: ASU Macroeconomics ECN 503, Professor Reffett

## U.S. Government Statement of Revenue

| Revenues | Fiscal Year 1998 | Percent of Total 1998 |
|---|---|---|
| Individual income taxes | $737,466,000,000 | 39 % |
| Social insurance taxes | $571,834,000,000 | 27 % |
| User fees, earmarked taxes and receipts | $379,238,000,000 | 18 % |
| Corporation income taxes | $188,677,000,000 | 9 % |
| Excise taxes and customs duties | $75,966,000,000 | 4 % |
| Miscellaneous receipts | $32,270,000,000 | 2 % |
| Death taxes (including unified estate and gift taxes) | $24,076,000,000 | 1 % |
| Total Revenues | $2,100,658,000,000 | 100 % |

## U.S. Government Statement of Expenses

| Expenses | Fiscal Year 1998 | Percent Of Total |
|---|---|---|
| Social spending | $1,116,974,000,000 | 55 % |
| Interest on national debt | $363,824,000,000 | 18 % |
| Military spending | $253,167,000,000 | 12 % |
| Administrative agencies | $174,512,000,000 | 9 % |
| Transportation | $44,377,000,000 | 2 % |
| State and foreign affairs | $30,665,000,000 | 2 % |
| Environment, fish, wildlife, parks & interior | $26,513,000,000 | 1 % |
| NASA | $14,206,000,000 | 1 % |
| Judiciary | $3,506,000,000 | * |
| Congress | $1,839,000,000 | * |
| The President | $1,238,000,000 | * |
| Total Expenses | $2,030,621,000,000 | 100 % |
| Surplus (Deficit) | $70,037,000,000 | |

Source:

## Distinguishing between Real and Nominal GDP

(All GDP figures below in billions of dollars)
Using Price Indices to adjust for Inflation.

Question what was GDP in 1960 if expressed in 1995 prices?

| Data | Nominal GDP | Price index (1992 = 100) | Real GDP (in 1995 dollars) |
|---|---|---|---|
| 1960 | $527 | 23.3 | $2,432 |
| 1995 | $7,254 | 107.3 | $7,254 |

Answer: real GDP in 1960 =527 (107.6/23.3) = $2,434

Conclusion: Nominal GDP increased 14 fold from 1960 to 1995, but real GDP increased only 3 - fold

## U.S. Gross Domestic Product by Type of Expenditure, 1996

| | (billions of dollars) | (percent of GDP) | (percent of C or I) |
|---|---|---|---|
| Gross domestic product | $7,636 | | |
| Personal consumption | $5,208 | 68.2% | |
| Cars and transportation | $602 | | 11.6% |
| Food | $756 | | 14.5% |
| Housing | $787 | | 15.1% |
| Health care | $808 | | 15.5% |
| Government expenditures | $1,407 | 18.4% | |
| Federal | $520 | | |
| National defense | $353 | | |
| Non-defense | $167 | | |
| State or local | $887 | | |
| Private domestic investment | $1,116 | 14.6% | |
| Nonresidential structures | $215 | | 19.3% |
| Producers durable equipment | $556 | | 50.7% |
| Information processing | $195 | | 17.5% |
| Transportation | $134 | | 12.0% |
| Residential structures | $309 | | 27.7% |
| Net exports | -95 | | |
| Exports | $871 | 11.4% | |
| Imports | $966 | 12.7% | |

Source: U.S. Department of Commerce Survey of Current Business

## Top 15 Multinational Enterprises Ranked by Size of Foreign Assets

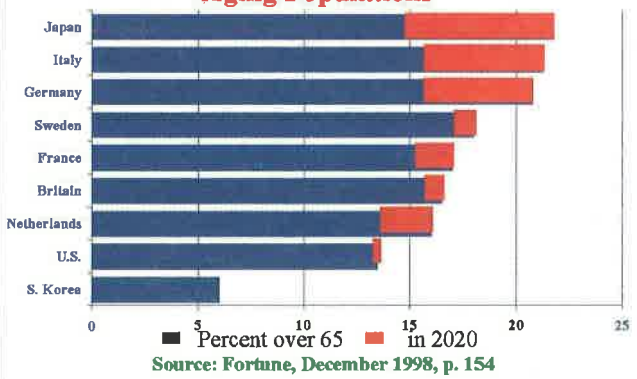
| | | | Assets | | Sales | | Employment | |
|---|---|---|---|---|---|---|---|---|
| | | | Foreign | Total | Foreign | Total | Foreign | Total |
| Rank | Corporation | Country | (billions of dollars) | | | | Thous. of Employees | |
| 1 | Royal Dutch Shell | U.K/Netherlands | 69.4 | 100.8 | 45.5 | 96.6 | 91.1 | 127.1 |
| 2 | Exxon | U.S | 48.2 | 85.1 | 93.1 | 115.7 | 59.1 | 95.1 |
| 3 | IBM | U.S | 45.7 | 86.7 | 39.9 | 64.5 | 143.9 | 301.5 |
| 4 | General Motors | U.S. | 41.8 | 191.1 | 42.3 | 132.4 | 272.1 | 750.1 |
| 5 | Hitachi | Japan | N/A | 66.6 | 13.9 | 58.4 | N/A | 324.2 |
| 6 | Matsushita Elect. | Japan | N/A | 74.4 | 29.9 | 60.8 | 94.8 | 252.1 |
| 7 | Nestle | Switzerland | 28.7 | 31.3 | 37.7 | 38.4 | 211.3 | 218.1 |
| 8 | Ford | U.S. | 28.1 | 180.5 | 33.2 | 100.1 | 167.1 | 325.3 |
| 9 | Alcatel Alsthom | France | N/A | 44.4 | 18.1 | 30.7 | 106.3 | 203.1 |
| 10 | General Electric | U.S. | 24.2 | 192.9 | 8.4 | 57.1 | 58.1 | 231.1 |
| 11 | Philips | Netherlands | 22.9 | 28.6 | 31.1 | 33.3 | 225.8 | 257.7 |
| 12 | Mobil | U.S. | 22.6 | 40.6 | 49.7 | 64.1 | 28.2 | 63.7 |
| 13 | Asea Brown Boveri | Switzerland | 22.4 | 25.9 | 26.3 | 29.6 | 198.8 | 213.4 |
| 14 | Elf Aquitaine | France | N/A | 45.1 | 13.2 | 36.2 | N/A | 87.9 |
| 15 | Volkswagen | Germany | N/A | 46.6 | 29.4 | 54.7 | 109.1 | 273.1 |
| 37 | Xerox | U.S. | N/A | 34.1 | 9.1 | 18.3 | N/A | 107.5 |
| 40 | Procter & Gamble | U.S. | 10.2 | 24.9 | 15.9 | 30.4 | 59.4 | 103.5 |
| 50 | Electrolux | Sweden | N/A | 11.5 | 12.4 | 14.2 | 104.9 | 121.1 |

Source: United Nations, World Investment Report, 1994

## GNP Per Capita

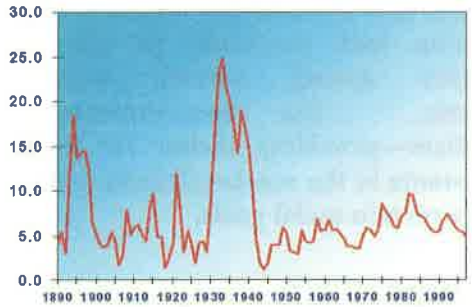
| Country | Total Billions of Dollars | Dollars | % Change Per Annum 1980 – 1992 | PPP Est. Dollars | Per Capita U.S. = 100 | Population Millions |
|---|---|---|---|---|---|---|
| The G7 | | | | | | |
| Canada | 494 | 20,710 | 1.8 | 19,700 | 83 | 27 |
| France | 1,320 | 22,260 | 1.7 | 19,200 | 83 | 57 |
| Germany | 1,789 | 23,359 | 2.4 | 20,610 | 89 | 62 |
| Italy | 1,221 | 20,460 | 2.2 | 17,730 | 77 | 58 |
| Japan | 3,671 | 28,190 | 3.6 | 20,160 | 87 | 125 |
| U.K. | 903 | 17,790 | 2.4 | 16,730 | 72 | 58 |
| U.S. | 5,920 | 23,240 | 1.7 | 23,120 | 100 | 255 |
| | | | | | | |
| The NIC's | | | | | | |
| Hong Kong | 78 | 15,360 | 5.5 | 20,050 | 87 | 6 |
| Singapore | 46 | 15,730 | 5.3 | 16,720 | 72 | 3 |
| S. Korea | 296 | 6,790 | 8.5 | 8,950 | 39 | 44 |
| Taiwan | 207 | 9,936 | 12.8 | N/A | N/A | 21 |
| | | | | | | |
| The E4 | | | | | | |
| Brazil | 360 | 2,770 | 0.4 | 5,250 | 23 | 154 |
| China | 586 | 470 | 7.6 | 1,918 | 9 | 1,162 |
| India | 215 | 310 | 3.1 | 1,210 | 5 | 854 |
| Mexico | 329 | 3,470 | -0.2 | 7,490 | 32 | 95 |
| | | | | | | |
| World | 23,061 | 4,280 | 1.2 | - | - | 5,438 |

## Aging Populations



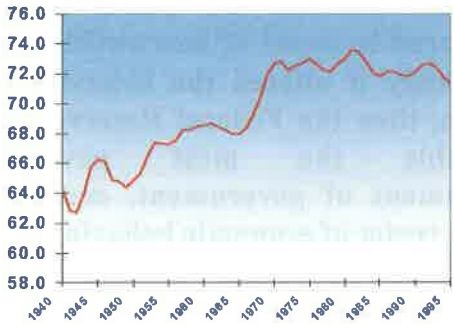

Source: Fortune, December 1998, p. 154

## U.S. Unemployment Rate, 1890-1997



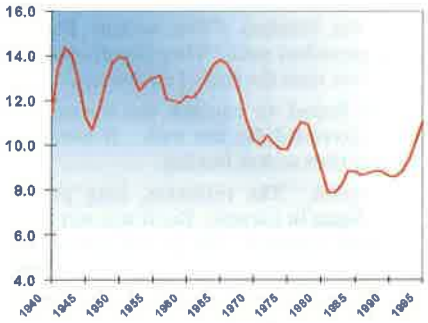

Source: Arizona State University ECN 503 Professor K. Reffett

## Labor's Share of National Income



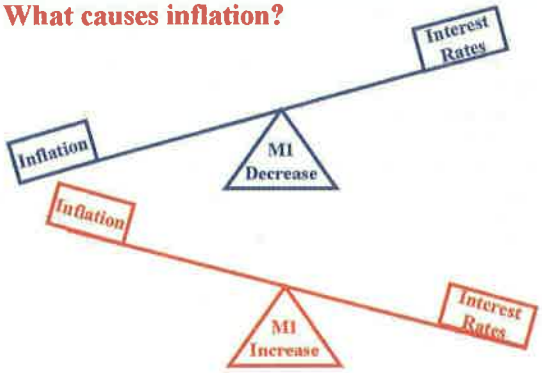

Source: Arizona State University ECN 503 Professor K. Reffett

## Profits' Share of National Income




Source: Arizona State University ECN 503 Professor K. Reffett

## What causes interest rates to go up or down? What causes inflation?




## The 3 functions that prices perform in organizing economic activity.

1) Transmission of information

2) Economic Incentives

3) Distribution of Income

Free to Choose, Milton & Rose Friedman, copyright 1980

## The Price of money in terms of goods is the reciprocal of the price of goods in terms of money.

Free to Choose, Milton & Rose Friedman, copyright 1980

## Internet Data Sources

**FRED: Federal Reserve's Data Base**
*http://www.stls.frb.org/*

**Bureau of Labor Statistics:**
*http://stats.bls.gov:80/*

**Bureau of the Census:**
*http://www.census.gov/main/www/*

**Humphrey-Hawkins** Act contained one substantive reform—a monetarist provision ordering the Federal Reserve to **make public its annual target ranges for growth in the three monetary aggregates, the three Ms.** The Federal Reserve chairman would be required to appear twice a year before House and Senate banking committees to explain these goals and any deviations from the targets.

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

If the exercise of power were measured in terms of how swiftly and intimately it altered the behavior of others, then the Federal Reserve was arguable the most powerful instrument of government, certainly in the realm of economic behavior.

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

The values inherited from the New Deal—the idea that government would serve as regulator and protector in the raw struggles among private economic interests. The commitments of liberalism—providing shelter for weaker combatants in the marketplace in order to unsure certain social goals.

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

Until the late Middle Ages, the Catholic Church still taught that lending at interest—any interest rate whatever—was a sin against God, "ignominious," as the Second Lateran Council of 1139 described it. Usurers, though they might be wealthy merchants and prominent in church affairs, were excommunicated and refused burial in Christian ground, condemned with robbers, prostitutes and heretics. Their eternal damnation was described in the most grisly terms: toads and other demons gathered on the usurer's corpse, plucking silver from his purse and driving the coins into the hearth and mouth of the cadaver. The moral offense was profit without work. The usurer sold time, which belonged only to God.

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

One March 14, with the dramatic flourish available to the Presidency, Jimmy Carter announced to the nation that urgent measures were being invoked. "The actions I've outlined involve costs," the president said. "They involve pain. But the cost of acting is far less than the cost of not acting."

The President had hoped to capture the average citizen's attention, and he succeeded far too well. If borrowing was suddenly unpatriotic then so was buying.

The economy collapsed. The recession, long predicted by forecasters, finally began in earnest. But it was not the gradual contraction that many expected. The loss of economic activity was swift and alarmingly steep. Within three months, the Gross National Product would shrink by 10 percent—the sharpest recession in thirty-five years.

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

There are only two things we can peg, interest rates or reserves. I've always believed that whichever of the two things you don't peg will move around rather drastically. If you peg reserves, interest rates will move more drastically. If you peg interest rates, then the money supply will move more. I never believed what the monetarists believe—that if you stabilize the money supply, you stabilize interest rates. If you stabilize one, you will probably destabilize the other. The supply can be held stable, but the demand always varies—so interest rates are very volatile.

Henry Wallich

**Moneta, the Latin root for "money," was an epithet applied to the goddess Juno, in whose temple the first Roman coins were made.**

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

When Sigmund Freud was first attempting to chart the geography of the human psyche, he kept encountering an outrageous association—money and excrement. A miser would be explained as an "anal personality" obsessed with accumulating money but afraid to spend it. In the vernacular, he is a "tight ass."

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

As Freud explored further, he realized that the human expectations attached to money had multiple meanings. It had to do with life and death, acts of creation and destruction. love and power

To visualize the Freudian subtext more imaginatively, one could ponder the psychological content in the myth of King Midas. Midas yearned for the golden touch and his desire became a curse. Every living thing he touched turned into gold, glistening but dead, even the food he ate, even his loving daughter. Midas reached enviously for the posers of the gods—the power to create—and it turned in to a deadly gift. Money is an exquisite contradiction, uniting desire and dread.

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

**When the Federal Reserve was created in 1913, purposely insulated from the hot breath of politics, the new institution effectively defined the permanent limits of American democracy.**

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

As the Populist unrest approached its crest, nervous investors feared that either hyperinflation or even political revolution would wipe out their assets. In 1895, they began fleeing from the American system, withdrawing their wealth from U.S. financial assets, demanding gold and shifting it to Europe. The federal government's own gold reserve was drained so rapidly that it was threatened with depletion. The desperate Treasure turned to J.P. Morgan. He organized a syndicate of bankers and they bailed out the U.S. government with a loan of 3.5 million ounces of gold.

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

"The United States," as historian Richard Hofstaddter put it, "was born in the country and has moved to the city."

In 1900, only four in ten American workers were still on farms. A few decades earlier, the figure had been eight in ten.

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

Benjamin Strong, addressing a conference of Reserve Bank officials in the spring of 1921, warned: "What this System requires if protection against misled public opinion, which will be reflected in Congress, in some foolish act by Congress..."

The Fed.'s objective, as frankly stated in records of its own deliberations, was the restoration of "sound financial conditions," not the restoration of economic growth.

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

The dominant guides to policy were financial rather than economic, a central banker accepting this set of priorities, naturally feared inflation more than deflation and insisted that on some occasions deflation was necessary for the attainment of primary financial objectives.

Though chartered to accommodate "the needs of commerce and industry," the central bank focused its concern on the health of the financial sector over the productive economy. In order to restore one, it was necessary to punish the other.

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

**If you see ten troubles coming down the road, you can be sure that nine will run into the ditch before they reach you!**

**Calvin Coolidge**

Farmers never really recovered from the depression of 1920 – 1921 and the drastic decline in commodity prices. They remained trapped by deflated prices and glutted markets. In 1920, farm families had received about 15% of the national income; eight years later, they received only 9%.

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

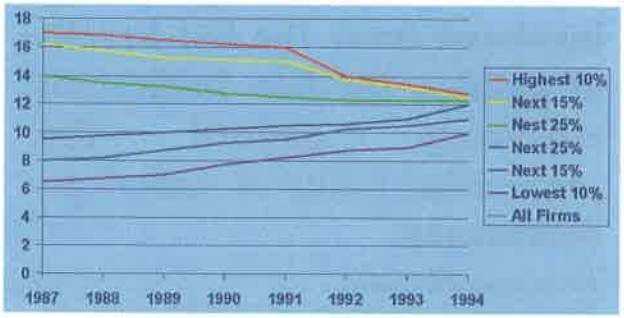
By 1913 J.P. Morgan was dead, and on November 16, 1914, the Federal Reserve opened its doors and effectively replaced him by "other means." The mantle of Morgan's private authority was inherited by the Fed—and also his sense of noblesse oblige. Morgan's informal stewardship was formalized in law and depersonalized as a remote agency of government. While many citizens would continue to rail at the mysterious powers of the Fed, it was, on the whole, more difficult to blame an institution than an individual.

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

Benjamin Strong died in October 1928, and one year later, the Federal Reserve System suffered its historic disgrace! The stock market crashed and the American economy collapsed with it. The "new era" of permanent prosperity was abruptly demolished, followed by the Great Depression with unemployment at 25% and desperate poverty for tens of millions of Americans. Tens of thousands of businesses were bankrupted, and the panic of bank failures also returned—destroying more than 40% of all American banks.

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

## Median ROE for Portfolios Formed on 1986 ROE (Return on Equity)




On October 24, 1929—Black Thursday—the bubble burst, the "calamitous break" that Strong had feared. Within a matter of days, the Standard and Poor's composite index of stocks fell from 245 to 162, wiping out more than one-third of the stock market's value!

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

The Federal Reserve persisted in its passivity in part because the Fed.'s money principles—the "real bills" doctrine—called for passivity. The Federal Reserve supplies the needed additions to credit in times of business expansion and takes up the slack in times of business recession.

What was needed, was an activist money policy that pulled against the economic tide rather than drifting with it—a countercyclical policy, rather than the procyclical policy implicit in the "real bills" doctrine.

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

As mass production has to be accompanied by mass consumption, mass consumption, in turn, implies a distribution of wealth—not of existing wealth, but of wealth as it is currently produced—to provide men with buying power equal to the amount of goods and services offered by the nation's economic machinery.

Instead of achieving that kind of distribution, a giant suction pump had by 1929-30 drawn into a few hands an increasing portion of currently produced wealth...by taking purchasing power out of the hands of mass consumers, the savers denied to themselves the kind of effective demand for their products that would justify reinvestment of their capital accumulations in new plants.

In consequence, as in a poker game where the chips are concentrated in fewer and fewer hands, the other fellows could stay in the game only by borrowing. When their credit ran out, the game stopped.

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

The New Deal changes in mortgage finance laid the basis for delivering the "American dream" to millions of ordinary families—a home of their own, purchased with long-term mortgages and payments they could afford.

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

# Keynes published *The General Theory* in 1936.

Keynes upended a bedrock principle of classical economics known as Say's law (after J.B. Say, a French disciple of Adam Smith's): supply produced its own demand. The process of economic activity, according to Say's law, began with producers investing and making things, then finding markets for them.

In the modern economic system, Keynes explained, it was more the other way around. Manufactures would not produce if they could not first see a market for their goods. The "demand side"—not the "supply side"—was where the action began.

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

Given the complex relationships of the modern economy, everyone will prosper together or, ultimately, everyone will languish.

Capital will not collect its rewards unless labor gets its due.

Workers cannot be healthy if producers are sick.

Savers cannot reap profit if no one is able to borrow their savings and use them productively.

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

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There is no limit to the amount of money that can be created by the banking system, but there are limits to our productive facilities and our labor supply, which can be only slowly increased.

Marriner Eccles

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The Treasury's primary job is to finance the government at the lowest cost at which it can...The Federal Reserve has the job of regulating money and credit in such a manner as to help maintain economic stability.

Marriner Eccles

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The formulation known as "supply-side economics" was actually an updated version of the tax philosophy first articulated in the 1920s by Andrew Mellon, Treasury Secretary for Reagan's boyhood hero, Calvin Coolidge.

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

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The awkward little secret of the American system was that modern recessions did not flow ineluctably from mysterious natural forces in the business cycle. Recessions were induced by the federal government. In the seven recessions since World War II, the same transaction had preceded each contraction: the Federal Reserve's decision to force up interest rates to an abnormal level.

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

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Rule: when the Fed pushed short-term rates higher than long-term rates and held them there long enough, recession was sure to follow.

If three-month T-bills, for instance, were paying a higher yield than twenty-year bonds, then people should expect the worst. Short-term financial assets logically earn smaller returns than long-term ones, and so it was an unnatural condition when short rates were pushed higher than long rates—an "inverted yield curve" in the market parlance. It did not happen unless the Federal Reserve made it happen.

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

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The rule of thumb among commercial bankers was that the spread between their prime rate for loans and the inflation rate should be 3 to 4 percent.

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

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A Federal Reserve staff economist calculated that the real interest rate on twenty-year government bonds averaged the historic norm of around 2 percent or less.

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

Secular humanists claim that men and women can responsibly manage human affairs for themselves. They are rationalists who dismiss the "old-time religion" and its false moral commandments. Universal human pleasure did not require a requisite measure of Calvinist pain. It required the application of human intelligence.

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

In its broadest usage, "services" meant any work or business that did not produce something tangible for sale. The general term covers everything from neighborhood drugstores to the largest banks and brokerages, from laundries to airlines and insurance companies.

Service jobs range from the menial to the most specialized, maids and lawyers, short-order cooks and stockbrokers, key-punch operators and molecular biologists, computers, high-tech careers, finance and banking.

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

Male-Female Distinctions

Boys were taught to believe in rules, a hard and concise form of justice that could be calculated.

Girls were taught to negotiate and compromise, to avoid harsh judgments that might fracture relationships.

Observed on the playground, small boys will quarrel repeatedly over infractions of the rules, arrive at a decision, and then continue the game.

Girls at play argue much less and are more likely to change the rules to make everyone happy—or even abandon the game if the dispute seems to threaten friendships.

Boys become increasingly fascinated with the legal elaboration of rules and the development of fair procedures for adjudicating conflicts."

Girls, on the other hand, are more tolerant in their attitudes toward rules, more willing to make exceptions and more easily reconciled to innovations.

Source: Carol Gilligan, Harvard psychologist, *In a Different Voice.*

The origin of gender differences was woven deeply in everyone's childhood experience.

Boys taught to separate from their mothers in order to attain a mature masculine identity.

Girls learning from their mothers' model and assuming responsibility for maintaining unbroken personal attachments in the family.

As a result, males tend to have difficulty with relationships and females with a sense of self.

Source: Carol Gilligan, Harvard psychologist, *In a Different Voice.*

The Bible taught the same moral lesson about the conflict between abstract justice and human life. Confronted with two women who both claimed a baby as their own, King Solomon decreed a just solution—the baby would be cut in half and each mother would be given her share. The true mother, as Solomon expected, quickly revealed herself by renouncing her claim to the child. She would not subordinate the baby's life to the logic of the law. That blind willingness to sacrifice people to truth has always been the danger of an ethics abstracted from life.

Source: Carol Gilligan, Harvard psychologist, *In a Different Voice.*

**A market surplus of anything, including money, would drive down the price, including interest rates.**

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

**Money was now slowing down in circulation—losing velocity, in technical terms—as the money supply turned over in different transactions in the private economy at a declining pace.**

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

**Velocity was the Achilles' heel in Friedman's theory—the uncontrollable variable that could throw his confident prescriptions about money totally off track.**

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

**Velocity** was what economists called a **"derived"** statistic—knowable only after the fact, by dividing the money supply into the economic growth that had already occurred.

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

**A bank's assets, its loans, are supposed to balance with its liabilities, its deposits!**

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

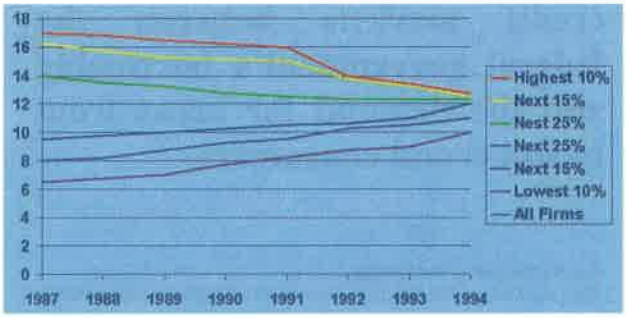
**Holding short-term interest rates above long-term rates, the inverted condition of interest rates, meant scarce credit.**

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

The Fed Studies demonstrated that **55% of American families were net debtors** in terms of financial assets and that a mere **10% of American families owned 86% of all the net financial wealth!**

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

**Median ROE for Portfolios Formed on 1986 ROE (Return on Equity)**




On **October 24, 1929—Black Thursday**—the bubble burst, the "calamitous break" that Strong had feared. Within a matter of days, the Standard and Poor's composite index of stocks fell from 245 to 162, **wiping out more than one-third of the stock market's value!**

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

The *rentier* had not only eluded the "euthanasia" that John Maynard Keynes had prophesied for him in *The General Theory* of fifty years before. The **owner of capital was now receiving far greater rent for the use of his money than Keynes had ever seen.**

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

**Federal outlays for interest payments rose from $52 billion in 1980 to more than $142 billion by 1986—from 10% of all federal revenue to 19%.**

This was an important part of the **reversed redistribution of income**, since the increasing interest payments went from all American taxpayers to the select minority who were bondholders. The *rentier's* claim on the taxpayer, one could say, had nearly doubled.

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

Accumulating equity in the family home was a central assumption of what people loosely called the "American dream" and inflation assisted it.

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

We've been exploiting the Japanese initiative and hard work and cheaper wages for a long time. Think about it: The Japanese have been working six days a week, so we can spend our Saturdays riding our Honda motorcycles or our Yamaha snowmobiles through the fields.

A big part of the Japanese money made in America stays in America—about 77% of it in T-bills and other paper that helps finance our crazy budget deficits...So now we're hooked on Japanese money as well as TV sets.

Lee Iacocca

Most Americans sold intangible services, from school-teaching to computer programming, from trashmen to shopkeepers to lawyers and doctors. In relative terms, they would be winners.

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

We still think of manufacturing as the "big mule" in politics, but it's not true. The financial sector, the retailing sector, the service sector, are all so much bigger. The strong dollar was good for them and it was good for consumers. It kept prices down and guaranteed cheap goods, while the tax cuts and deficits meant there was plenty of money to spend. It was anti-manufacturing, anti-labor—but it was pro-consumption, pro-services.

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

When Vince Lombardi was coach of the Green Bay Packers, a reporter asked one of the players whether Lombardi showed any unfairness in the treatment of players.

The player told the reporter, "Listen, Coach Lombardi treats us all the same—like dogs!"

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

**Crowding out**—a collision in credit markets between the federal government's borrowing and the demand for loans from business and consumers.

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

The central bank triggers recessions to calm the inflationary nightmares of the creditor class.

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

**Capacity utilization**—a statistic meant to convey how much of America's productive capacity was now active and how much remained idle.

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

**The capacity level of domestic manufacturing was less relevant in the global economy because U.S. companies and labor had to compete worldwide on prices.**

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

**Thanks to the rising dollar, American prices were being held down by the cheap imports—and the world had unused productive capacity that was vastly in excess.**

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

The central bank decides to defend wealth and let workers take the loss. The financial side of capitalism will be protected from risk, even excessively enhanced. Enterprise in the productive economy will be restrained, even injured. If necessary, opportunities will be canceled and ambitions checked, so that the owners of money will feel more secure about their wealth. The Federal Reserve's ideological values always are always inclined toward this choice.

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

The "misery index," is a playful invention of economist Arthur Okun. The misery index simply added the unemployment rate with the inflation rate as a rough measure of economic discomfort. In 1980 it was more than 19%. By 1984, the misery index was down to 11%.

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

The "hardship index", devised by David P. Eastburn, added the real interest rate on home mortgages to the inflation and unemployment rates. That combination provided a better snapshot of the economic reality facing average citizens. On Eastburn's hardship index, 1980 and 1984 looked identical. In both years, the index was stuck at the uncomfortable high level of 21%!

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

The population is starkly divided into net financial debtors and creditors. 55% are borrowers and 45% are creditors.

The benefits of the high cost of money flow to the minority and especially to the wealthy 10% who owned most of the net financial wealth.

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

When economists calculated "consumer demand", it was not the sum of what people needed in their lives, the standard that Thorstein Veblen had proposed for an efficient economy.

Consumer demand simply consisted of the total money available to the people who could afford to buy things.

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

At every level, from households to government, new debt had to be judged by two basic questions of quality, the same questions any careful family would ask itself before taking on a new loan.

What was the borrowed money going to buy—something worthwhile or something frivolous that was not worth the price of going into debt?

Secondly, what was the likelihood that the family would be able to pay off the loan?

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

The nation's total debt, public and private usually runs about 40% larger than the Gross National Product.

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

**Economic order** is defined, above all else, by the stable value of money.

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

The **Federal Reserve manages money and interest rates in such a way that surpluses remain**— surplus labor, surplus grain, surplus oil, and surplus goods— and **these surpluses suppress prices and wages.**

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

Sooner or later, over-confident orthodoxy always collides with contradictory reality.

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

**Faith**, a simple answer to bewildering complexities.

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

**"Floating exchange rates"** were adopted in 1973, letting the **free markets set the price of currencies.** Since then, the dollar has moved through a series of what Lee Iacocca rightly called **"violent swings"** in value, destabilizing trade relationships each time.

As long as the present free-market system is preserved, the extreme swings will continue. Some conservatives advocated a return to the gold guarantee behind the dollar, a fixed-value exchange rate much like the Bretton Woods agreement that Keynes had devised at the close of World War II.

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

The problem of business was always first a question of limiting supply.

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

In the 1930s, the New Deal had created a series of supply-control system for agriculture, oil labor and other sectors.

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

**Oil prices collapsed from $26 a barrel to $12 in a few short weeks at the end of 1985.**

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

## The 80's

The Federal Reserve chairman did, in fact, express his own sense of quandary. Why was there such tremendous creation of new debt when interest rates were so high? Why didn't the productivity of the economy improve now that inflation was gone? How was the financial system going to work its way out of the mountain of questionable debt obligations?

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

In the summer of 1927, Strong had executed a high infusion of new liquidity into the banking system, hoping to help European financial markets and to avert a domestic recession. Strong's action, in hindsight, was blamed for bringing on the collapse. Instead of real growth, the excess liquidity flowed into financial speculation, fueling the hectic price run-up on Wall Street that ended abruptly in the great Crash.

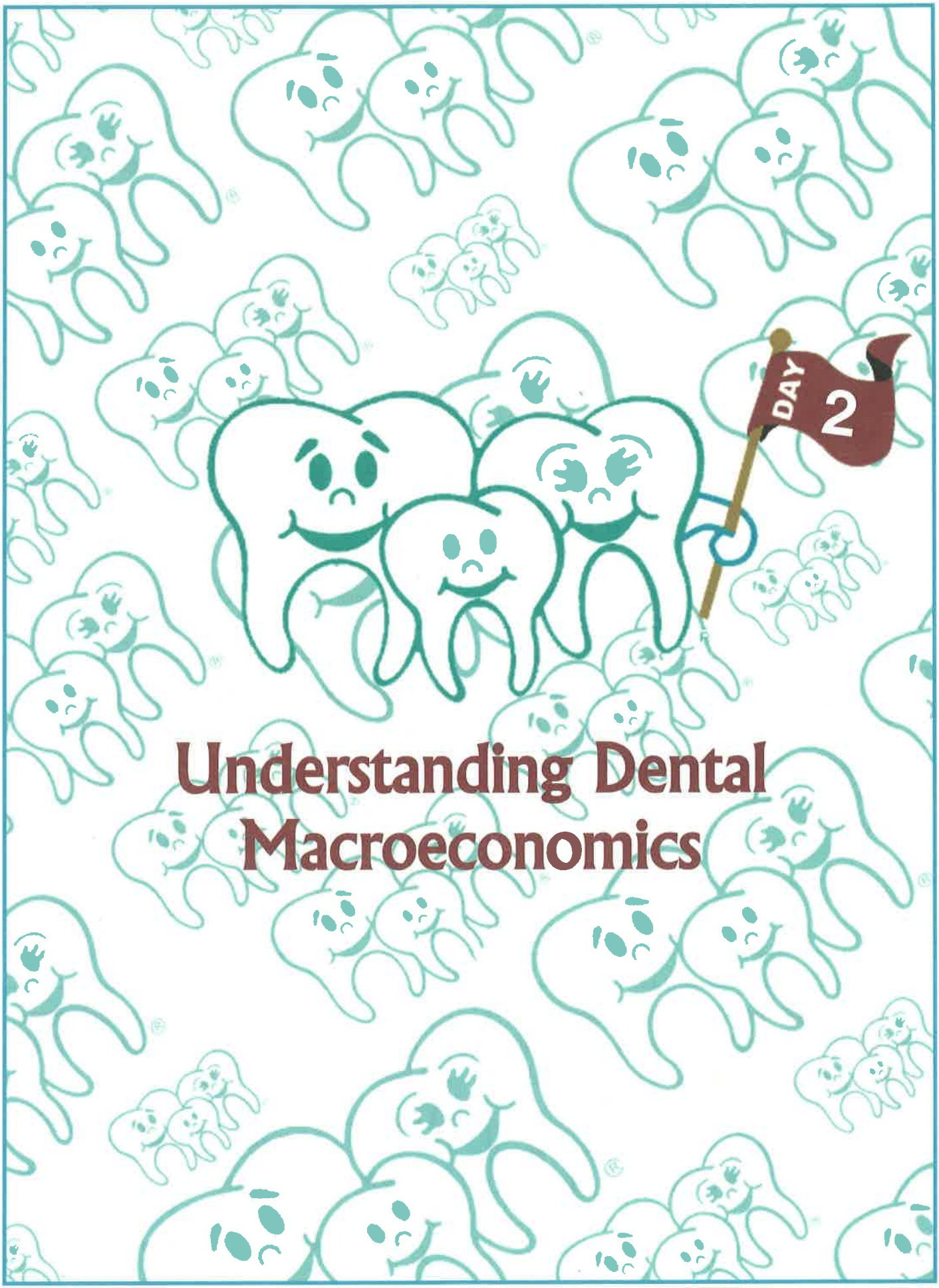
Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

On October 19, 1987 the stock market crashed. The "crowds" of Wall Street abruptly lost faith and stampeded. The Dow-Jones average fell 508 points, and something on the order of $500 billion in financial wealth was lost in a single day of trading. The following day, financial markets in Asia and Europe panicked too and experienced similar debacles.

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

**The antidote to a general economic collapse was well understood—lower interest rates and rising prices.**

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987




# Understanding Dental Macroeconomics

Your 30 Day Dental MBA
Day 2

# Understanding Dental Macroeconomics

## THIS is Competition...

**9 out of 10 small businesses do not know what competition is:**

**These are the seven grocery stores in Phoenix, AZ and their prices for Dole Pineapple Juice, 12 oz.**

| | | | |
|---|---|---|---|
| Albertson's $1.48 | Fry's $1.69 | ABCO $1.69 | Smitty's $1.69 |
| Bashas $1.69 | Safeway $1.69 | Smiths $1.48 | |

**Physicians Per Person**

1 physician per 529 people
1 specialist physician per 819 people
1 primary care physician per 1515 people

**Dentists Per Person**

1 dentist per 1850 people

Source: 1998, ADA Survey Center and Dartmouth Atlas of Healthcare.

**The percentage of edentulous people among those 65 to 74 years old decreased from 45.6% in the 1971 – 1974 period to 28.6% in the 1988 – 1994 period!**

Source: JADA, Vol. 129, December 1998 p. 1686

**It is a well known fact that demand creates a market, a market creates opportunity, and opportunities will not be ignored.**

Joanne Hite, The Arizona Republic
Saturday, Sept. 5, 1998

**Oral Health is the ultimate objective and product of dental care.**

**The primary goal of dentistry is to produce good oral health as efficiently as possible.**

Source: JADA, Vol. 129, December 1998 p. 1685

**From 1988 to 1994, the average number of DMFS among U.S. children aged five to 17 years was 2.5.**

**This is a decrease of 64.8% from the average of 7.1 DMFS from 1971 to 1974.**

Source: JADA, Vol. 129, December 1998 p. 1685

**Total real dental expenditures increased from $25.8 billion in 1970 to $47.6 billion in 1996.**

**That represents a cumulative increase of 84.4% over the 27 years or an average of 2.3% growth annually.**

Source: Health Care Financing Administration

In 1996 private health insurance accounted for almost half of total dental expenditures (48.7%) up from about 5 percent in 1970.

Source: JADA, Vol. 129, December 1998

In 1970, patient's out-of-pocket payments accounted for 90.8% of total dental expenditures. In 1996, patient's out-of-pocket payments accounted for less than one-half of total dental expenditures! (46.5%)

Source: JADA, Vol. 129, December 1998

Percentage of Patients Receiving Selected Dental Services From Private Practitioners in the United States, By Year

| Procedure | 1959 | 1969 | 1979 | 1990 |
|---|---|---|---|---|
| Oral Examination | 20.1 | 27.8 | 30.1 | 42.8 |
| Radiographs | 18.1 | 23.9 | 21.0 | 25.3 |
| Prophylaxis | 19.9 | 25.5 | 24.9 | 38.6 |
| Fluoride Treatment | 0.9 | 4.0 | 6.8 | 9.8 |
| Amalgam, One Surface | 20.1 | 15.9 | 8.5 | 5.3 |
| Amalgam, Two Surfaces | 20.6 | 16.4 | 9.6 | 7.2 |
| Crown | 1.6 | 2.9 | 5.2 | 5.3 |
| Endodontic Treatment | 1.7 | 2.9 | 3.2 | 2.6 |
| Extraction | 13.0 | 9.8 | 5.4 | 4.9 |
| Periodontal Treatment | 3.2 | 2.5 | 3.3 | 4.1 |

Source: American Dental Association Survey Center

In 1963, 42% of all people indicated having visited the dentist in the past year. In 1989 this percentage increased to 57%. In that same time period, dental visits per person increased from 1.6 to 2.1.

Source: National Center for Health Statistics

From 1970 to 1997, the Consumer Price Index increased 313.7%. In that same time period dental services increased by 478% and physician services increased by 546%.

Source: JADA, Vol. 129, December 1998

Between 1970 and 1996, real gross domestic product doubled, representing an annual real growth rate of 2.7%.

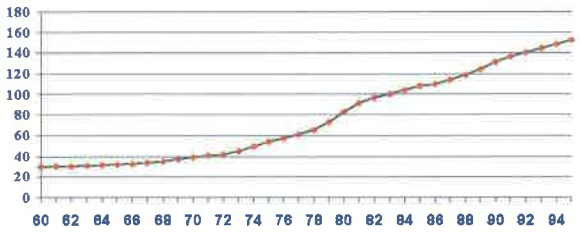
Source: JADA, Vol. 129, December 1998 p. 1683

Family Practice General Dentist
Net Income by 5 Year Age Group

| Age | Gross Income | Net Income |
|---|---|---|
| 30 - 34 | $290,000 | $105,000 |
| 35 - 39 | $345,000 | $125,000 |
| 40 - 44 | $355,000 | $130,000 |
| 45 - 49 | $370,000 | $135,000 |
| 50 - 54 | $380,000 | $140,000 |
| 55 - 59 | $295,000 | $115,000 |
| 60 - 64 | $225,000 | $110,000 |

Source: ADA Survey Center, 1996 Survey of Dental Practice

Consumer Price Index 1960 -1995
1982-1984 = 100




Source: Bureau of Labor Statistics,
U.S. Dept. of Labor, CPI Detailed Report

## Change in Net Income for Dentists Since the Advent of Dental Insurance

| Year | % Total of practice expenses (not including dentists salaries) | % Net Profit |
|---|---|---|
| 1952 | 42% | 58% |
| 1962 | 46% | 54% |
| 1972* | 50% | 50% |
| 1989 | 58% | 42% |
| 1992 | 61% | 39% |
| 1995** | 60% | 40% |

* this calculation is not included in the reports again till 1989 ** most recent numbers available Source: ADA Survey of Dental Practice

**You should reconsider your competitive strategy in regards to all PPO's, HMO's fee schedules, and Delta Dental when the monetary amount you adjust off per insurance claim is greater than the dollar amount you spend on attracting each new patient.**

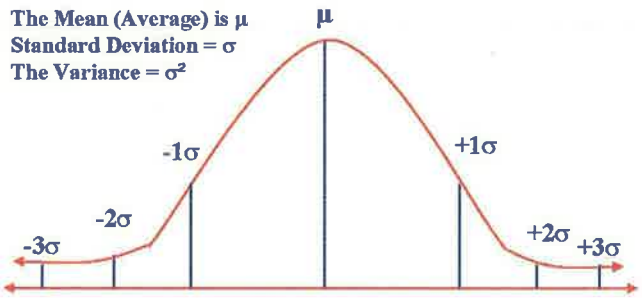
Howard Farran DDS, MAGD

## Dental HMO Coverage by Region

| Region | Covered Lives | Total Population | Share of Population |
|---|---|---|---|
| Northeast | 400,000 | 13,300,000 | 3 % |
| Mid Atlantic | 2,600,000 | 37,1000,000 | 7 % |
| South Atlantic | 3,800,000 | 47,500,000 | 8 % |
| East South Central | 450,000 | 15,000,000 | 3 % |
| West South Central | 2,000,000 | 28,600,000 | 7 % |
| East North Central | 2,700,000 | 45,000,000 | 6 % |
| West South Central | 675,000 | 22,500,000 | 3 % |
| Mountain | 1,200,000 | 15,000,000 | 8 % |
| Pacific / Coast | 7,500,000 | 46,900,000 | 16 % |
| Total | 21,325,000 | 270,900,000 | 8 % |

Source: NADP and Interstudy. All numbers are approximations.

## This is Simply a Normal Distribution!

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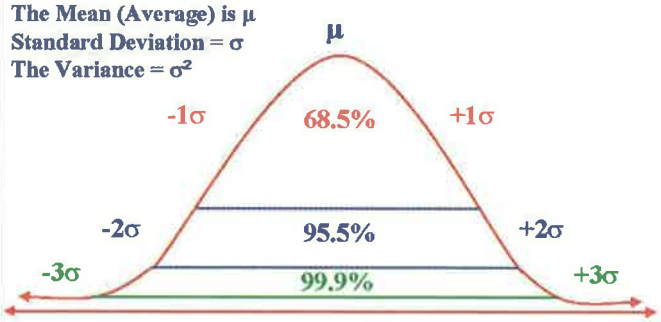
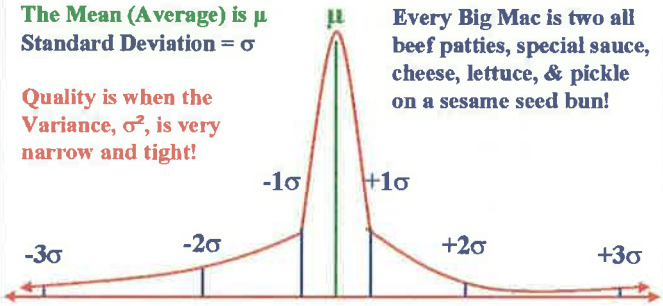
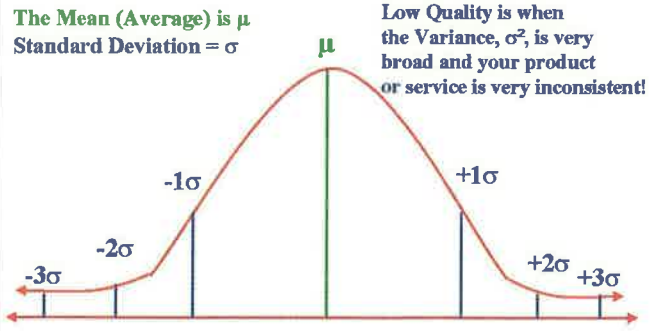


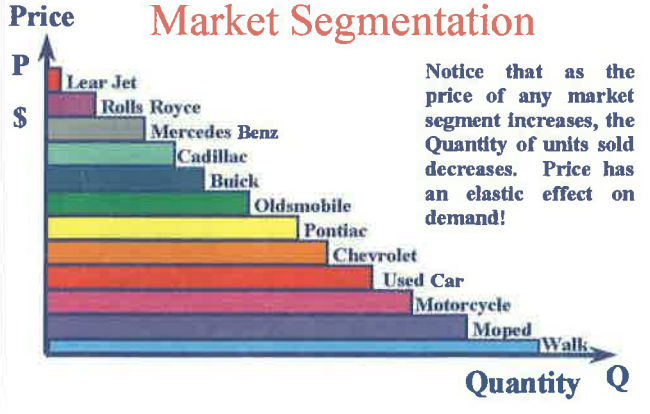

## So what is Quality!




## Low Quality is When You Have a Large Variance!




## Market Segmentation



# Dental HMO Participation

**HMO** Health Maintenance Organization

**CMC** Capitated Managed Care

## 14% of dentist participate

Source: NADP and Interstudy

## In 1992 the United States of America had:

- 19,279 cities, villages, boroughs, and towns!
- 8 cities had a population greater than 1,000,000 people!
- 16,901 of the cities, villages, boroughs, and towns, or 87% of them, had a population of less than 10,000 people!
- 8,675 of the cities, villages, boroughs, and towns, or 45% of them, had not one of the 8 Specialties recognized by the American Dental Association!

Source: The New York Times Almanac, 1998

## In 1992 the United States of America Performed 25,400,000 Root Canals!

| | Endodontist | Family Practice General Dentist |
|---|---|---|
| Percentage of Root Canals Performed | 5 % | 95 % |
| Average Yearly Income | $192,000 | $122,000 |
| Average Number of Patients Seen Per Day | 6 – 8 | 22 – 24 |
| Average Price of a Molar Root Canal | $700 | $500 |

## The Approximate Market Share Percentage for Each Type of Dental Benefit Program

| | Market Share Percentage | Number of people w/ coverage |
|---|---|---|
| Indemnity Benefits | 35 % | 92 mm |
| Dental PPO Benefits | 6 % | 15 mm |
| Dental HMO Benefits | 9 % | 23 mm |
| No Dental Benefits | 50 % | 130 mm |
| Total | 100 % | 260 mm |

Sources: Actuarial studies, Employer Benefit Plan Review, Delta Dental, National Center for Health Statistics, Dewar Sloan estimates. All numbers are approximations.

## What is the Relative Cost of Dental Insurance?

| | Conventional HMO/CMC Dental Insurance Premium | | Conventional Indemnity Dental Insurance Premium | |
|---|---|---|---|---|
| | Year | Month | Year | Month |
| Family | $335 | $28 | $624 | $52 |
| Single | $144 | $12 | $240 | $20 |

## What is the Scope of Dental HMO Programs?

Dental HMO's in their different forms have managed care aspects and arrangements that shape service utilization. Plan utilization rates vary widely, reflecting patient, provider and program differences.

| | HMO Plans | Enrollment | GP Dentists |
|---|---|---|---|
| 1997 Status | ≈ 115 | ≈ 23 mm | ≈ 19,000 14% |

Total Number of General Practice Dentists 136,000 = 100%

Source: NADP and Interstudy

Give me your tired, your poor,

Your huddled masses yearning to breathe free,

The wretched refuse of your teeming shore.

Send these, the homeless, tempest-tossed to me,

I lift my lamp beside the golden door.

From the inscription on the Statue of Liberty

**"To each according to his needs, from each according to his ability."**

**Karl Marx**

**It is always much easier to call other people names than to engage in hard intellectual analysis!**

Free to Choose, Milton & Rose Friedman, copyright 1980

**Cowardice asks the question: is it safe?**
**Expediency asks the question: is it politic?**
**Vanity asks the question: is it popular?**
**But conscience asks the question: is it right?**

**There comes a time when one must take a position that is neither safe, nor politic, nor popular – but one must take it because it is right!**

Martin Luther King Jr.

## Number Rising of People Without Health Insurance

WASHINGTON – Deplte the booming economy, the number of people without health insurance rose sharply last year, to 43.4 million, and the proportion of Americans lacking coverage reached the highest level in a decade, 16.1 percent, the Census Bureau reported Friday. After rising slightly more than 1 million a year, on the average, in the past decade the number of uninsured people was up 1.7 million last year, the largest increase since 1992.

Medicaid rolls are down, and some employers have said they are cutting back health benefits, especially for dependants of employees.

Households with annual incomes of $75,000 or more accounted for half the increase in the number of uninsured, the bureau said. *Wall Street Journal*, January 18, 1998

## Demographic Market Segmentation - Variables

Consumers are classified according to standard demographics, such as age, sex, income, marital status, etc. Non-standard variables can also be used. For example:

- Type of health plan (HMO, PPO, POS, traditional indemnity, etc.)
- Number of dental visits in the past year
- Combined average household income
- The price of your home
- Your highest level of education, (high school, college, etc.)
- The car you drive
- Your family values, traditions, and culture.

## An Example of a "Needs-Based" Segmentation for the Health Care Market

| Segment | Description |
|---|---|
| Premium-focused | Highest premium sensitivity. Low value for all other characteristics. Lowest income. Higher percentage young, male, single |
| Risk-averse | High value for co-insurance and preventive care. Moderately premium sensitive. Low value for other characteristics. Low income. Highest percentage with children. Favorable attitude toward HMOs. |
| Choice demanders | Lowest premium sensitivity. Highest membership in indemnity and PPO. Highest percentage of seniors. Least favorable toward HMOs. Lower than average self-stated health status |
| Relationship driven | Highest value for relationship. Moderate premium sensitivity and value for co-pay, preventive care, and wait times. Lowest self-stated health status. Strongest attitude toward continuity of care. |
| Convenience seekers | Highest value for location and wait times. Moderate value for relationship. Older than average. Unfavorable toward HMOs. Strongest feeling that "I struggle to keep things under control" |

## Attitudinal Market Segmentation – Variables

Consumers are classified according to their responses to a series of attitudinal statements.

Sample attitudinal statements in the health care market could include:

- HMOs provide the most comprehensive care
- I typically call a close friend or relative for advice about my health
- Herbal remedies are my first line of defense
- I seek health information from the World Wide Web
- I would rather stick with what is known than take chances
- I would rather look good than feel good
- I just want to know if it is going to hurt
- I just want to know what its going to look like

## Demographic Market Segmentation – Variables

Consumers are classifies according to standard demographics, such as age, sex, income, marital status, etc. Non-standard variables can also be used. For example:

Type of health plan (HMO, PPO, POS, traditional indemnity, etc.
Number of dental visits in the past year
combines average household income
the price of your home
Your highest level of education, (high school, college, etc.)

## Needs-based Market Segmentation – Variables

**Respondents are classified according to their values for the product attributes**

**Example attributes for a needs-based market segmentation where the product is a health plan might include:**

- **Monthly premium**
- **Co-payment**
- **Doctor choice**
- **Dental office location**

## Needs, Wants & Attitudes

## The Approximate Market Share Percentage for each type of Dental Benefit Program

| | Market Share Percentage | Number of People w/ Coverage |
|---|---|---|
| Indemnity Benefits | 35 % | 92 mm |
| Dental PPO Benefits | 6 % | 15 mm |
| Dental HMO Benefits | 9 % | 23 mm |
| No Dental Benefits | 50 % | 130 mm |
| Total | 100 % | 260 mm |

**Sources: Actuarial studies, Employer Benefit Plan Review, Delta Dental, National Center for Health Statistics, Dewar Sloan estimates. All numbers are approximations.**

## What is the Employee Benefit Management Picture?

**Generally speaking, larger companies and public sector institutions are more likely to offer dental benefits than smaller companies. Full-time employees are more likely to have dental benefits than part-time employees.**

**Employees with Medical and Dental Benefits**

| | Medical Plan | Dental Plan | Employment |
|---|---|---|---|
| Small Business F.T. | 66% | 28% | ≈ 36mm |
| Small Business P.T. | 07% | 03% | ≈ 14mm |
| Large Business F.T. | 77% | 57% | ≈ 35mm |
| Large Business P.T. | 19% | 13% | ≈ 08mm |
| Government F.T. | 93% | 62% | ≈ 20mm |
| Government P.T. | 87% | 62% | ≈ 14mm |

## What is the Scope of Dental Finance?

| | Patients | Percent of Lives Share | Service Cost | Cost Share |
|---|---|---|---|---|
| Indemnity | 92 mm | 44% | $18 bil | 39% |
| Managed Care | 38 mm | 18% | $06 bil | 13% |
| Patient Pays | 80 mm | 38% | $22 bil | 48% |

**Source: Dewar Sloan DeCEM analysis of Actual Dental Care Utilization Ratios and Consumption-vs-Benefit Coverage Levels, based on an estimated 210 million consumers, a $46 billion service market and premium ratio/cost level assumptions. Figures not fully adjusted for co-pays, non-paid electives deductibles. Estimates: 08/20/97**

## What the HMO's Think You Should Do...

| Category | Expected Range Of Utilization |
|---|---|
| Diagnostic | 35 – 43 |
| Preventive | 20 – 28 |
| Basic Restoration | 12 – 20 |
| Crowns and Inlays | 2 – 3 |
| Endodontics | 1 – 2 |
| Periodontics | 3 – 5 |
| Prosthodontics Removable | 1 – 2 |
| Prosthodontics Fixed | 1 – 2 |
| Oral Surgery | 3 – 5 |
| Orthodontics | 3 – 6 |
| Adjunctive Services | 1 - 3 |

## Doctor Caught in the Middle?

## The Future Looks Good for Dentists!

The apparent ease with which dentists can fill their schedules will, we believe, make it difficult for managed-care payers in most markets to gain the contracting leverage to drive down price, thereby driving providers to consolidate as a defensive measure. We believe that the pressures which managed care brings to dentistry may not increase much from today, or may even plateau, as a result of employers' generally providing richer dental insurance plans and of the limited supply of dentists available to meet secularly increasing demand.

**Source: Hambrecht & Quist LLC Institutional Research**

## Who Will the Providers of Managed Care Be?

Dental benefit management companies now face the challenging task of maintaining and expanding their provider networks. Although managed-care patients continue to be relatively less appealing to dentists as they are generally able to fill their schedules with better paying fee-for-service patients.

**Source: Hambrecht & Quist LLC Institutional Research**

## The Vast Majority of New-Patient Visits are from Referrals!

The modest penetration of managed care into dentistry continues to permit many dentists to build their practices without resorting to contracting with payers at substantially reduced rates (as many of their physician counterparts now must). Skillful advertising marketing, and site management create significant, above average internal growth opportunities for those equipped with such expertise. Advertising constitutes a major source of new patients (accounting for 11% on average of all new patient visits from 1985-1989), although the vast majority of new-patient visits are generated from current patient referrals.

**Source: Hambrecht & Quist LLC Institutional Research.**

## The Physicians Sold Out the Insurance Companies!

Despite this growth, dental payers appear to have significantly less influence on dentist income than their counterparts in the government and managed-care payer-dominated group health markets appear to have on physician income. HMOs insure about 60 million Americans, roughly triple the extent of capitated dental benefit plans. Whereas the mainstream physician industry has evolved, under pressures from payers, to a market driven by the purchasing power of wholesale buyers, the dental services industry has retained its strong retail characteristics. Despite the rising influence of managed care, dentistry still consists largely of fee-for-service business, with, to date, relatively modest management of care by payers and modest aggregation of payer purchasing activity.

**Source: Hambrecht & Quist LLC Institutional Research**

**Less than 2% of all family practicing dentist collected no money from private insurance companies!**

**Less than 3% of all specialist collect no money from private insurance companies!**

**60% of all dentist accept no money from the government!**

**Source: NADP and Interstudy**

## Sugar goes pop!

**Even though Americans are using record amounts of artificial sweeteners, they're also consuming record amounts of sugar, thanks in large part to soft drinks (that is sodas). Most of the following statistics comes from a new report from the Center for Science in the Public Interest.**

- **Per capita intake of refined sweeteners in U.S.: 152 pounds per year.**
- **Increase since 1970: 24 pounds.**
- **Percentage of all calories consumed by the average American supplied by added sugars: 16%**
- **Supplied by soda for the average teenager: 9%**
- **Calories provided by added sugars in the average American's daily diet 300 (probably an underestimate).**
- **Proportion of refined sugar consumption in U.S. provided by soda: more than one-third.**

**Source: UC Berkeley Wellness Letter, February, 1999**

## Sugar goes pop! (cont.)

- **Average annual consumption of soda: 54 gallons per person (only 24% are artificially sweetened).**
- **Increase in per capita consumption of soft drinks in U.S. since the early 1970's 100%**
- **Increase in per capita consumption of soft drinks in U.S. Since 1985: 43%**
- **Ranking of the following for sugar content and total calories**

| Item | Sugar Grams | Calories |
|---|---|---|
| Coke, 12 oz. | 39 | 140 |
| Milky Way | 35 | 270 |
| Twinkies, 2 | 28 | 300 |
| Oreo's, 6 | 26 | 320 |

**Source: UC Berkeley Wellness Letter, February 1999**

| | Private Insurance | No Insurance | Public Assistance |
|---|---|---|---|
| Existing Patients of Record | 60% | 35% | 5% |

**Source: ADA Survey of Dental Practice, 1996.**

## Dental Office Revenue

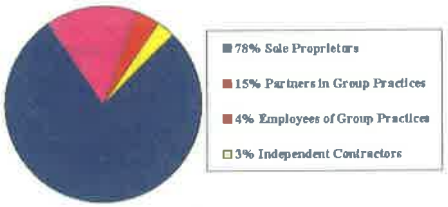
**43% Patient**

**52% Private Dental Insurance**

**5% Government**

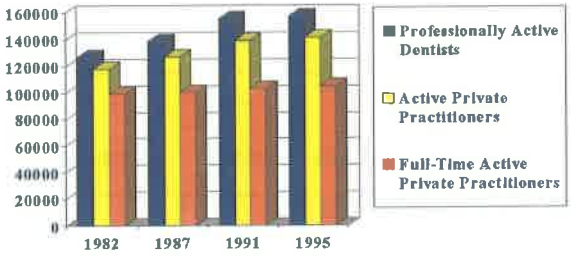
**Source: ADA Survey Center, 1996 Survey of Dental Practice**

## Distribution of Dentists in Private Practice: 1994




Source: ADA, Survey of Dental Practice, 1995

## Number of Dentists in the United States



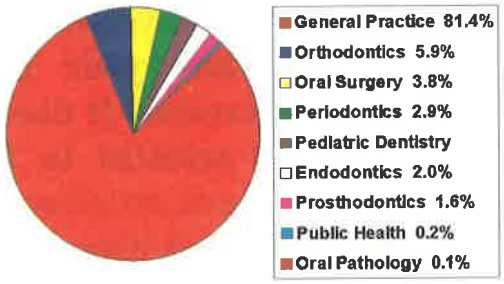

Source: ADA, distribution of dentists in the US by region and state

## Fact:

The largest number of dentists are between the ages of 45 and 60

Source: ADA Survey Center, 1996 Survey of Dental Practice

## Generalist and Specialist Dentist: 1995




Source: ADA Survey Center, 1995

## Fact:

**The average dentist owns 5 cars during his/her career.**

**The average dentist owns 3 homes during his/her career**

Source: ADA Survey Center, 1995

## Fact:

**The average dentist retires with $160,000 in the bank.**

**The average dentist retires at age 54.**

Source: ADA Survey Center, 1995

## Dental School Facts:

**Total Cost:**

**$12,771/year - state average**

**$20,709/year - non-resident**

**Average dental school graduate has $82,599 in total debt.**

Source: ADA Survey Center, 1995

## What is the Relative Cost of Dental Insurance?

| | Conventional HMO/CMC Dental Insurance Premium | | Conventional Indemnity Dental Insurance Premium | |
|---|---|---|---|---|
| | Year | Month | Year | Month |
| Family | $335 | $28 | $624 | $52 |
| Single | $144 | $12 | $240 | $20 |

## Total Number of Dentists

| | | |
|---|---|---|
| The total number Of all active U.S.A. dentists | 164,940 | 100% |
| The total number of all active U.S.A. dentists who are members of the American Dental Association on 8-20-98 | 119,784 | 72.6% |
| The total number of all active U.S.A. dentists who are not members of the American Dental Association on 8-20-98 | 45,156 | 27.4% |

Source: ADA Survey Center

## Dental Insurance In America

| Americans | No Form of Dental Insurance | Some Form of Dental Insurance |
|---|---|---|
| 270,000,000 | 140,000,000 | 130,000,000 |
| 100% | 52% | 48% |
| | $22 Billion | $24 Billion |

Source: 1998, NADP and Interstudy

## Dental Insurance

They manage to get you to lower your price while your costs continue to increase. It doesn't take a rocket scientist to find out that you are working on more people for less money!

Source: 1998, NADP and Interstudy

## So You Say You Don't Do Managed Care!

The practical distinctions of conventional indemnity coverage and managed care can become quite blurred, however, and this complicates the discussion. At some level, most dental care is managed if it regulates the prices that the dentist provider charges.

Source: 1998, NADP and Interstudy

## It is all about reducing costs!

"...Dental benefit programs are evaluated to a large degree on price...Benefit managers are under pressure to reduce costs whenever possible..."

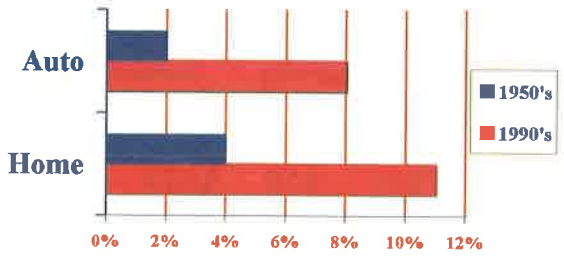
Source: Society of Professional Benefit Administrators, 1997

## Cars per 100 People:

| | |
|---|---|
| 1960 | 34 cars per 100 people |
| 1993 | 56 cars per 100 people |

*Market Driven Health Care*
Regina E. Herzlinger PhD
Economist, Harvard University

## Auto & Home Expenses as a Percentage of After Tax Disposable Income




## Where They Spent It

| | |
|---|---|
| U.S. GDP | $7,657,000,000,000 |
| U.S. Population | 270,000,000 |
| Number of MD's | 645,000 |
| Number of DDS's | 161,000 |
| Total Health Care Spending | $1,087,000,000,000 |
| Gambling | $546,000,000,000 |
| Automotive Dealers | $395,000,000,000 |
| General Merchandise | $245,000,000,000 |
| Eating Out | $207,000,000,000 |
| Credit Card Debt | $440,000,000,000 |
| Credit Card Interest Only | $54,000,000,000 |
| Apparel and Accessories | $101,000,000,000 |
| Furniture and Home Décor | $93,000,000,000 |
| Drug Stores | $77,000,000,000 |
| Tobacco Sales | $76,000,000,000 |
| Women's Hair Care | $71,000,000,000 |
| Dentistry | $45,000,000,000 |

Source: The New York Times 1998 Almanac; ADA Survey Center, & *Market Driven Health Care*, Regina E. Herzlinger, Copyright 1997

## Household Computer Ownership:

| | |
|---|---|
| 1983 | 7% |
| 1994 | 37% |

*Market Driven Health Care*
Regina E. Herzlinger PhD
Economist, Harvard University

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In 1954 the PDP-1 introduced by DEC had 4 kilobytes of memory, cost $120,000 and needed a hermetically sealed air-conditioned room with a draconian acolyte to run it!

In 1996, 37 years later, a Pentium has 18 megabytes of memory, does 2 billion computations per second, and costs less than a $1000!

*Market Driven Health Care*
Regina E. Herzlinger PhD
Economist, Harvard University

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## The larger the company the more likely they are to have dental insurance benefits!

| Number of Employees | % with a Dental Plan |
|---|---|
| 1 - 10 | ≈ 30% |
| 10 – 100 | ≈ 50% |
| 100 – 500 | ≈ 65% |
| 500 – 999 | ≈ 70% |
| 1000 - + | ≈ 75% |

Source: General studies by Delta Dental, Towrer Group
Actuarial Groups including Wyatt, Tillinghast, etc.

---

## Dental Insurance

| | |
|---|---|
| Small Business | 27 % |
| Fortune 500 | 56 % |
| Government | 61 % |

Source: ADA Survey of Dental Practice, 1996.

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## Government does protect one class of workers very well, namely, those employed by government!

Montgomery County, Maryland, a half-hour's drive from Washington, D.C., is the home of many senior civil servants. It also has the highest average family income of any county in the United States!

Free to Choose, Milton & Rose Friedman, copyright 1980

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## The dental market is growing on the patient demand side!

| 1960 | 2000 |
|---|---|
| Average adult had 7 teeth at age 65! | Average adult will have 24 teeth at age 65! |

Source: U.S. Dept of Health and Human Services

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In 1996 Dentistry in the United States was around $47 Billion Dollars! Here is a list of the Fortune 500 U.S. Corporations closest in size to dentistry in 1996!

| Rank in 1996 | Company Name | Revenue (In Billions of Dollars) |
|---|---|---|
| 9 | Chrysler | $61 |
| 10 | Philip Morris | $54 |
| * | Dentistry | $47 |
| 11 | Texaco | $44 |
| 12 | State Farm Ins. | $42 |
| 13 | Prudential Ins. | $40 |
| 14 | E.I. Du Pont | $39 |
| 15 | Chevron | $38 |
| 16 | Hewlett-Packard | $38 |
| 17 | Sears Roebuck | $38 |

Source: Fortune April 28, 1997

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It is a well known fact that demand creates a market, a market creates opportunity, and opportunities will not be ignored.

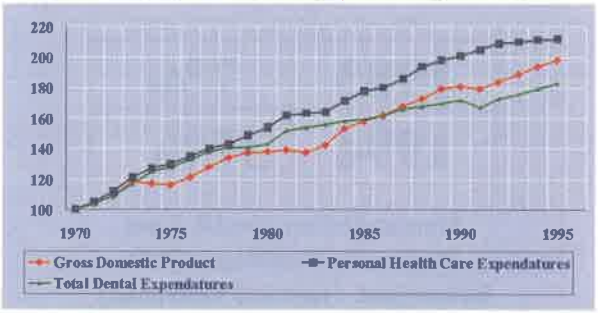
Joanne Hite, The Arizona Republic
Saturday, Sept. 5, 1998

## Trends in Mean Decayed, Missing or Filled Surfaces by Race-Ethnicity, U.S. Children aged 5 to 17 years, 1971 - 1994

| Year Range | Overall Mean DMFS | Mean DMFS By Race | | |
|---|---|---|---|---|
| | | White Non-Hispanic | Black Non-Hispanic | Mexican-American |
| 1971 - 1974 | 7.1 | 2.5 | 7.3 | NA |
| 1979 - 1980 | 4.8 | 4.9 | 4.1 | NA |
| 1986 - 1987 | 3.1 | 3.0 | 3.2 | 4.0 |
| 1988 - 1994 | 2.5 | 2.4 | 2.4 | 2.7 |

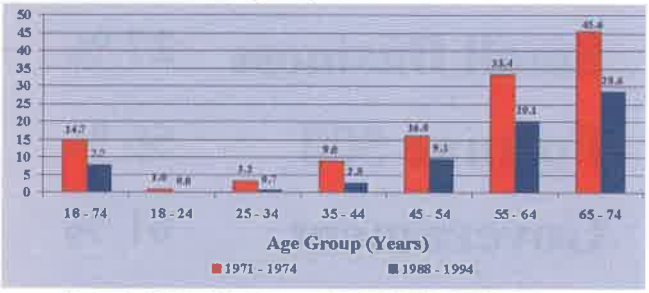
Sources: National Institutes of Health, Kelly & Harvey, National Institute of Dental Research, and Kaste and colleagues.

## Growth in Real (base = 1995) GDP, Personal Health Care Expenditures and Dental Care Expenditures, 1970 - 1995



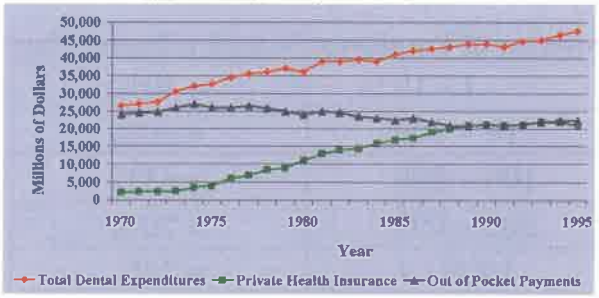

Sources: Health Care Financing Administration and American Dental Association, Survey Center.

## Trends In Edentulism, By Age U.S. Adults aged 18 to 74 years, 1971 - 1994



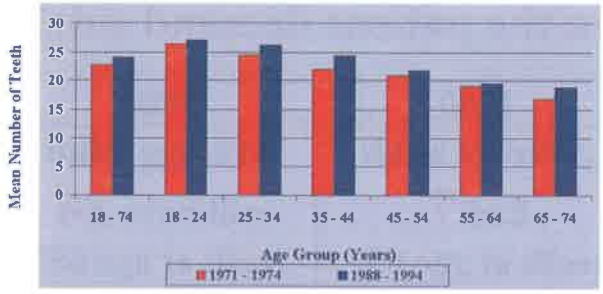

Sources: National Institutes of Health, Kelly and Harvey, National Institute of Dental research, Kaste and colleagues

## Total Real (base = 1996) dental expenditures by type of payment, 1970 - 1996




Sources: Health Care Financing Administration and American Dental Association,Survey Center.

## Trends in mean number of teeth present, by age, dentate U.S. adults aged 18 to 74 years, 1971 - 1994



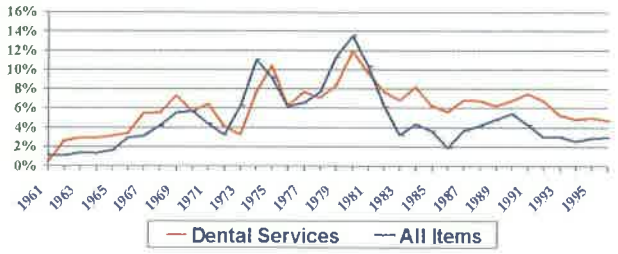

Sources: National Institutes of Health, Kelly and Harvey, National Institute of Dental Research, Kaste and colleagues

## Average Real (Base = 1995) Primary Private Practice Net Income And Gross Billings of Independent Private Dentists, 1986 - 1995

| YEAR | Average Real Net Income | | | Average Real Gross Billings | | |
|---|---|---|---|---|---|---|
| | General Practitioners | Specialists | All Independent Dentists | General Practitioners | Specialists | All Independent Dentists |
| 1986 | 97,225 | 136,159 | 102,953 | 287,349 | 385,630 | 301,949 |
| 1987 | 97,142 | 152,212 | 107,579 | 279,364 | 412,043 | 304,411 |
| 1988 | 100,818 | 153,688 | 110,390 | 309,476 | 411,879 | 327,757 |
| 1989 | 101,407 | 158,951 | 112,112 | 315,075 | 428,146 | 335,010 |
| 1990 | 103,229 | 166,637 | 112,522 | 319,142 | 465,794 | 339,326 |
| 1991 | 102,976 | 160,188 | 112,499 | 318,518 | 439,845 | 338,368 |
| 1992 | 106,604 | 166,641 | 116,467 | 325,189 | 453,963 | 345,784 |
| 1993 | 113,672 | 168,146 | 121,583 | 335,343 | 444,892 | 351,459 |
| 1994 | 120,943 | 182,623 | 131,041 | 355,302 | 463,956 | 373,061 |
| 1995 | 122,860 | 191,890 | 134,590 | 367,660 | 516,180 | 392,650 |

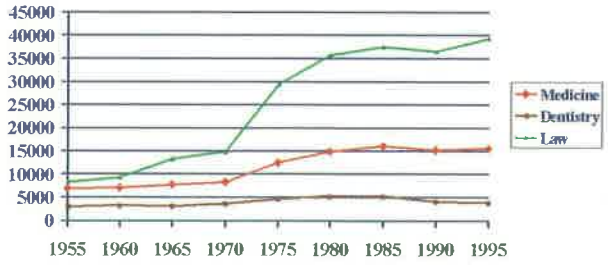
Source: American Dental Association

## Percent increases from previous year of CPI of All Items and CPI of Dental Services.




Source: Bureau of Labor Statistics, U.S. Department of Labor, CPI Detailed Report

## Professional degrees earned from 1955 to 1995:




Source: U.S. Department of Education, National Center for Educational Stats.

## Physicians & Dentists Per Person

Physicians Per Person

1 physician per 529 people
1 specialist physician per 819 people
1 primary care physician per 1515 people

Dentists Per Person

1 dentist per 1850 people

Source: 1998, ADA Survey Center and Dartmouth Atlas of Healthcare.

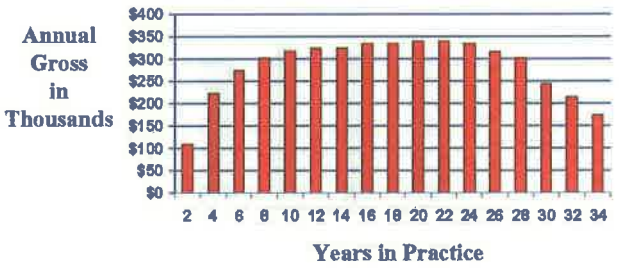
## Total Number of Dentists 136,600

| | | |
|---|---|---|
| Family Practice/ General Dentistry | 112,300 | 82% |
| Specialist | 24,336 | 18% |

Source: ADA Survey Center, 1996 Survey of Dental Practice

## The Macro View

Profile of A Solo Practice




Source: ADA, 1996 Survey of Dental Practice

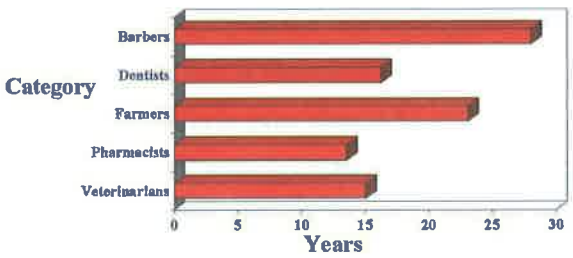
## General Dentist VS. Specialist

| | Family Practice General Dentist | Specialist |
|---|---|---|
| Gross Production Per Year | $ 330,000 | $480,000 |
| Gross Production Per Month | $27,500 | $40,000 |
| Net Income Per Year | $122,000 | $192,000 |
| Net Income Per Month | $10,166 | $16,000 |
| Overhead Percentage | 60% | 53% |

Source: ADA Survey Center, 1996 Survey of Dental Practice

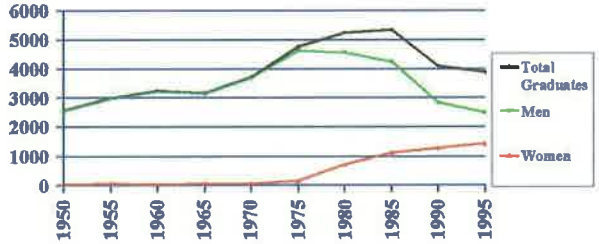
## The Macro View

Employment Duration




Source: Bureau of Labor Statistics, U.S. Department of Labor

## The Number of Male vs. Female Dental Graduates from1950 to 1995!

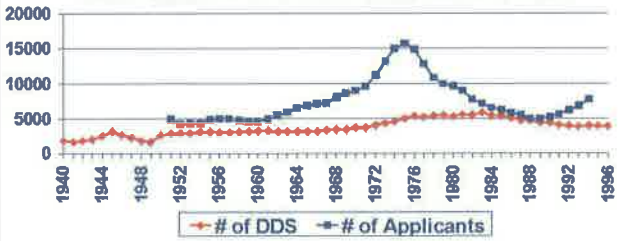



Source: ADA Survey Center

## Average Real (base = 1995) Net Income of General Practitioner Physicians vs. Dentists, 1970 - 1995

Sources: D.R. House, Ph.D., unpublished data, April 8, 1998, and American Dental Association.

## The Number of Dental School Applicants VS. The Number of Dental School Students!




Source: ADA Survey Center

## Graduating Indebtedness

U.S. Dept of Education, National Center for Education Statistics

## Dental Schools in 1997

| | |
|---|---|
| 55 | Dental Schools in US |
| 4,255 | Freshmen |
| 16,570 | Enrolled |
| 3,810 | Graduates annually |

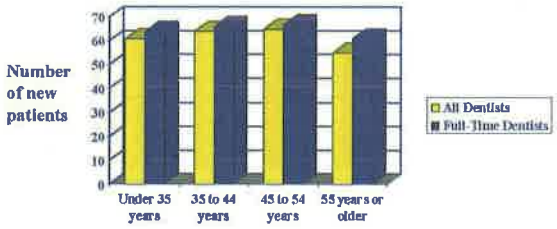
## Dental Graduates 1998

Average dental graduate has $56,000 in tuition/school-related debt

Average dental school graduate has $26,105 in Visa/discretionary debt

Average dental school graduate has a total debt of $82,105

## The average number of patients seen each week among full-time private practitioners was a little higher than among all private practitioners.




Source: ADA Survey Center, 1996 Survey of Dental Practice

## Dental Ownership Facts

21% of dentist graduates in the last 10 years are nonowners!

8% of all dentists are nonowners!

Average age of a nonowner dentist is 40 years old!

Average net income of a nonowner dentist is $65,000 per year!

| Top 25% | Medium | Bottom 25% |
|---|---|---|
| Over $85,000 | $60,000 | $40,000 |

Source: ADA Survey, 1996

## Dentist Average Incomes

- The Average General Dentist earns $122,000 a year!
- The Average Specialist earns $192,000 a year!
- The Average for All dentists is $135,000 a year!
- The Top 25% of dentists earn over $175,000!
- The Median dentist earns around $120,000!
- The Bottom 25% of dentists earn less than $75,000!

Source: ADA Survey Center, 1996 Survey of Dental Practice

## The number of hours per week that you work drastically affects your net income!

| | | |
|---|---|---|
| Dr. A 40% | 40 + hours a week | Averages $140,000/year |
| Dr. B 44% | 32 + hours a week | Averages $105,000/year |
| Dr. C 14% | 32 or less hours a week | Averages $85,000/year |

**Notice: that Doctor A works 25% more hours than Doctor B, yet nets 33% more!**

Source: ADA Survey of Dental Practice, 1996.

## General Dentist VS. Specialist

| | Family Practice General Dentist | Specialist |
|---|---|---|
| Average number of yearly visits | 3.5 | 6 |
| Average length of time per visit | 45 Minutes | 35 Minutes |
| Average number of patient visits per week with hygiene | 80 | 105 |

Source: ADA Survey of Dental Practice, 1996, *Characteristics of Dentists in Private Practice and Their Patients*

## General Dentist VS. Specialist

| | Family Practice General Dentist | Specialist |
|---|---|---|
| Weeks Worked Per Year | 48 | 47 |
| Hours per week treating patients | 33 | 32 |
| Hours per year treating patients | 1600 | 1550 |
| Hours per week in office | 37 | 37 |
| Hours per year in office | 1750 | 1750 |

Source: ADA Survey of Dental Practice, 1996, Characteristics of Dentists In Private Practice and Their Patients

| | Family Practice General Dentist | Specialist |
|---|---|---|
| Number of operatories: | 3.5 | 5 |
| Square feet of dental office: | 1600 | 2300 |
| Have more than one dental office location: | 5% | 35% |

ADA Survey Center, 1996

## Family Practice General Dentist

| | |
|---|---|
| $330,000 | Gross Revenue per 1600 per yr. |
| $208,000 | Overhead |
| $122,000 | Net Income before Taxes |
| 1,600 | Hours per year chairside |
| $205 | Per hour overhead |
| $40 | Per hour overhead per chair |
| $80 | Per hour profit |
| $20 | Per hour profit per chair |

ADA Survey Center, 1996

## Dental Specialist

| | |
|---|---|
| $480,000 | Gross Revenue per 1550 |
| $288,000 | Overhead |
| $192,000 | Net Income before taxes |
| 1550 | Hours per year chairside |
| $185 | Per hour overhead |
| $140 | Per hour overhead per chair |
| $125 | Per hour profit |
| $25 | Per hour profit per chair |

Source: ADA Survey Center, 1996 Survey of Dental Practice

## The Effect of FEES

Assuming an overhead of 71%:

A 10% fee decrease means you need to do 53% more dentistry for the same net profit.

A 20% fee decrease means you need to do 222% more dentistry for the same net profit.

In contrast...

A 10% fee increase means you can make the same profit doing only 74% of the dentistry you're doing now.

A 20% fee increase means you can make the same profit doing only 59% of the dentistry you're doing now.

## The effects of a fee increase on your overhead!

| Current Overhead Percent \ Percent Fee Increase | 5% | 10% | 15% | 20% | 25% |
|---|---|---|---|---|---|
| 90% | 50% | 100% | 150% | 200% | 250% |
| 85% | 33% | 67% | 100% | 133% | 167% |
| 80% | 25% | 50% | 75% | 100% | 125% |
| 75% | 20% | 40% | 60% | 80% | 100% |
| 70% | 17% | 33% | 50% | 67% | 83% |
| 65% | 14% | 29% | 43% | 57% | 71% |
| 60% | 12% | 25% | 37% | 50% | 62% |
| 55% | 11% | 22% | 33% | 44% | 56% |
| 50% | 10% | 20% | 30% | 40% | 50% |
| 45% | 9% | 18% | 27% | 36% | 45% |

The Numbers In Red Is The Percent Increase In Net Income Related To A Fee Increase!

## Family Practice General Dentist Net Income by 5 Year Age Group

| Age | Gross Income | Net Income |
|---|---|---|
| 30 - 34 | $290,000 | $105,000 |
| 35 - 39 | $345,000 | $125,000 |
| 40 - 44 | $355,000 | $130,000 |
| 45 - 49 | $370,000 | $135,000 |
| 50 - 54 | $380,000 | $140,000 |
| 55 - 59 | $295,000 | $115,000 |
| 60 - 64 | $225,000 | $110,000 |

Source: ADA Survey Center, 1996 Survey of Dental Practice

## Dental Specialist Net Income by 5 Year Age Groups

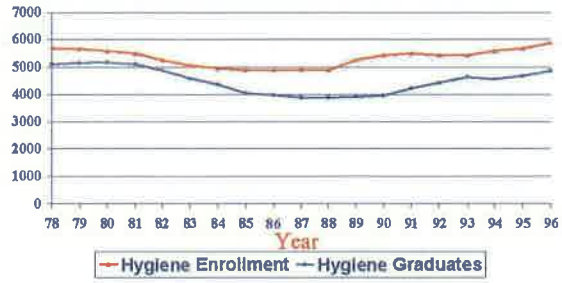
| Age | Income |
|---|---|
| 30 - 34 | $145,000 |
| 35 - 39 | $180,000 |
| 40 - 44 | $225,000 |
| 45 - 49 | $210,000 |
| 50 - 54 | $190,000 |
| 55 - 59 | $180,000 |
| 60 - 64 | $145,000 |

Source: ADA Survey Center, Survey of Dental Practice, 1995

| Percentage of Patients Receiving Selected Dental Services From Private Practitioners in the United States, By Year | | | | |
|---|---|---|---|---|
| Procedure | 1959 | 1969 | 1979 | 1990 |
| Oral Examination | 20.1 | 27.8 | 30.1 | 42.8 |
| Radiographs | 18.1 | 23.9 | 21.0 | 25.3 |
| Prophylaxis | 19.9 | 25.5 | 24.9 | 38.6 |
| Fluoride Treatment | 0.9 | 4.0 | 6.8 | 9.8 |
| Amalgam, One Surface | 20.1 | 15.9 | 8.5 | 5.3 |
| Amalgam, Two Surfaces | 20.6 | 16.4 | 9.6 | 7.2 |
| Crown | 1.6 | 2.9 | 5.2 | 5.3 |
| Endodontic Treatment | 1.7 | 2.9 | 3.2 | 2.6 |
| Extraction | 13.0 | 9.8 | 5.4 | 4.9 |
| Periodontal Treatment | 3.2 | 2.5 | 3.3 | 4.1 |

Source: American Dental Association Survey Center

## The Macro View of Hygiene Enrollment VS. Graduation!




Source: American Dental Association, Survey Center

Census Counts and Projections of Dental School Applicants, Enrollees and Graduates from 1976 – 2020

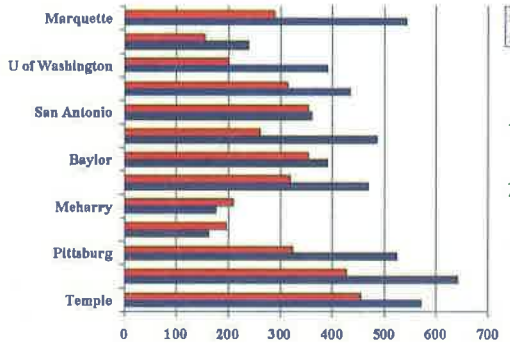
| YEAR | APPLICANTS | APPLICANT RATE | FIRST-YEAR ENROLLEES | GRADUATES | APPLICANTS PER ADMISSION |
|---|---|---|---|---|---|
| 1978 | 10,776 | 0.5935 | 6,100 | 5,324 | 1.76 |
| 1982 | 7,724 | 0.4619 | 5,498 | 5,371 | 1.40 |
| 1987 | 5,398 | 0.2607 | 4,370 | 4,717 | 1.24 |
| 1991 | 5,632 | 0.3658 | 4,047 | 3,995 | 1.39 |
| 1993 | 6,761 | 0.3997 | 4,100 | 3,778 | 1.65 |
| 1994 | 7,713 | 0.4662 | 4,121 | 3,875 | 1.87 |
| 1995 | 7,996 | 0.4196 | 4,237 | 3,908 | 1.89 |
| 1996 | 8,598 | 0.4257 | 4,255 | 3,810 | 2.02 |
| 1997 | 7,825 | 0.4310 | 4,337 | 3,915 | 1.80 |
| 1998 | 7,654 | 0.4408 | 4,393 | 3,936 | 1.74 |
| 1999 | 7,832 | 0.4531 | 4,450 | 4,046 | 1.76 |
| 2000 | 8,189 | 0.4693 | 4,518 | 4,064 | 1.81 |
| 2005 | 9,647 | 0.4928 | 4,916 | 4,386 | 1.96 |
| 2010 | 10,764 | 0.5268 | 5,289 | 4,769 | 2.04 |
| 2015 | 11,718 | 0.5377 | 5,617 | 5,121 | 2.09 |
| 2020 | 11,591 | 0.5377 | 5,775 | 5,414 | 2.01 |

Source: American Dental Association. Future numbers are projections.

## Dental School Closings

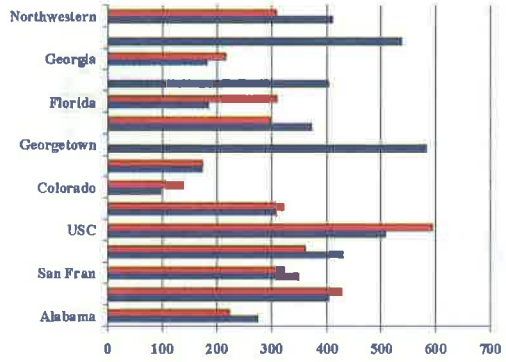
| | |
|---|---|
| 1987 | Oral Roberts University |
| 1989 | Emory University |
| 1991 | Georgetown University |
| 1991 | Fairleigh Dickenson University |
| 1991 | Washington University St. Louis |
| 1994 | Loyola University |
| 2002 | Northwestern University |

## Dental School Enrollment Reduction



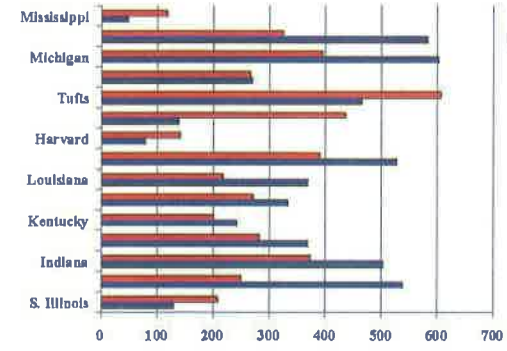

Source: ADA Survey Center, Survey of Pre-Doctoral Dental Educational Institutes

## Dental School Enrollment Reduction



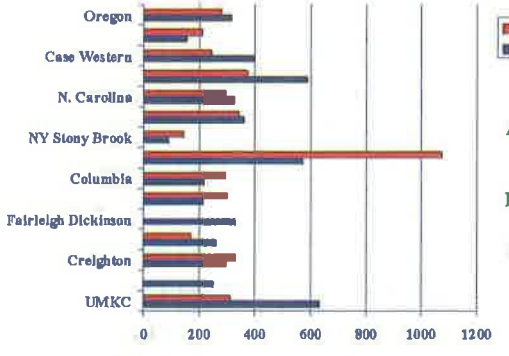

Source: ADA Survey Center, Survey of Pre-Doctoral Dental Educational Institutes

## Dental School Enrollment Reduction




Source: ADA Survey Center, Survey of Pre-Doctoral Dental Educational Institutes

## Dental School Enrollment Reduction




Source: ADA Survey Center, Survey of Pre-Doctoral Dental Educational Institutes

| U.S. Census Counts and Projections: Dental Practitioners, 1976 - 2020 | | | | | |
|---|---|---|---|---|---|
| Year | Professionally Active Dentists | Active Private Practitioners | U.S. Resident Population In Millions | Professionally Active Dentists Per 1000 U.S. Residents | Professionally Active Practitioners Per 1,000 U.S. Residents |
| 1976 | 110,276 | 100,051 | 218 | 0.51 | 0.46 |
| 1978 | 117,044 | 106,672 | 222 | 0.53 | 0.48 |
| 1982 | 126,985 | 116,208 | 232 | 0.55 | 0.50 |
| 1987 | 137,817 | 126,357 | 242 | 0.57 | 0.52 |
| 1991 | 150,702 | 138,094 | 252 | 0.60 | 0.55 |
| 1993 | 151,390 | 139,325 | 258 | 0.59 | 0.54 |
| 1995 | 153,412 | 141,379 | 263 | 0.58 | 0.54 |
| 1997 | 153,856 | 141,928 | 268 | 0.57 | 0.53 |
| 1999 | 155,847 | 143,552 | 272 | 0.57 | 0.53 |
| 2005 | 162,099 | 149,320 | 286 | 0.57 | 0.53 |
| 2010 | 166,147 | 152,663 | 298 | 0.56 | 0.51 |
| 2015 | 168,997 | 155,025 | 310 | 0.54 | 0.50 |

Source: American Dental Association

## What do you want the brightest kids to go into?

In the 1960s, when I was in high school, if someone did well in school academically, almost immediately people assumed this bright student would go on to be a medical doctor! Often no one asked the child if they wanted to be a doctor! It was assumed! It was the profession with the promise of the greatest financial reward!

Today, doctors are facing financial challenges I would not wish on my worst enemy: insurance companies taking control of the business, managed health care, government intervention, and malpractice suits to name a few!

Today, kids want to be basketball stars, golfers like Tiger Woods, computer nerds, movie stars, rock stars, beauty queens, or traders on Wall Street! Simply because that is where the fame, money and prestige is! That is the reason it is so hard to motivate kids in school today! They know that professional success is no longer solely linked to academic success, as it once was!

## The number of new dentist graduates needed each year in the United States just to service the newly added population growth!

(Population growth divided by 1850 people per dentist.)

| | |
|---|---|
| 1990's | 1421 |
| 1980's | 1197 |
| 1970's | 1256 |

Source: 1996 Survey of Dental Practice, Characteristics of Dentists in Private Practice and Their Patients.

## Population Increases Per Year in the United States of America

| | |
|---|---|
| 1990 | 2,629,000 |
| 1980 | 2,216,000 |
| 1970 | 2,324,000 |

Source: U.S. Bureau of the Census

## Population of the United States

| Year | Population | Multiple |
|---|---|---|
| 1800 | 5,308,000 | 1 |
| 1900 | 76,210,000 | 14 |
| 2000 | 275,000,000 | 52 |

Source: U.S. Bureau of the Census

## Population of the United States

| | | |
|---|---|---|
| 2000 | 275,000,000 | |
| 1990 | 248,710,000 | |
| 1980 | 226,542,000 | |
| 1970 | 203,302,000 | |
| 1960 | 179,323,000 | |
| 1950 | 151,325,000 | |
| 1940 | 132,164,000 | Doubled |
| 1930 | 123,000,000 | |
| 1920 | 106,000,000 | |
| 1910 | 92,228,000 | Tripled |
| 1900 | 76,212,000 | |

Source: U.S. Bureau of the Census

## World Births, Deaths, and Population Growth, 1996

| Characteristic | World |
|---|---|
| Population | 5,772,351,000 |
| Births | 133,350,000 |
| Deaths | 53,756,000 |
| Natural increase | 79,594 |
| Births per 1,000 population | 23 |
| Deaths per 1,000 population | 9 |
| Growths rate (percent) | 1.4% |

Source: U.S. Bureau of the Census, *International Data Base* (1996)

## World Vital Events per Time Unit, 1997

| Time Unit | Births | Deaths | Natural Increase |
|---|---|---|---|
| Year | 133,210,159 | 54,122,413 | 79,087,746 |
| Month | 11,100,847 | 4,510,201 | 6,590,646 |
| Day | 364,959 | 148,281 | 216,679 |
| Hour | 15,207 | 6,178 | 9,028 |
| Minute | 253 | 103 | 150 |
| Second | 4.2 | 1.7 | 2.5 |

Source: U.S. Bureau of the Census, International Data Base, (1997)

## Dental Management Services Organizations (DMSO's), for Complete Family Dentistry:

| Company Name | Symbol | Location |
|---|---|---|
| American Dental Partners | NASDAQ:ADPI | |
| Birner Dental Mgmt. Svcs. | NASDAQ:BDMS | Denver, CO |
| Castle Dental Services | NASDAQ:CASL | Houston, TX |
| Coast Dental Services | NASDAQ:CDEN | Tampa, FL |
| Dental Care Alliance | NASDAQ:DENT | Sarasota, FL |
| Dental Services of America | NASDAQ:FLOS | Miami, FL |
| Gentle Dental Services | NASDAQ:GNTL | Vancouver, WA |
| Monarch Dental Corp. | NASDAQ:MDDS | Dallas, TX |
| Pentagra Dental Group, Inc. | AMEX:PEN | Scottsdale AZ. |
| Princeton Dental Mgmt Corp. | NASDAQ:PDMC | |

If you sell your dental practice to a Dental Management Services Organization (DMSO), I would personally ask for as much of the purchase price in cash instead of stock!

| Company Name | Symbol | IPO Date | IPO Price | Price at close on 2/12/99 |
|---|---|---|---|---|
| American Dental Partners | NASDAQ:ADPI | 4/16/98 | $ 15.00 | |
| Birner Dental Mgmt Services | NASDAQ:BDMS | 2/10/98 | $ 7.00 | |
| Castle Dental Centers | NASDAQ:CASL | 9/12/97 | $ 13.00 | $ 5.81 |
| Coast Dental Services | NASDAQ:CDEN | 2/11/97 | $ 8.00 | $ 7.00 |
| Dental Care Alliance | NASDAQ:DENT | 11/4/97 | $ 12.00 | $ 10.06 |
| Dental Services Of America | NASDAQ:FLOS | | | $ 1.28 |
| Gentle Dental Services Corp. | NASDAQ:GNTL | 2/13/97 | $ 5.00 | $ 7.00 |
| Monarch Dental Corp. | NASDAQ:MDDS | 7/18/97 | $ 13.00 | $ 3.96 |
| Pentagra Dental Group, Inc. | AMEX:PEN | 3/25/98 | $ 8.50 | |
| Princeton Dental Mgmt Corp. | NASDAQ:PDMC | | | $ 0.15 |

## Dental Management Services Organization (DMSO's), for Specialty Orthodontics:

| Company Name | Symbol | Location |
|---|---|---|
| Apple Orthodontix | AMEX:AOI | Houston TX |
| Omega Orthodontic, Inc. | NASDAQ:ORTH | |
| OrthAlliance | NASDAQ:ORAL | Torrance CA |
| Orthodontic Centers of America | NYSE:OCA | Pointe Vedra Beach FL |

If you sell your orthodontic practice to a Dental Management Services Organization (DMSO) that Specializes in Orthodontics, I would personally ask for as much of the purchase price in cash instead of stock!

| Company Name | Symbol | IPO Date | IPO Price | Price at close on 2/12/99 |
|---|---|---|---|---|
| Apple Orthodontic, Inc. | AMEX:AOI | 5/23/97 | $ 7 | |
| Omega Orthodontics, Inc | NASDAQ:ORTH | 10/01/97 | $ 6 | |
| OrthAlliance, Inc. | NASDAQ:ORAL | 8/21/97 | $ 12 | |
| Orthodontic Centers of America | NYSE:OCA | | | |

## NYSE Requirements

**Minimum Requirements to be listed on the NYSE (New York Stock Exchange)**

1. **Demonstrated earning power of either $2.5 million before taxes for the most recent year and $2 million before taxes for each of the preceding two years, or an aggregate for the last three years of $6.5 million together with a minimum in the most recent year of $4.5 million (all years must be profitable).**
2. **Net tangible assets equal to at least $18 million.**
3. **A market value for publicly held shares of $18 million.**
4. **A total of at least 1.1 million shares outstanding.**
5. **A total of at least 2,000 holders of 100 shares of stock or more.**

**Source: *Corporate Finance*, Ross, Westerfield & Jaffe, Copyright 1996**

Dentistry as a steady, non-cyclical industry with steady industry growth of 6% to 8% annually is not a candidate for financing growth in the equity market!

Furthermore, the majority of the Fortune 500's most rock solid performers have been continually buying back their shares from the secondary market while in dentistry almost all have been having insiders unload much of their stock! What greater signal would there be?

| Debt | Equity |
|---|---|
| Pays out Interest as a Cost of Capital | Pays out Interest as a Cost in the form of a Dividend |
| **But** | **And** |
| Interest is Tax Deductible | the Dividend is an After Tax Amount. (As of 1998 the Corp. tax rate is 34%) |

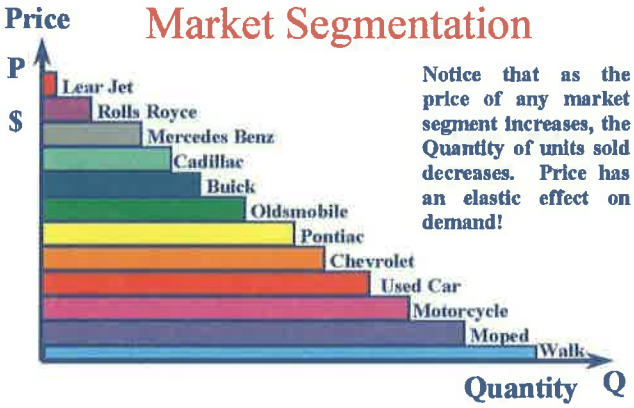
## The Earnings Per Share Game

| | Acquirer Co. | Target Co. |
|---|---|---|
| Price/Earnings | 20 | 4 |
| Profit | 50 | 25 |
| # of shares | 100 | 100 |
| EPS | .50 | .25 |
| Value Per Share | 10 | 1 |

**Acquirer acquires target company and pays $100 for it!**

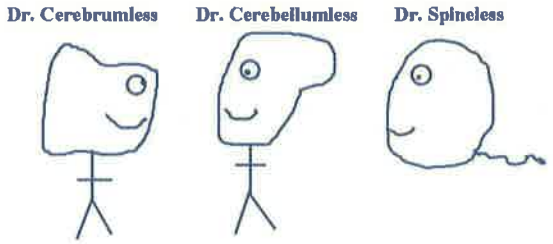
| | |
|---|---|
| Price Earnings | 20 |
| Profit | $75 |
| # of Shares | 110 |
| Value Per Share | $\frac{\$75 \times 20\ PE}{110\ shares} = \$13.63$ |
| EPS | $\frac{\$75}{110\ Shares} = .68$ |

## Market Segmentation




Notice that as the price of any market segment increases, the Quantity of units sold decreases. Price has an elastic effect on demand!

## AGP American Group Practice Inc.




## Dental Equipment Manufacturers

| Company Name | Symbol | Location |
|---|---|---|
| American Dental Technolog | ADLI | Southfield, MI |
| Dental/Med Diag Systems | DMDS | Westlake Village, CA |
| Ion Laser Technology | ILT* | Salt Lake City, UT |
| Premier Laser Systems Inc. | PLSIU | Irvine, CA |
| Schick Technologies | SCHK | Long Island, NY |
| Abiomed, Inc | ABMD | Danvers, MA |
| Milestone Scientific, Inc. | WAND | Livingston, NJ |

## Dental Sundries Manufacturers

| Company Name | Symbol | Location |
|---|---|---|
| Dentsply | XRAY | York, PA |
| Zila Inc. | ZILA | Phoenix, AZ |
| Prof. Dental Technologies | PRO | |
| Moyco Technologies, Inc | MOYC | Montgomeryville, PA |
| Pro-Dex | PDEX | Boulder, CO |
| Lancer Orthodontics Inc. | LANZ | San Marcos, CA |

## Dental Insurance Companies: Sells dental insurance to the public:

| Company Name | Symbol | Location |
|---|---|---|
| CompDent | CPDN | Atlanta, GA |
| First Commonwealth Inc. | FIWI | Chicago, IL |
| Safeguard Health Enterprises | SFGD | Anaheim, CA |

## Dental Finance: Provides financing to private practicing dentists:

| Company Name | Symbol | Location |
|---|---|---|
| HPSC Inc. | HPSC | Boston MA |

## Dental Practice Management Software Developers: (Management Information Systems):

| Company Name | Symbol | Location |
|---|---|---|
| Quality Systems Info | QSII | Tustin, CA |

## Dental Office Dealers:
(Sundries,Equipment,Installation & Repair)

| Company Name | Symbol | Location |
|---|---|---|
| Henry Schein | HSIC | Melville, NY |
| Patterson | PDCO | St. Paul, MN |

## Dental Laboratories:

| Company Name | Symbol | Location |
|---|---|---|
| National Dentex | NADX | Framingham, MA |

**The trouble with dentistry today as with so many other institutions around the world, is that nobody is quite sure of what the goals and the ultimate end is!**

Howard Farran DDS, MBA, MAGD

| | | |
|---|---|---|
| The total number Of all active U.S.A. dentists | 164,940 | 100% |
| The total number of all active U.S.A. dentists who are members of the American Dental Association on 8-20-98 | 119,784 | 72.6% |
| The total number of all active U.S.A. dentists who are not members of the American Dental Association on 8-20-98 | 45,156 | 27.4% |

Source: ADA Survey Center

## ADA Members

1 out of 4 dentists who have graduated from dental school in the U.S.A. who currently have an active license are not members of the ADA.

1 out of 3 dentists who have graduated from dental school in the U.S.A. in the last 10 years who currently have an active license are not members of the ADA.

Source: ADA Survey Center

## Leaders as Trainers!

The term trainer for the leader of these groups is as condescending as the word therapist, which implies that I, the god, healthy, perfect, way up here, will reach down, way down there, to you, poor worm, unhealthy, helpless, and I will help you.

Source: Maslow on Management, Abraham Maslow, 1998

## Exactly Mr. Sfikas!

As seen in the ADA News, January 25, 1999:

**ADA General Counsel Peter M. Sfikas told the U.S. Supreme Court in oral arguments, "With all due respect, this is not a trade association," Mr. Sfikas argued.**

## American Dental Association and Subsidiaries
Consolidated Statements of Activities
Years Ended December 31, 1996 and 1995

| REVENUES | 1996 | 1995 |
|---|---|---|
| Membership dues | $ 36,894,792 | 35,387,465 |
| Advertising and subscriptions | 7,856.592 | 8,194,413 |
| Rental income | 7,457,406 | 6,323,634 |
| Sales of educational materials | 5,401,069 | 5,412,082 |
| Educational testing fees | 3,614,069 | 3,296,271 |
| Grants and contributions (including temporarily restricted contributions of $71,127 in 1996 and $165,124 in 1995) | 3,466,450 | 4,010,964 |
| Meeting and seminar registration fees | 2,869,863 | 879,985 |
| Investment income | 5,750,366 | 3,815,651 |
| Other income | 6,374,481 | 4,666,875 |
| TOTAL REVENUES | 79,685,386 | 71,987,340 |

Source: ADA Annual Published Budget Report

## American Dental Association and Subsidiaries

Consolidated Statements of Activities

Years Ended December 31, 1996 and 1995

| EXPENSES | 1996 | 1995 |
|---|---|---|
| Staff compensation, taxes and benefits (Note 8) | $ 29,228,405 | $ 27,017,059 |
| Publication and project expenses | 11,931,762 | 11,581,835 |
| Meeting and travel expenses | 8,117,722 | 5,751,763 |
| Professional services | 6,713,081 | 5,530,548 |
| Facility and utility expenses | 3,587,827 | 3,639,149 |
| Office expenses | 3,327,903 | 2,862,141 |
| Depreciation and amortization | 3,093,134 | 2,676,815 |
| Interest expenses | 650,985 | 719,497 |
| Other expenses | 1,950,480 | 1,723,955 |
| TOTAL EXPENSES | 68,601,299 | 61,502,762 |

Source: ADA Annual Published Budget Report

## Since 1991 California has had 5 deaths!

For each death in dentistry there are 40 sedation injuries!

32 State boards have the right to inspect. Of those only 10 do perform regular inspections!

Dr. Joseph Missoula, an oral surgeon in Westbarry Pennsylvania killed:

Jonathan David Walski
Dec. 21, 1992 – May 1, 1996

The D.A. got a 2nd degree manslaughter against Dr. Joseph Missoula while the Pennsylvania Dental Board gave him 5 years probation!

Cowardice asks the question: is it safe?

Expediency asks the question: is it politic?

Vanity asks the question: is it popular?

But conscience asks the question: is it right? And there comes a time when one must take a position that is neither safe, nor politic, nor popular – but one must take it because it is right.

Martin Luther King Jr.

## The Theory of Social Improvement & Slow Revolution!

Article No. 1: Societal change comes about by attack along the total front, by efforts to change simultaneously every single institution and subinstitution within the entire society!

Article No. 2: Accepts the necessity and the inevitability of slow rather than rapid social change!

Article No. 3: says that it follows necessarily from the above two articles that change by knowledge, by conscious control, by conscious design and planning, by science is necessary (and is the only sensible possibility)!

Article No. 4: is the practical, political item of feasibility and practicality!

Abraham Maslow

## The Theory of Social Improvement & Slow Revolution!

Article No. 5: says that there is hope of change!

Article No. 6: is to recognize the necessity for total commitment and hard work at particular local tasks without demanding great cosmic tasks!

Article No. 7: another article of faith in the holistic theory of social betterment is that no one man can do everything!

Article No. 8: there must be a division of labor in the task of changing a society, that is to say, there must necessarily be many people and many kinds of people to do the job!

Article No. 9: every person can be and should be healthily selfish!

Abraham Maslow

## The Theory of Social Improvement & Slow Revolution!

Article No. 10: namely the feeling of brotherhood and colleague-hood!

Article No. 11: each person must pick himself for his own job, that is, that there must be only volunteers for particular jobs. Each person must place himself in the society!

Article No. 12: is the necessity for self-development, for self-actualization, for discipline and hard work in the fullest development of one's own talents or capacities, one's own genius!

Article No. 13: the American type of revolution or social betterment differs from the traditional type of revolution in being not eternal, fixed, final, but rather in being open and experimental and even humble in a scientific way!

Abraham Maslow

## Magna Carta (means Great Charter)

- English barons forced King John to approve the charter in June 1215!
- The charter granted many rights to the English aristocracy!
- The ordinary English people gained little from the Magna Carta!
- It contained 63 articles, most of which pledged the king to uphold feudal customs!
- These articles chiefly benefited the barons and other landholders!

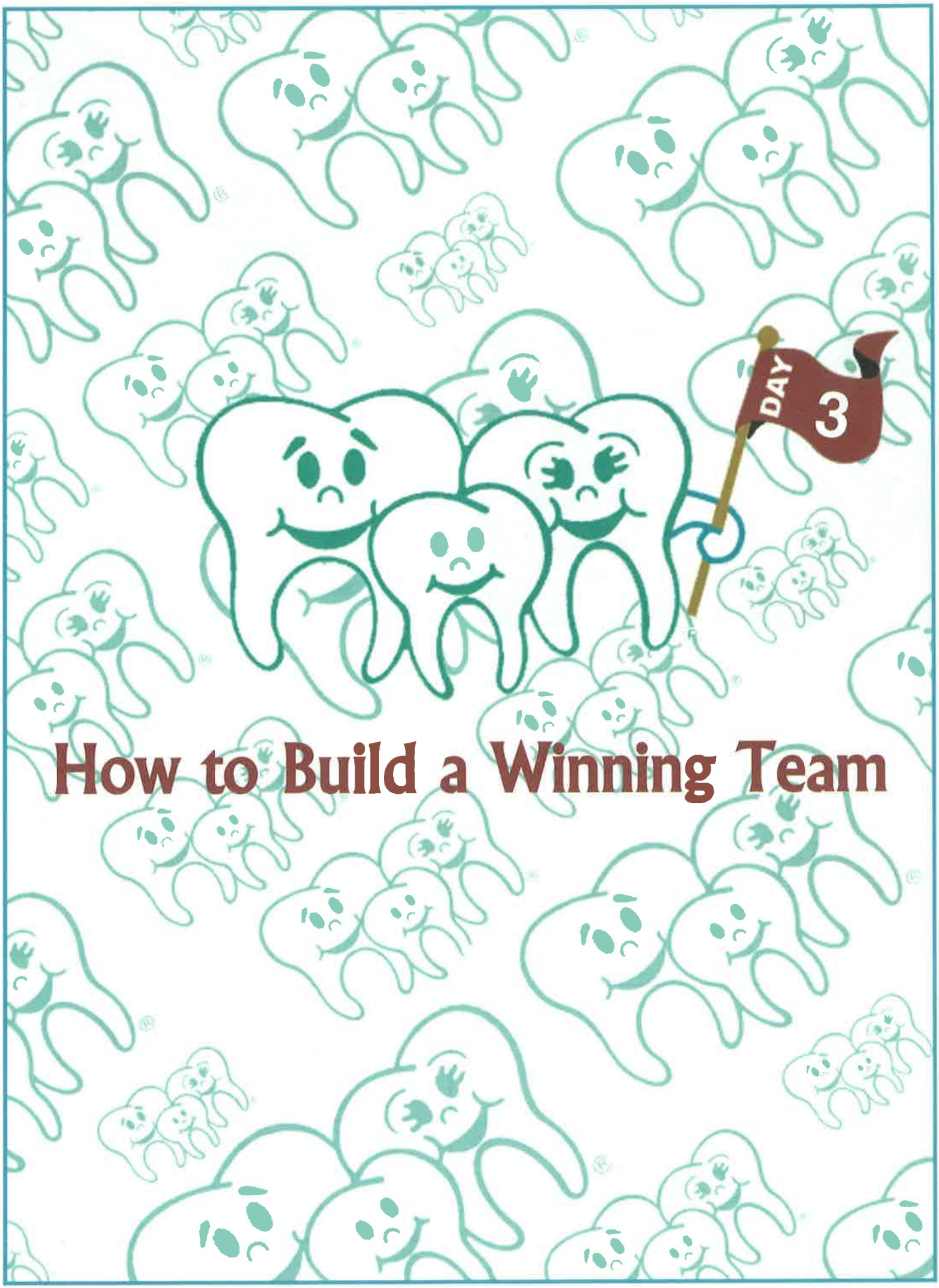
## The 3 Degrees of Price Discrimination

First-degree price discrimination: extracts the maximum amount each customer is willing to pay for the product or service.

Second-degree price discrimination: involves setting prices based on quantity purchased. Prices are often *blocked,* with a high price charged for the first unit or block and lower prices set for successive units or blocks.

Third-degree price discrimination: results when a firm separates its customers into several classes and sets a different price for each class.

Source: *Managerial Economics and Organizational Architecture,* Brinkley, Smith, Zimmerman, 1997




# How to Build a Winning Team

Your 30 Day Dental MBA
Day 3

# How To Build A Winning Team

## The E Myth by Michael Gerber

- Why are over 90% of all franchises still in businesses in 10 years?

**PROCESS**

**PRODUCT**

- Why are most Mom & Pop businesses closed in 10 years?

## The Top 10 Restaurant Chains

| | 1996 sales (millions) | 1996 Sales Per Unit | Total Units | % of Units Franchised |
|---|---|---|---|---|
| McDonalds | $16,370 | $1,420,000 | 12,094 | 84.6 |
| Burger King | $7,548 | $1,090,000 | 6,925 | 92.5 |
| Wendy's | $4,237 | $991,000 | 7,419 | 70.7 |
| Taco Bell | $4,750 | $905,000 | 6,830 | 57.2 |
| Hardee's | $4,127 | $890,000 | 3,345 | 74.8 |
| KFC | $4,000 | $800,000 | 5,120 | 60.9 |
| Pizza Hut | $5,400 | $635,000 | 8,880 | 46.2 |
| Little Caesar's | $2,075 | $500,000 | 4,805 | 66.1 |
| Domino's Pizza | $2,115 | $480,000 | 4,400 | 84.1 |
| Subway | $2,700 | $260,000 | 10,848 | 100.0 |

Source: Franchise Finance Corporation of America

## Franchises: Facts

- 540,000 Franchise Units
- Employ 8 Million People
- $758,000,000,000 in 1997 Sales
- 40% of All Retail Sales

Source: The New York Times 1998 Almanac

## Employee Turnover Formula

$$\frac{Time_1 - Time_2}{Time_1} \quad X \quad 100 = \%$$

$$\frac{50 - 30}{50} = \frac{20}{50} = 0.4 \text{ or } 40\%$$

## Management changes, like marital changes, are painful, time-consuming and chancy!

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997
Selected, Arranged and Introduced by Lawrence A. Cunningham

# Good Lovers!

**People, one may say, become good lovers only when they can accept others as they are, and can then enjoy and like them rather than being bothered and irritated and disapproving!**

Source: Maslow on Management, Abraham Maslow, 1998

# 2 + 2 = 5

## Corporate Strategy

### By Igor Ansoff

## Total Number of Employees

Solo

| | |
|---|---|
| 0 | 3% |
| 1-3 | 36% |
| 4-6 | 41% |
| 7+ | 20% |

**Average DDS 4.5**
**Average Specialist 5.4**

Source: ADA Survey Center, 1996 Survey of Dental Practice, *Employment of Dental Practice Personnel.*

## Front Office Receptionist

| Solo | | Group | |
|---|---|---|---|
| 0 | 15% | 0 | 0% |
| 1 | 60% | 1 | 60% |
| 2 | 20% | 2 | 35% |
| 3 | 5% | 3 | 5% |

Avg Dentist 1.2 full time
Avg Specialist 1.3 part time

Full time and part time
Average Dentist 1
Average Specialist 1.2

Source: ADA Survey Center, 1996 Survey of Dental Practice, *Employment of Dental Practice Personnel.*

## Chairside Dental Assistants

| Percent of Dentists | Number of assistants |
|---|---|
| 60% | 3 |
| 30% | 2 |
| 10% | 1 |
| 0% | 0 |

| | |
|---|---|
| Average dentist has | 1.3 assistants |
| Average specialist has | 2.0 assistants |
| Average assistant has | 11.0 years total experience |
| Current experience of | 6 years |
| Prior experience of | 5 years |
| Average dental assistant works | 36 hours/week @ $11.50/hr |

Source: ADA 1996 Survey of Dental Practice, Employment of Dental Practice Personnel.

## Percent of Dentists who Employ Hygienists

| Solo | Group |
|---|---|
| 0 - 35% | 0 - 30% |
| 1 - 25% | 1 - 15% |
| 2 - 20% | 2 - 20% |
| 3 - 20% | 3 - 35% |
| Average DDS = 1.8 | Average DDS = 1.1 |
| Average Specialist = 2.1 | Average Specialist = 1.3 |
| Total Experience: 14 years | Current Experience: 6 years |
| Prior Experience : 8 years | Average Hourly: $23 -$25 |

Source: ADA 1996 Survey of Dental Practice, Employment of Dental Practice Personnel.

Unconsciously Competent
⇑
Consciously Competent
⇑
Consciously Incompetent
⇑
Unconsciously Incompetent

# Relationships!

**In all relationships, understanding the feelings of others, is key to creating stronger relationships.**

Source: Maslow on Management, Abraham Maslow, 1998

## One way of getting the truth

There's the story of a man at a pay phone in a restaurant making a call.

"Hello, Mr. Smith? I understand you have been looking for an assistant." He paused to listen to the response.

"Oh, you hired one two months ago and are pleased with your choice? Well, thank you anyway. I hope you continue to be satisfied with your decision."

When he hung up the phone, the restaurant manager commented, "I happened to overhear your conversation. I'm sorry you didn't get a shot at that job."

"Oh, that's all right," the man replied. "That was my boss. I was hired as his assistant three months ago and I was just phoning to find out how I'm doing."

From a speech by Southwestern Bell Vice President for External Affairs, Cassandra Carr

## American Meritocracy

**A culture that rewarded bright and ambitious people regardless of their origins, that allowed them to rise to positions of exceptional authority in the society, without the need for family connections!**

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

## A policy only exists absent someone reading it!

There is no truth. Truth is objective reality. Life is individual perspective, cultures, customs, religions, taboos, biases, heuristics, geographical presence and time of existence.

## Define Your GOAL NEEDS By Asking:

Where do we want to go?

Why do we want to go there?

What is the fastest way to get there?

## Define your PERSONNEL NEEDS with job descriptions that answer:

Who will make what decisions?

How will we keep score?

What will be the rewards?

## The Fourteen Management Points of W. Edwards Deming

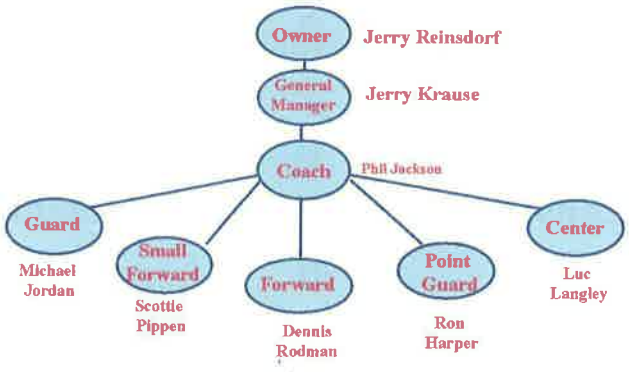
Point 1 - Create constancy of purpose for the improvement of quality and service.
Point 2 - Adopt the new philosophy.
Point 3 - Cease dependence on mass inspection.
Point 4 - End the practice of buying from the cheapest supplier.
Point 5 - Improve constantly and forever the system of production and service.
Point 6 - Institute Training and Retraining.
Point 7 - Institute Leadership.
Point 8 - Drive out fear.
Point 9 - Break down barriers between staff areas.
Point 10 - Eliminate slogans, exhortations, and targets for the workforce.
Point 11 - Eliminate numerical quotas.
Point 12 - Remove barriers to pride of workmanship.
Point 13 - Institute a vigorous program of education and retraining.
Point 14 - Take action to accomplish transformation.

## Ducks that Fly in a V

- Frank H. Knight was fond of illustrating different forms of leadership with ducks that fly in a V with a leader in front!
- Every now and then, he would say, the ducks behind the leader would veer off in a different direction while the leader continued flying ahead!
- When the leader looked around and saw that no one was following, he or she would rush to turn around and get back in front of the V again!
- This is one form of leadership – undoubtedly the most prevalent form in Washington!

Free to Choose, Milton & Rose Friedman, copyright 1980

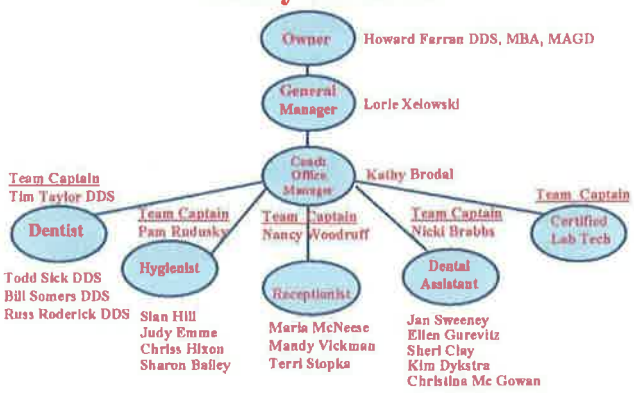
## Chicago Bulls



## Competition

**A good boxer needs a good sparring partner or he will deteriorate! The best product should be bought, the best man should be rewarded more! Interfering factors, which befuddle this triumph of virtue, justice, truth, and efficiency, etc., should be kept to an absolute minimum or should approach zero as a limit!**

## Today's Dental




## The Best

| | |
|---|---|
| THE BEST PLAYERS | HAVE THE BEST COACHES |
| WIVES | HUSBANDS |
| CHILDREN | MOMS |
| DADS | CHILDREN |
| EMPLOYEES | EMPLOYERS |
| SHAREHOLDERS | STAKEHOLDERS |
| GOVERNMENTS | CITIZENS |
| STUDENTS | TEACHERS |

If you think you are the best ten, put everyone near you to the test!

Because our world is so interdependent I doubt you could be the best independently! By Howard Farran

## All of us need structure, guidance and leadership!

**The problem is that human nature is so extremely human. We have such a capacity for self-transcendence that to peg someone as, for example, an INTP or ENTJ or whatever the latest tool du jour, is to limit them. To peg yourself, or your colleague, or team member, is to sell our human creativity short, our capacity to begin again, to create, to be creative. It happens to us as kids, we get typed into family roles. We have such a potential for self-actualization that to typecast people is to sell them short.**

Source: Maslow on Management, Abraham Maslow, 1998

## Rubricizing

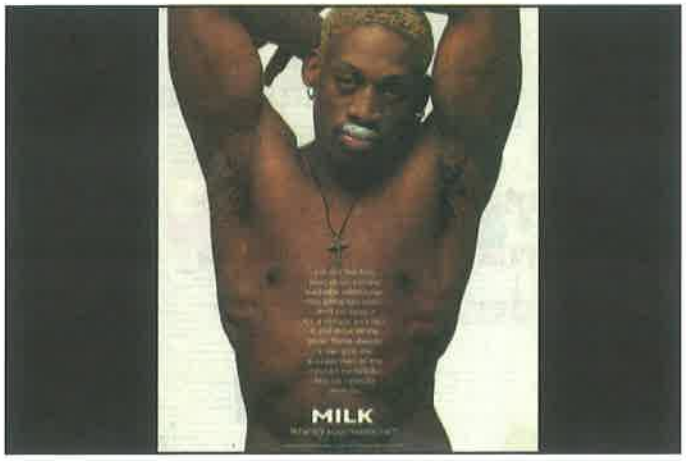
**Rubricizing is a cheap form of cognizing—a quick and easy cataloguing whose function is to make unnecessary the effort required by more careful, idiographic perceiving, or thinking. To place a person in a system takes less energy than to know him in his own right.**

Source: Maslow on Management, Abraham Maslow, 1998

## Technology

Technology is a commodity, people are the competitive edge in creating solutions that delight the customer!

Source: *Corporate Information Systems Management*, Applegate, McFarlan, McKenney, Copyright 1996




## Robin Hood was just another sweet looking guy in green leotards!

Howard Farran DDS, MBA, MAGD

## More people make relationships more complicated

| | |
|---|---|
| 2 people have | 2 possible relationships |
| 3 people have | 12 possible relationships |
| 4 people have | 54 possible relationships |

## Compromise vs. Synergy

**Compromise is 1+1 = 1.5**

**Synergy is 1 + 1 = 3**

## Build your team like the pros do!

- The owners of every sports franchise eat, live, breathe, and die, finding the best 5 players on their team!
- I don't care whether it is theater, arts, dancing, and music!
- In dentistry we listen to walking dead people, who aren't dentists and sure as hell don't have a dental office tell you to buy shy, introverted, cheap, chicks and the owner should have all the talent!

**"I Agree with everything he just said. Do you think I need counseling?"**

## TALENT

**Talent is found mostly among nonconformist dissenters and rebels!**

## Never delegate hiring!

**Could you imagine the owner of the Chicago Bulls hiring an HR department?**

## HELP WANTED!

**We want really cool dental assistants. If you are not really cool, then you need not apply!**

**If all of your team members don't understand the alignment of values and rewards, the company will flounder!**

## How To Build A Winning Team

| | | |
|---|---|---|
| Coach | & | Train |
| Attract | & | Retain |
| Motivate | & | Lead |
| Harvest | & | Weed |

Howard Farran

When your mom saw you lazy, bored and stressed, she said, "Go do something, get off the couch and go play!"

This change of physical state changes your overall state.

Dentists say, "I just can't motivate my staff.

Try saying this all pumped up with emotion

## Patient Exit Interview

The only way to get better is to find out why a patient is leaving your practice. A patient exit interview does this with questions like:

- What do you like the best about our office?
- What do you like the least about our office?
- What would you never change about our office?
- What would you change tomorrow at our office?

When the phone doesn't ring, you'll know it's me!

## Staff Exit Interview

The only way to get better is to find out why a staff member is leaving your practice. A staff member exit interview does this with questions like:

- What do you like the best about our office?
- What do you like the least about our office?

## Pedagogy: The Art of Teaching

**Intelligent people always try to hire people who are more intelligent than they are!**

**See Dennis Rodman for more details:**

"If each of us hires people who are smaller than we are, we shall become a company of dwarfs. But, if each of us hires people who are bigger than we are, we shall become a company of giants."

David Ogilvy

"A horse who can count to ten is a remarkable horse—not a remarkable mathematician."

Samuel Johnson

## The Top 7 Occupations Most Dominated by Female Workers

| Occupation | 1975 | 1996 |
|---|---|---|
| Dental Assistant | 99.4% | 79.8% |
| Child Care Worker | 98.4% | 97.1% |
| Registered Nurse | 97.0% | 93.3% |
| Telephone Operator | 93.3% | 90.5% |
| Data Entry Keyer | 92.8% | 84.5% |
| Elementary Teacher | 85.4% | 83.3% |
| Librarian | 81.1% | 79.8% |

Source: U.S. Department of Labor, Bureau of Labor Statistics, *Employment and Earnings* (monthly) January 1997.

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| Office Machine Repair | 1.7% | 3.7% |
| Airline Pilot | 0.0% | 1.4% |
| Carpenter | 0.6% | 1.3% |
| Auto Mechanic | 0.5% | 1.2% |

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## The 7 Habits of Highly Effective People

1. **Be Pro-Active:** Take the initiative and the responsibility to make things happen.
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7. **Renewal:** Preserving and enhancing your greatest asset, yourself, by renewing the physical, spiritual, mental & social/emotional dimensions of your nature.

Steven Covey, *7 Habits of Highly Effective People*

## No matter how great the talent or effort, some things just take time!

**You can't produce a baby in one month by getting nine women pregnant!**

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham

## The Institutional Imperative

1. An institution will resist any change in its current direction!
2. Work expands to fill available time, projects will materialize to soak up available funds!
3. Any business craving of the leader, however foolish, will be quickly supported by detailed rate-of-return and strategic studies prepared by his troops!
4. The behavior of peer companies, whether they are expanding, acquiring, setting executive compensation or whatever, will be mindlessly imitated!

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham

Turning around a dental office is like reversing an avalanche while being surrounded by snipers. Sometimes you have to let the avalanche go and shoot the staff!

Howard Farran DDS, MBA, MAGD

# Decision:

**The word "decision" comes from the Latin word "decisive" meaning "to cut off from!"**

# Change

**Nearly twenty-five hundred years ago, the Greek philosopher Heraclitus wrote that you could not dip your toe into the same river twice!**

## The 3 Basic Categories of People Problems:

1) **Perceptions**

2) **Emotions**

3) **Communication**

Source: *Getting to Yes*, Roger Fisher and William Ury, 1997

## "It isn't the people you fire who make you miserable! It's the people you don't fire!"

**Harvey Mackay**

## If you fire someone and they are shocked, you are a bad manager!

## Agreements prevent disagreements!

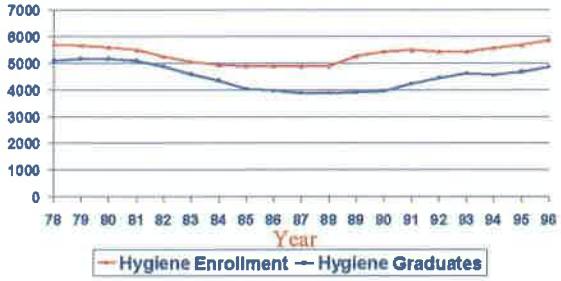
**Harvey Mackay**

## Almost No One Is Fired

- **Of the one million people (in the civil service) who were eligible last year for merit raises, only 600 did not receive them!**
- **Almost no one is fired; less than 1% of federal workers lost their jobs last year!**

Free to Choose, Milton & Rose Friedman, copyright 1980

## The Macro View of Hygiene Enrollment VS. Graduation!




Source: American Dental Association, Survey Center

## Implementation of Consumerism

- **Instructional sheet with every procedure!**
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- **Always give out your entire "Walk-Out Statement" stating everything that was done and the costs incurred in your high quality, great service, family practice dental office!**

"We are dedicated to professional excellence and personal care."

BARBARA GLENN
BUSINESS ADMINISTRATOR

ESTEL L. LANDRETH, D.D.S.
4620 E. Douglas • Wichita, Kansas 67208 • (316) 685-9276
Home (316) 688-1011

## Gung Ho Teams

**P**urpose and Values
**E**mpowerment
**R**elationships and Customs
**F**lexibility
**O**ptimal Performance
**R**ecognition and Appreciation
**M**orale

Source: Ken Blatchford, *Gung Ho!*

## Managers

- **Managers are stewards of shareholder capital!**
- **The best managers think like owners in making business decisions!**
- **First-rate managers will tell it like it is or at least as they see it.**

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997
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**Directors therefore must be chosen for their business savvy, their interest, and their owner-orientation.**

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997
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## The Three Major Differences Between the CEO and Other Employees:

1) **Standards for measuring a CEO's performance are inadequate or easy to manipulate, so a CEO's performance is harder to measure than that of most workers.**
2) **No one is senior to the CEO, so no senior person's performance can be measured either.**
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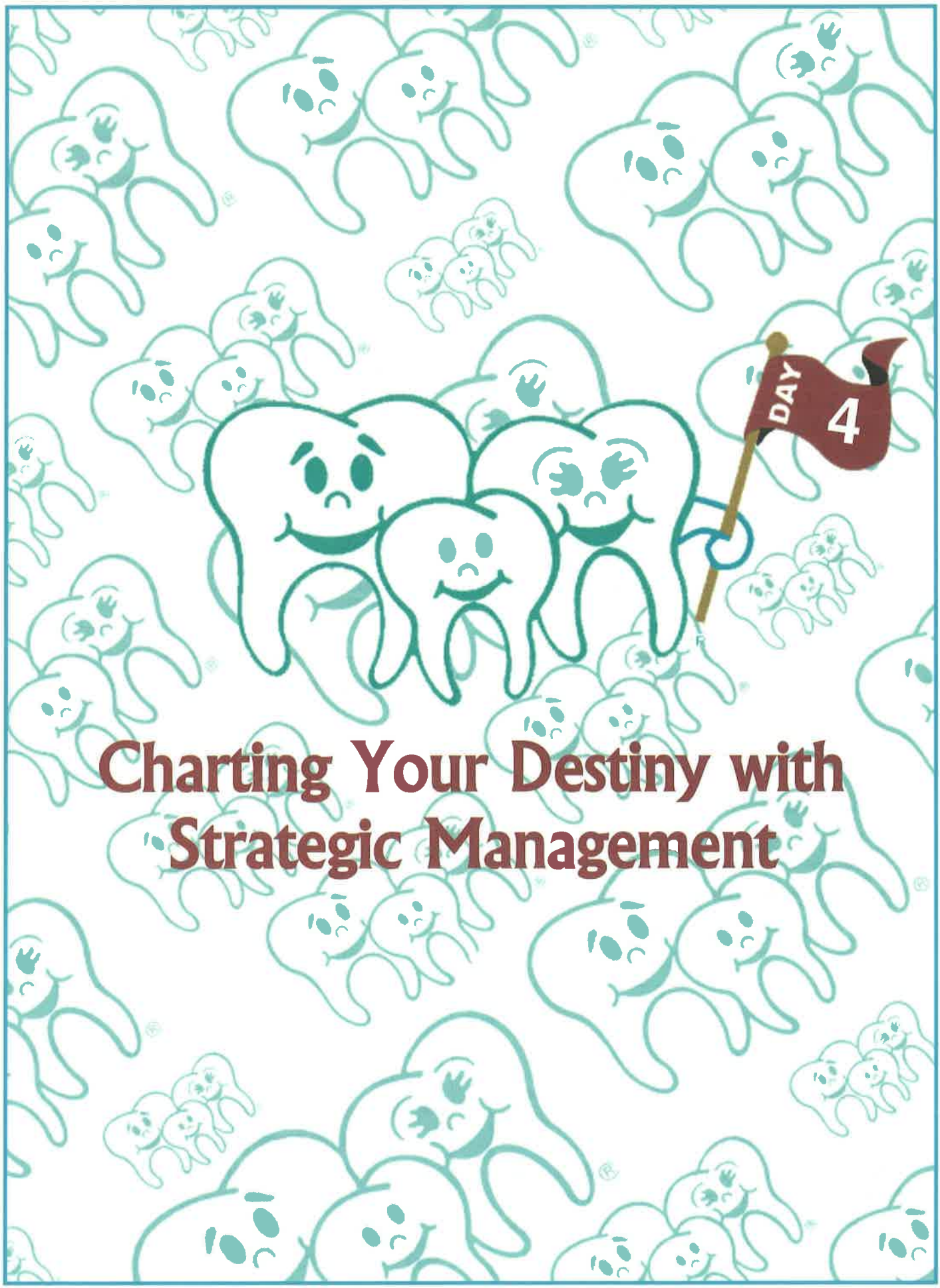


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## The New World...

Will need **Banking** but not **Banks**!

Will need **Books** but not **Bookstores**!

Will need **Groceries** but not **Grocery Stores**!

Will need to **Travel** but not **Travel Agencies**!

## The New Dental World...

Will vaccinate **Dental Decay** but still need **Dentists**!

Will vaccinate **Periodontal Disease** but still need **Hygienists**!

Will eliminate **Dental Disease** but still need **Cosmetic Dentistry**!

## The Major Banks & Their Asset Values as of January 1, 1999

| | |
|---|---|
| $780 Billion | Citicorp & Travelers |
| $600 Billion | Bank of America & Nations Bank |
| $400 Billion | Chase |
| $260 Billion | J.P. Morgan |
| $260 Billion | First Union & The Money Store |
| $220 Billion | Bank One & 1st Chicago |
| $190 Billion | Wells Fargo & Norwest |

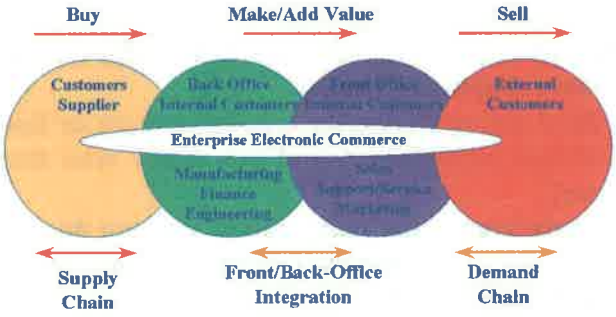
## First Curve to Second Curve

| First Curve | Second Curve |
|---|---|
| Capital | Knowledge |
| Producer | Consumer |
| Atlantic | Pacific |
| Japan | China |
| International | Electronic |
| Trade | Commerce |
| Computers | Internet |
| Money | People |

Market Transitions

Source: *The Second Curve* by Ian Morrison

## The Virtual Enterprise Today




Source: The Yankee Group

## The 2 Rules of Competition are:

The 2 common reasons for losing are:

1) Not knowing you're competing in the first place

and

2) Not knowing with whom you really are competing.

## Consultants cannot send a large bill unless they have established that you have a large problem!

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham

## Fact:

**Consulting evaluations show that overhead can be reduced by 5 – 10% merely through efficient protocol.**

Source: Sally McKensie, McKensie Management, 1998

## Why should we use MODELS?

**Robert Lucas, Jr. (Nobel Prize Winning Economist) explains why we need models.**

**"At the close of World War II, South Korea was less than twice as well off as India. By 1980, Korea's income was four times higher than India's.**

## Robert Lucas, Jr. (continued)

**With such a range of experience, why do we need theoretical models? Why not simply use success stories—like Korea—as models? Why can't India send a fact-finding delegation to Korea, to find out how they do it, and then go home and get Indians to do the same?**

**Suppose you are an executive driving down the road with the corporate gas pedal floored, yet competitors are still passing you by. You are pushing your company toward change as hard as you can, but the car will not go more than 35 miles per hour. You bemoan the fact that your competitors are advancing with ease while you're running your vehicle into the ground just to keep up. Desperately, you look for answers. At the next gas station, you receive some good advice: "At twenty-five miles per hour, shift into second gear. You've done all you can in first gear."**

*Managing at the Speed of Change*, Daryl R. Conner, 1992

## Epistemology: The study or theory of the nature, sources, and limits of knowledge.

- **Techniques shrouded in mystery clearly have value to the purveyor of investment advice!**
- **After all, what witch doctor has ever achieved fame and fortune by advising "Take two asprins?"**

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham

"People always overestimate how complex business is!"

- **It isn't rocket science; it's one of the world's more simple professions!**
- **Most global businesses only have three or four critical competitors, and you know who they are!**
- **There aren't that many things you can do with a business! It's not as if you're choosing among 2,000 options…."**

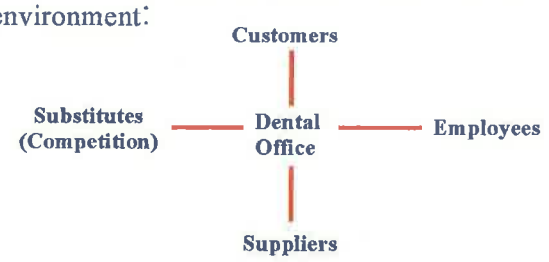
Jack Welch: General Electric's Revolutionary

## Do your own MATH!!

- Peachtree/ADP
- Practice Outlook (800) 247-6173
- Quicken/Quick Books
- Microsoft Money

## Strategy

The Following diagram describes a dental office's environment:



## Buyers
## Retailers
## Wholesalers
## Manufacturers
## Resource Owners

## Four Reasons to Vertically Integrate the Value Chain

1) **To guarantee supplies from a hold-up on price!**
2) **To guarantee access to supplies!**
3) **To acquire intellectual capital or to innovate some intellectual capital!**
4) **To lower the transaction cost!**

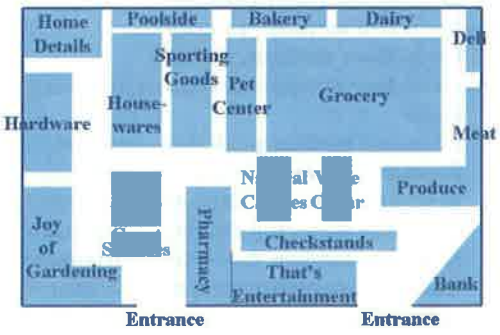
*Market Driven Health Care*
**Regina E. Herzlinger PhD**
**Economist, Harvard University**

## Percent of Dentists and Specialists Who Employ Dental Laboratory Technicians

| | Solo | | | Group | |
|---|---|---|---|---|---|
| | DDS | Specialist | | DDS | Specialist |
| Zero | 94% | 78% | Zero | 88% | 78% |
| Part Time | 2% | 6% | Part Time | 4% | 10% |
| Full Time | 4% | 12% | Full Time | 8% | 12% |

**Source: ADA Survey Center, 1996 Survey of Dental Practice,** ***Employment of Dental Practice Personnel.***

## Vertical Integration




## The 5 Deadly Business Sins
### by Peter F. Drucker:

1. **Do not worship high profit margins and premium pricing!**
2. **Do not misprice a new product by charging what the market will bear!**
3. **Do not use: Cost + Profit = Price**
   **Try to use: Price - Profit = Budget**
4. **Do not slaughter tomorrows opportunities on the alter of yesterday!**
5. **Do not feed problems and starve opportunities!**

**Source: Managing in a time of Great Change by Peter F. Drucker**

## What is the difference between Leadership & Management?

- Management gets you to change your behavior **with force**, manipulation & coercion.
- Leadership gets you to change your behavior **without force**, manipulation & coercion.

# 2 + 2 = 5

## Corporate Strategy

**By Igor Ansoff**

## "Never Give Up"

- In 1898 Henry Ford started The Detroit Automobile Company, it failed and went Bankrupt! In 1901 He started The Ford Motor Company and sold over 10 million Model T Cars alone!
- Walt Disney lost money on the release of Pinocchio, Fantasia and Bambi!
- Howard Clark of American Express said, "I would rather die on the operating table than bleed to death!"

Knowledge + Decisive =
A Successful Action Process

Howard Farran DDS, MAGD

Knowledge is not power, knowledge is potential power. It needs followed up with decisive action.

Anthony Robbins

## The 3 Major Business Strategies

1) Market Differentiation
2) Cost Leadership
3) Target Market

## The 3 Major Business Strategies

1) Market Differentiation

Can you differentiate your product or service from your competitors?

- Courteous Long Term Staff
- Tooth Colored Fillings
- Same day appointments

## Are You A 2100 Dentist?

2110 Amalgam-one surface, deciduous
2120 Amalgam-two surfaces, deciduous
2130 Amalgam-three surfaces, deciduous
2131 Amalgam-four surfaces, deciduous
2140 Amalgam-one surface, permanent
2150 Amalgam-two surfaces, permanent
2160 Amalgam-three surfaces, permanent
2161 Amalgam-four or more surfaces, permanent

## Are You a 2300 Dentist?

2330 Resin-one surface, anterior
2331 Resin-two surfaces, anterior
2332 Resin-three surfaces, anterior
2335 Resin-four or more surfaces or involving incisal angle
2380 Resin-one surface, posterior – primary
2381 Resin-two surfaces, posterior – primary
2382 Resin-three or more surfaces, posterior – primary
2385 Resin-one surface, posterior – permanent
2386 Resin-two surface, posterior – permanent
2387 Resin-three or more surfaces, posterior – permanent

## The 3 Major Business Strategies

1) Market Differentiation

- Market Differentiation commands the highest profit margin of all three of the Major Business Strategies!
- This is the only area where legendary investor billionaire Warren Buffett will put his money! (Coke & Disney)

## The 3 Major Business Strategies

2) Cost Leadership

Do you have a cost competitive advantage over your competitors?

- Do you take their dental benefits?
- Do you have lower prices?

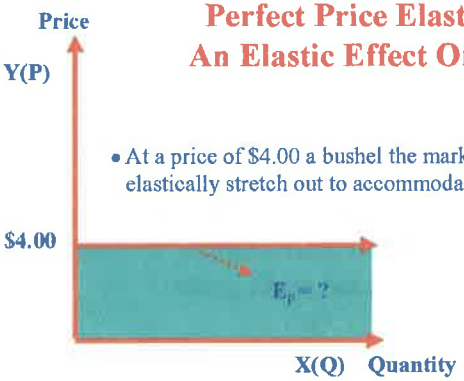
## The 3 Major Business Strategies

### 3) Target Market

**Do you target a specific group of people that have special unmet needs, wants, and desires?**

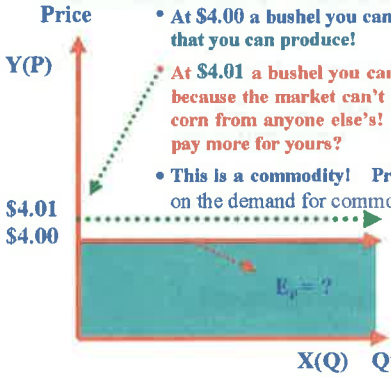
- **Does your office speak a foreign language?**
- **Does your office have a diversified staff?**

## Perfect Price Elasticity Has An Elastic Effect On Demand




- At a price of $4.00 a bushel the market demand will elastically stretch out to accommodate your supply!

## Perfect Price Elasticity Has An Elastic Effect On Demand



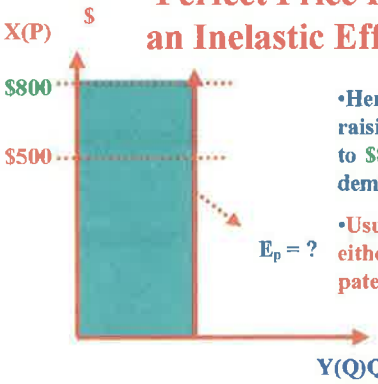

- **At $4.00 a bushel you can sell the market all the corn that you can produce!**
- **At $4.01 a bushel you can't unload any of your corn because the market can't differentiate your bushel of corn from anyone else's! So why should the market pay more for yours?**
- **This is a commodity! Price has a very elastic** effect on the demand for commodities!

**In an unregulated commodity business, a company must lower its costs to competitive levels or face extinction!**

*The Essays of Warren Buffett: Lessons for Corporate America,* **Warren Buffet Selected, Arranged and Introduced by Lawrence A. Cunningham, 1998**

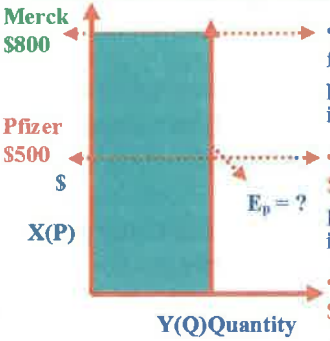
You either compete on
Price with Cost Leadership
or
Quality with Market
Differentiation.

## Perfect Price Inelasticity Has an Inelastic Effect on Demand!




- **Here you can see that raising their price from $500 to $800 had no effect on the demand for their product!**
- **Usually this is caused from either a monopoly or a patent!**

## Perfect Price Inelasticity Has an Inelastic Effect on Demand!




- **If Merck had a cancer drug for $800 where 7 out of 10 patients treated were still alive in 5 years and...**
- **Pfizer had a cancer drug for $500 where only 6 out of 10 patients treated were still alive in 5 years, ...**
- **Would you pay the extra $300?**
- **Would your HMO pay the extra $300?**

## Strategic Environment, Competitive Strategy & Oligopoly

**Strategic Environment:** an environment in which a firm must consider how its actions affect other relevant market participants and how they will react.

**Competitive Strategy:** the plan or strategy selected by a business in a strategic environment.

**Oligopoly:** a market with few important sellers that have substantial market power. Such as: Oil Industry (OPEC), Diamond Industry, Nutmeg Industry, Airplane Design and Production, Car Rental Market, etc.

**Differentiation: Involves making your product or service appear different in the mind of the consumer.**

**Employee Courtesy = Long-term staff**
**Availability = extended hours**
**Expertise = FAGD / MAGD / DICOI**
**Location = Retail intersections, Accessibility**
**Cosmetic = Natural tooth color**
**Warranty**

| Customer First | Operating System First |
|---|---|
| Customer Centered<br>Customer Focused | Provider Centered<br>Provider Focused |
| Lee Optical | Department Store Clerks tied to a register |
| EyeMaster | Hospitals - Radiology, Orthopedic, Pharmacy |
| | Dentist - Ortho, Perio, Oral Surgery, Pedo, Prost |

**Customers need salespeople who can help them anywhere in the store, not someone who is tied to one department and chained to one register.**

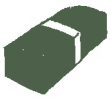
# The Effect of FEES

Assuming an overhead of 71%:

A 10% fee decrease means you need to do 53% more dentistry for the same net profit.

A 20% fee decrease means you need to do 222% more dentistry for the same net profit.

In contrast...



A 10% fee increase means you can make the same profit doing only 74% of the dentistry you're doing now.

A 20% fee increase means you can make the same profit doing only 59% of the dentistry you're doing now.

You should reconsider your competitive strategy in regards to all PPO's, HMO's fee schedules, and Delta Dental when the monetary amount you adjust off per insurance claim is greater than the dollar amount you spend on attracting each new patient.

**Howard Farran DDS, MAGD**

# Balanced Scorecard (BSC)

- **If you can't measure, you can't manage it.**
- **Balanced Scorecard links mission/strategy into objective measures**
- **Measures as tool to articulate business strategy versus to control**
- **Typically aimed at strategic business unit**

# Balanced Scorecard Measures Four Different Perspectives:

- Financial
- Customers
- Internal Business Process
- Learning and Growth

# Strategies Available to the Mass Producer

- Patent or copyright protection
- Brand equity reputation
- Innovation and differentiation
- Economic barriers to entry and deterrence
- Consumer switching costs
- Locational advantages.

# Niche Markets

**Niche Markets: when competitors lure away marginal customers but the highest valuation customers remain with the firm.**

**A Niche Producer: can extract high margins from loyal customers who perhaps do not perceive the rival's product as a close substitute.**

# The U.S. is the sixth largest Hispanic populated country in the world!

| Religion | Date | Membership in 1998 |
|---|---|---|
| **Judaism** | **2000BC** | **14 million** |
| Abraham | 2000BC | |
| Moses | 1250BC | |
| Isaiah | 800BC | |
| Ezekiel | 600BC | |
| **Hinduism** | **1500BC** | **793 million** |
| **Buddhism** | **500BC** | **325 million** |
| Buddha or Siddharthen Guatama | 563-483BC | |
| **Confucianism** | **500BC** | **5 million** |
| Confucius | 551-479BC | |
| **Christianity** | **0** | **2000 million** |
| Jesus | 8-4BC | |
| **Islam** | **600AD** | **1100 million** |
| Mohammed | 570-632AD | |

**Source: 1998 New York Times Almanac**

**A reputation creates a consumer franchise that allows the value of the product or service to the purchaser, rather than its production cost, to be the major determinate of the selling price!**

**Consumer franchises are a prime source of economic goodwill! Other sources include governmental franchises not subject to profit regulation, such as television stations, and an enduring position as the low cost producer in an industry!**

*The Essays of Warren Buffett: Lessons for Corporate America*, Warren Buffet Selected, Arranged and Introduced by Lawrence A. Cunningham. 1998

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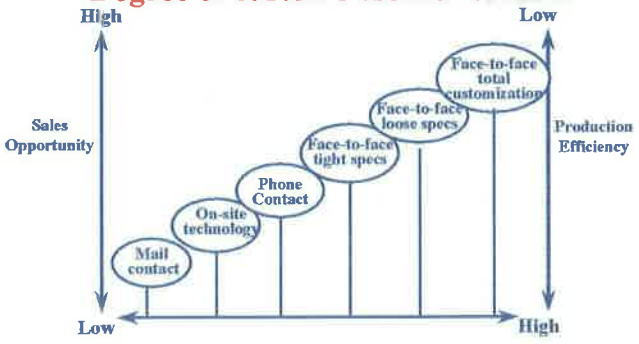
## Degree of customer/server contact




Service operations are responsible for the creation and delivery of value added goods and/or services in any organization – public or private, profit or non-profit. The operations function within an organization typically accounts for 75% of a firm's investment, comprises 80% of a firm's personnel, and controls at least 85% of a firm's expenditures for materials and equipment.

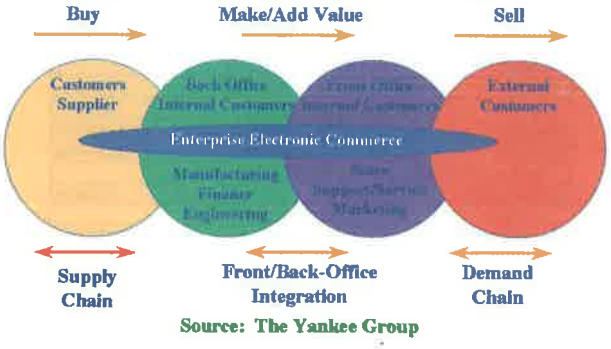
**Professor Manus Rungtusanatham**
**Operations & Logistics Management**
**Arizona State University**

## First Curve to Second Curve

| First Curve | Market Transitions | Second Curve |
|---|---|---|
| Capital | | Knowledge |
| Producer | | Consumer |
| Atlantic | | Pacific |
| Japan | | China |
| International | | Electronic |
| Trade | | Commerce |
| Computers | | Internet |
| Money | | People |

**Source:** *The Second Curve* **by Ian Morrison**

## The Virtual Enterprise Today




Source: The Yankee Group

**The Industrial Revolution was about Low Diversity, scales of economy massification.**

**The Knowledge Revolution is about highly diversified, very specialized, customization.**

*A Brief History of Science*, Consultant Editor John Gribbon, 1998

**We feel that high quality customers can be attracted and maintained if we consistently communicate our business owner philosophy—along with no other conflicting messages—and then let self-selection follow its course!**

For example, self selection will draw a far different crowd to a musical event advertised as an opera than one advertised as a rock concert—even though anyone can buy a ticket to either!

*The Essays of Warren Buffett: Lessons for Corporate America*, Warren Buffet Selected, Arranged and Introduced by Lawrence A. Cunningham. 1998

## Today's Dental Mission Statement

**To build a long-term relationship between our staff and our patients so that we can provide quality, consumer friendly dental services the whole family can value and afford in a happy and healthy environment!**

## The cultural environments facing business

- Cultural differences are the most significant and troublesome variables encountered by MNE. The failure of managers to comprehend these disparities has caused most international business blunders.
- Culture is the acquired knowledge that people use to interpret experience and to generate social behavior. Through culture we form values and attitudes that shape our individual and group behavior.
- To be successful in international business, one must understand the cultures of other countries and learn how to adapt to them.
- The elements of culture are: language, religion, values and attitudes, manners and customs, aesthetics, education and social institutions.

Source: Arizona State University, IBS 591, Professor E. Abud

## Elements of culture

- Language – it is the primary means to transmit information and ideas. It helps to understand a culture better.
- Religion – It affects the work habits of people. Protestant, Confucian, Shinto work ethic.
- Values and Attitudes – Values are basic convictions that people have regarding what is right and what is wrong. An attitude is a persistent tendency to feel and behave in a particular way toward some object.
- Custom and Manners – customs are common or established practices. Manners are behaviors that are regarded as appropriate in a particular society.
- Aesthetics – It relates to the artistic tastes of a culture reflected by the art, literature, music etc.
- Education – Higher rates of literacy usually result in greater economic productivity and technological advance. Education also helps to provide infrastructure needed for developing managerial talent.
- Social Institutions – Church, unions, law enforcing institutions, governmental institutions, etc.

Source: Arizona State University, IBS 591, Professor E. Abud

# Decision:

**The word "decision" comes from the Latin word "decisive" meaning "to cut off from!"**

# Change

**Nearly twenty-five hundred years ago, the Greek philosopher Heraclitus wrote that you could not dip your toe into the same river twice!**

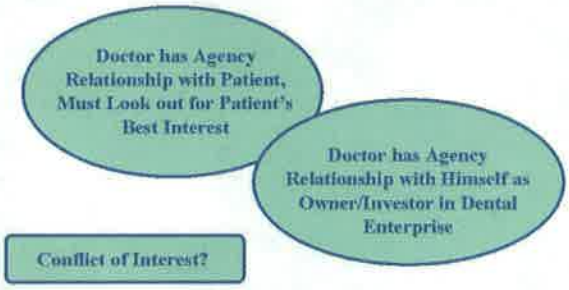
## Dental Destiny

| Dentist | Dental Destiny |
|---|---|
| Dental Fees | -Indemnity Insurance<br>-PPO's, HMO'c, CMC<br>-Retail<br>-Labor |
| Dental Expenses | -Sundries<br>-Lab<br>-Advertising |
| Amount of and Mix of Dental Services | -FAGD, MAGD<br>-AACD (cosmetic)<br>-FICOI (implants)<br>-FIAO(orthodontics) |
| Dental Market Economy | -Demographics<br>-Professional Location<br>-Retail Location |

## What the HMO's Think You Should Do...

| Category | Expected Range Of Utilization |
|---|---|
| Diagnostic | 35 – 43 |
| Preventive | 20 – 28 |
| Basic Restoration | 12 – 20 |
| Crowns and Inlays | 2 – 3 |
| Endodontics | 1 – 2 |
| Periodontics | 3 – 5 |
| Prosthodontics Removable | 1 – 2 |
| Prosthodontics Fixed | 1 – 2 |
| Oral Surgery | 3 – 5 |
| Orthodontics | 3 – 6 |
| Adjunctive Services | 1 – 3 |

## Doctor Caught in the Middle?




## "Knowledge isn't power until you use it!"

**Harvey MacKay**

## Small Business

- With less than $1,000,000 / year in sales
- With less than 25 Employees
- Employ 53% of the Private Workforce
- Account for 47% of All Sales in the US
- Account for 51% of the GNP

Source: The New York Times 1998 Almanacs

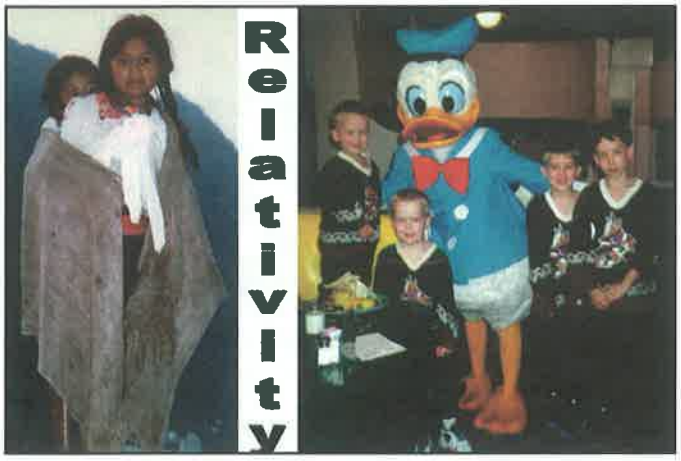
**The Percent of the U.S. Population Working for the Fortune 500:**

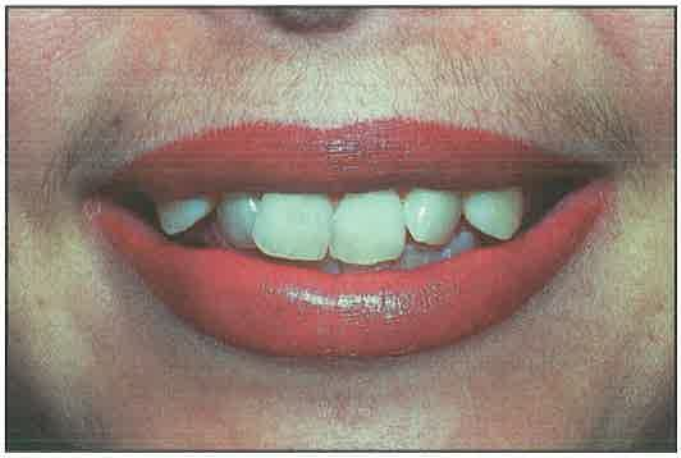
| 1960 | 1990 |
|---|---|
| 33% | 13% |

**The Percent of the U.S. Population Working in a Blue Collar Job:**

| 1950 | 1990 | 2000 |
|---|---|---|
| 40% | 20% | 10% |

Source: Managing in a time of Great Change, Peter F. Drucker





**The might of your brand name, the attributes of your services, and the strength of your distribution systems gives you an enormous competitive advantage, setting up a protective moat around your economic castle!**

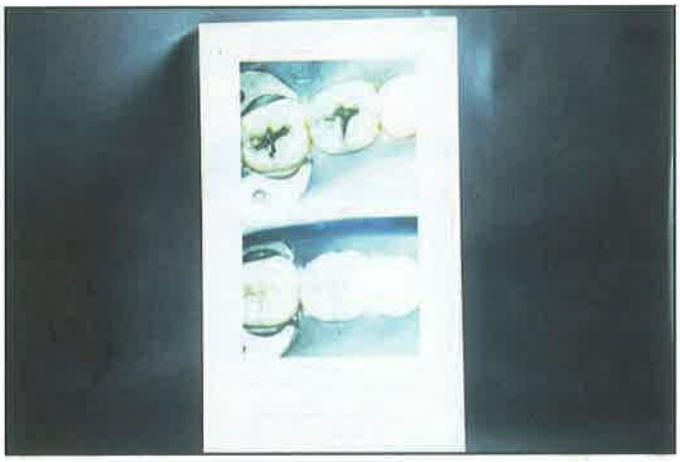
Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham

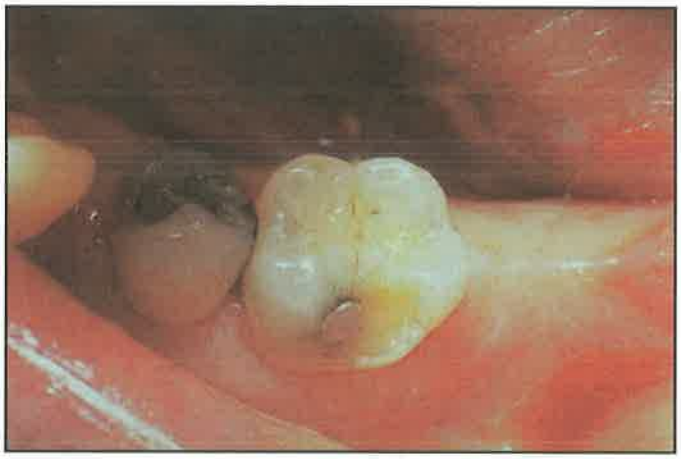
**Peter Lynch says, stocks of companies selling commodity-like products should come with a warning label: "Competition may prove hazardous to human wealth!"**

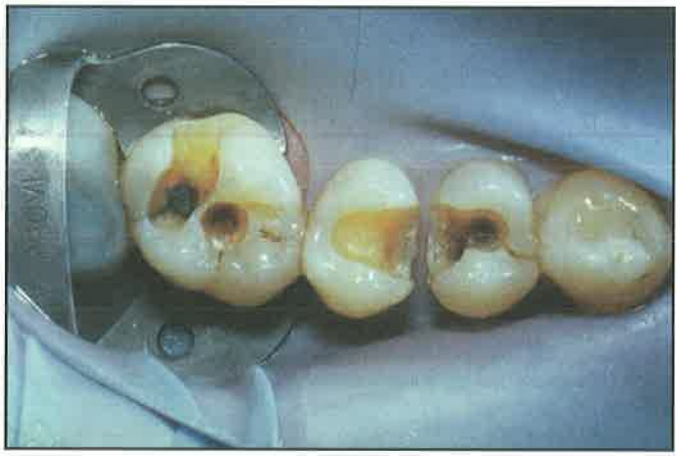
Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham

**Coke sells about 44% of all soft drinks, and Gillette has more than a 60% share (in value) of the blade market!**

Source: *The Essays of Warren Buffet: Lessons for Corporate America,* 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham

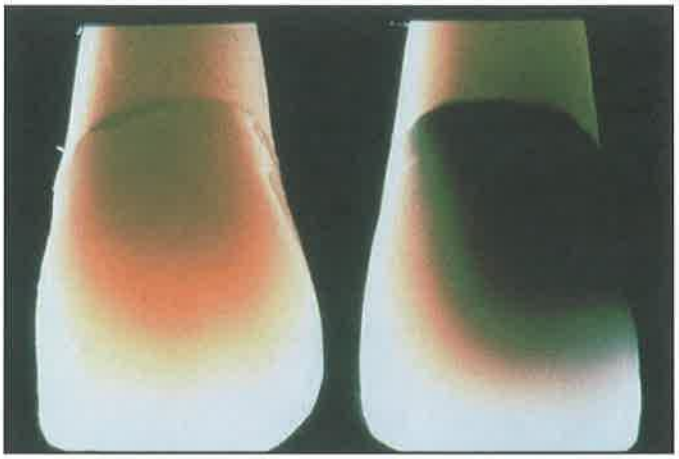






JADA

Safety of dental amalgam—an update



## Periodontal Disease, Inflammation & Halitosis!

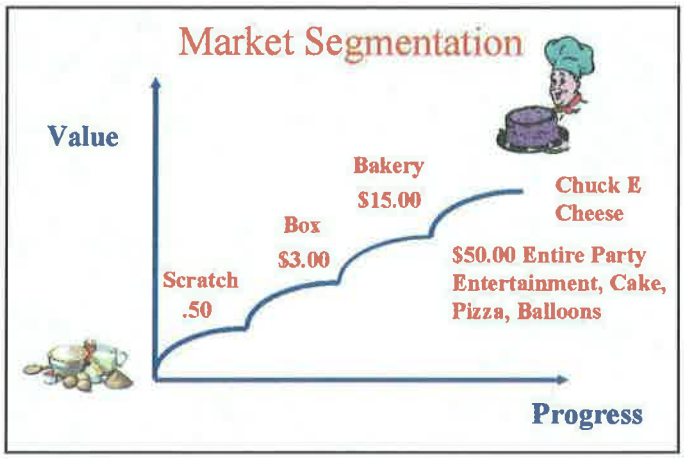
- "The presence of Inflammation or hemorrhage within the oral cavity will accentuate the putrefaction process and the resultant intensity and quality of the odor!"

Halitosis: Knowing when "Bad Breath" signals systemic disease" Geriatrics, Vol. 48, #8, 8/93

## Periodontal Disease, & Inflammation & Halitosis!

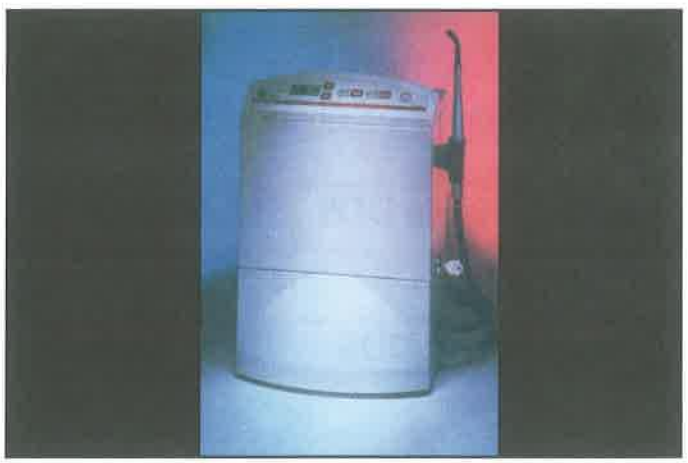
- "Saliva from individuals with periodontitis putrefies more rapidly and odor is more disagreeable in comparison to saliva in healthy individuals!"

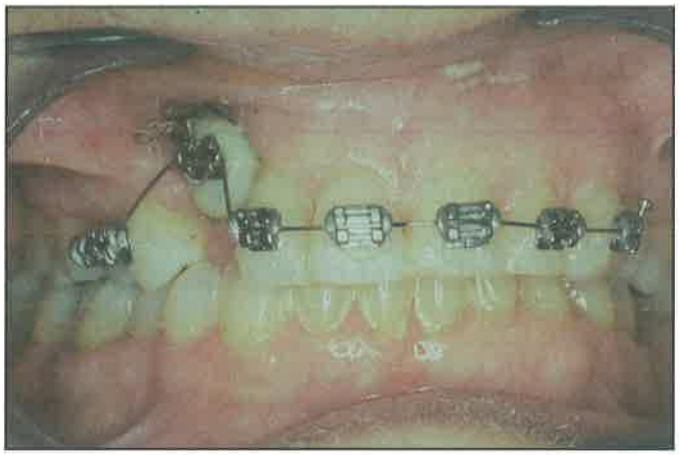
Oral Malodor & Periodontitis
Journal of Perio. 1/94-Vol. 65, #1




**There are people who will spend time to save money, and people who will spend money to save time. Those are two different markets!**

Arno Penzias, Nobel Laureate
Bell Labs Chief Scientist, 1998





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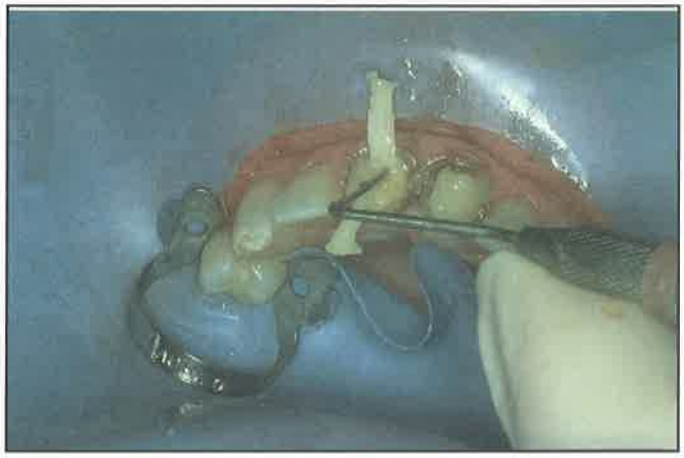
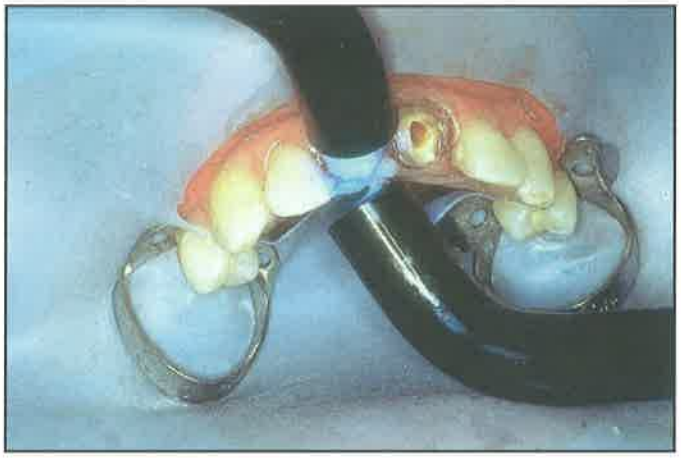
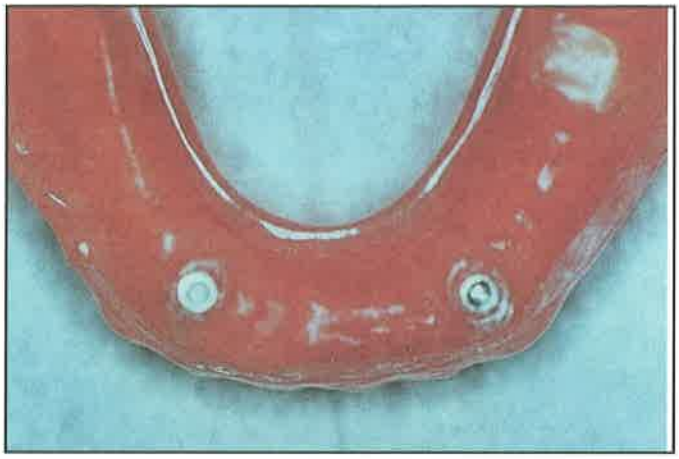
Rondeau Seminars 800.308.3074

## Orthodontic Courses by the "Gurus" of Orthodontics

| | |
|---|---|
| Brock Rondeau DDS | 519.455.4110 |
| Richard Litt DDS | 810.646.5220 |
| Robert Garety DDS | 918.652.4404 |







# How to Become a Customer Focused Dental Office

Your 30 Day Dental MBA
Day 5

# How to Become A Customer Focused Dental Office

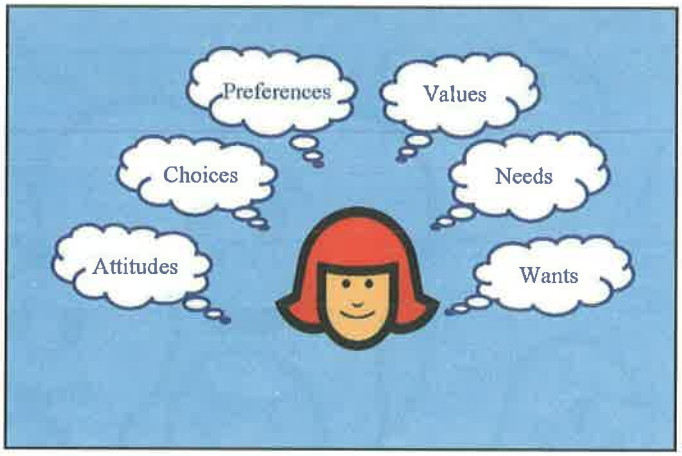
**The First Law of Customer service is:**

**Satisfaction = Perceptions – Expectations**

**The Second Law of Customer service is:**

**It's hard to play catch up ball once you are behind!**

Arizona State University, OPM 502, Professor M. Rungtusanatham




**The Industrial Revolution was about Low Diversity, scales of economy massification.**

**The Knowledge Revolution is about highly diversified, very specialized, customization.**

*A Brief History of Science*, Consultant Editor John Gribbon, 1998

**Today's Dental Mission Statement**

**To build a long-term relationship between our staff and our patients so that we can provide quality, consumer friendly dental services the whole family can value and afford in a happy and healthy environment!**

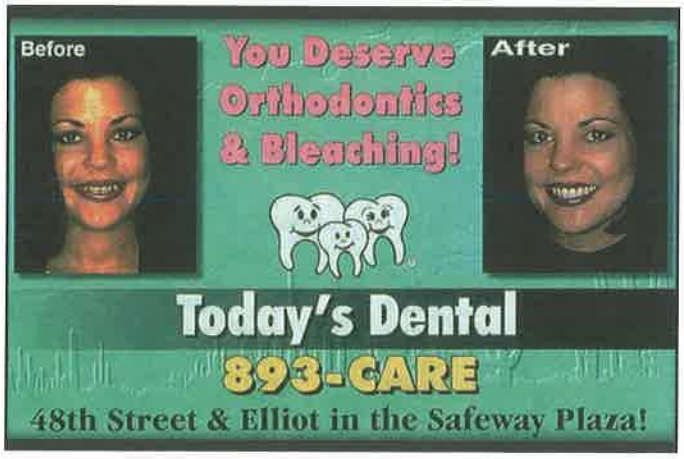
**The Percent of the U.S. Population Working for the Fortune 500:**

| 1960 | 1990 |
|---|---|
| 33% | 13% |

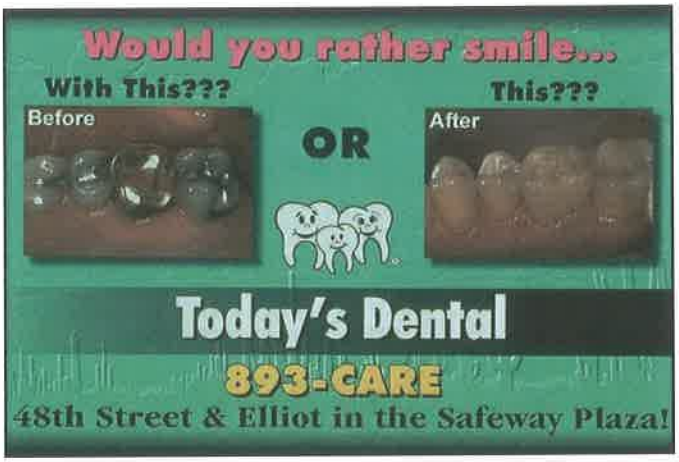
**The Percent of the U.S. Population Working in a Blue Collar Job:**

| 1950 | 1990 | 2000 |
|---|---|---|
| 40% | 20% | 10% |

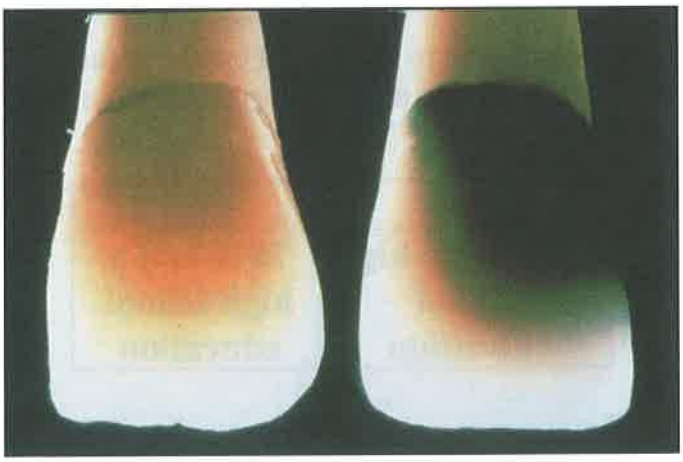
Source: Managing in a time of Great Change, Peter F. Drucker

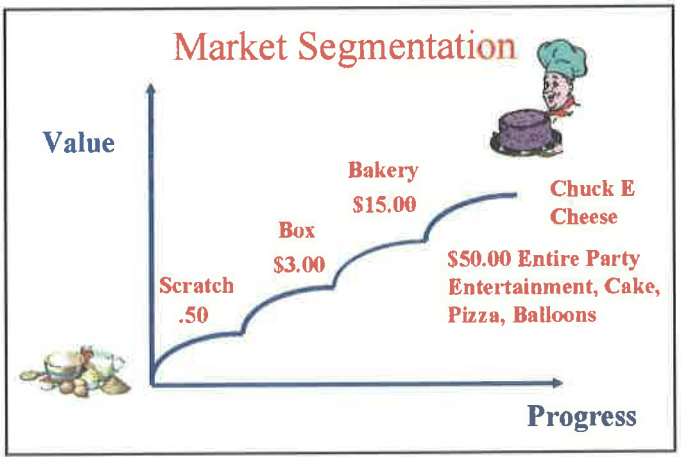


You Deserve to Bleach Your Teeth!
Before
After
Today's Dental
893-CARE
48th Street & Elliot in the Safeway Plaza!


Would you rather smile...
With This???
Before
OR
This???
After
Today's Dental
893-CARE
48th Street & Elliot in the Safeway Plaza!

BEFORE AFTER
BONDING!!
DentalVision
1·800·660·0409
meredith
communications inc




Market Segmentation
Value
Scratch
.50
Box
$3.00
Bakery
$15.00
Chuck E
Cheese
$50.00 Entire Party
Entertainment, Cake,
Pizza, Balloons
Progress

RONDEAU SEMINARS
Straightwire Orthodontic and Functional Appliances

TORONTO

January 22 & 23, 1999

March 19 & 20, 1999

Dr. Brock Rondeau, D.D.S., LB.O.

Rondeau Seminars 800.308.3074

Rondeau Seminars
OrthOrama

TORONTO

January 22 & 23, 1999

March 19 & 20, 1999

June Williamson, R.D.H., C.T.A.

Rondeau Seminars 800.308.3074

## Orthodontic Courses by the "Gurus" of Orthodontics

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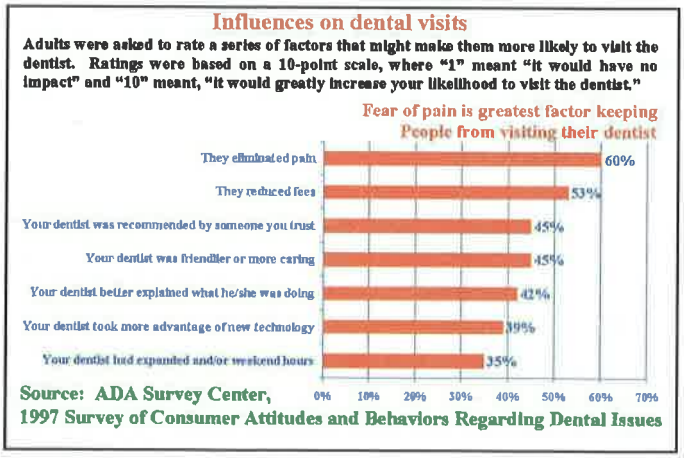
| Robert Garety DDS | 918.652.4404 |

## From 1960 to 1993 the Percentage of Americans with a College Education Tripled

| 1960 | 1993 |
|---|---|
| 40% had a high school education | 78% had a high school education |

**Listening is more important than talking, that is why God gave us two ears and only one mouth!**



"Go to where the puck is going to be, not where it is!"

Wayne Gretzky

Customers want information, choices & control in a convenient, courteous, professional retail setting. This is the only way today's consumer can reach self mastery.

## Definition of an Entrepreneur:

Anyone who moves their limited resources of money, time & capital from a lower return to a higher return!

Darn,

Does this mean I am going to have to focus on the consumer's unmet needs, wants, & desires?

Hello,
I have limited resources
&
unlimited needs, wants and desires!

The American economic system automatically sorts out winners from losers by permitting the customers to pick their favorites.

## The 2 Eyes of an Entrepreneur are focused on:

The Customer's Unlimited Needs, Wants & Desires

Cost Leadership For The Customer's Limited Resources

## Good Lovers!

People, one may say, become good lovers only when they can accept others as they are, and can then enjoy and like them rather than being bothered and irritated and disapproving!

Source: Maslow on Management, Abraham Maslow, 1998

# Relationships!

In all relationships, understanding the feelings of others is key to creating stronger relationships.

Source: Maslow on Management, Abraham Maslow, 1998

## "You cannot dogmatically force feed the needs of the marketplace!"

Adam Smith
*The Wealth of Nations*
1776

## Humans have imperfect brains, gather incomplete information and make low quality decisions.

They are very challenging to understand. They are even more challenging to predict.

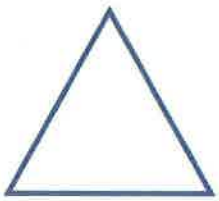
## 1 in every 5 people watch wheel of fortune every day!

Vanna White

| 1960 | 1993 |
|---|---|
| 40% had a high school education | 78% had a high school education |

From 1960 to 1993 the percentage of Americans with a college education tripled.

Train the customer to use your product or service!



Study how the customer actually uses the product or service!

Make the high quality product or service!

Source: Peter Drucker

# Consumerism

## "We care" calls

- The same night any patient gets an injection, the person who gave the injection will call the patient that night or the next morning to make sure everything is going fine!
- Then a week later, the dental assistant who assisted the procedure will call to make sure everything is going fine after the patient has had a week to "drive it around the block!"

Percentage of U.S. Population Who Made Dental Visits Within a Year's Span, Selected Years 1963 - 1989

Sources: National Center for Health Statistics and Bloom and colleagues.

# Consumerism

**Consumer Oriented** Focusing the purpose of your business towards those persons who consume your goods and services for their own needs!

**Convenient** Easy to do, use or get used to, requiring little work, trouble or effort!

## Consumerism

**Offer Choices Other Dental Offices Do Not:**

- Availability
- Accessibility
- Extended Hours, evenings, Saturdays
- Panographs
- Financing Options, MC, Visa, American Express
- Emergencies Seen That Day
- Beautiful Cosmetic Dentistry
- In Office Prescription Dispensing of Non-Narcotics
- Get your F.A.G.D. and your M.A.G.D. so you can do more Orthodontics, Oral Surgery, Periodontics, Pedodontics, Endodontics, Prosthodontics, and Oral Pathology

## The McDonalds Check List

McDonalds does a lot of things that dentists should do

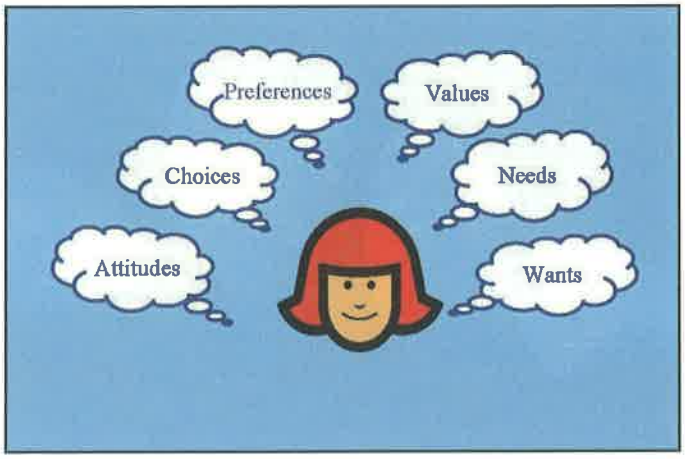
| McDonalds has... | Most Dentists have... |
|---|---|
| Signature building | Medical/Dental building |
| Lighted Sign | Wood sign next to a wood tree, camouflage |
| Name and Logo | "Dr. Good, DDS, MAGD" |
| Economic incentive | "Coupons are tacky." |
| Television advertising | Get into organized dentistry |
| A realistic market attitude | "I only want rich patients!" |
| Trained management | You |
| Trained staff | Staff is staff is staff |
| Product consistency | Amalgams to composites, PFM's to procera |
| Systems dependent | Doctor dependent |
| Consumer convenient hours | Doctor convenient hours |

## Do You Want to Build a Practice Quickly? Go Retail!

**Just ask Ray Kroc of McDonalds**

**FACT** McDonalds will open a brand new store, and in it's first month produce and collect 80% of its best month ever. From the first day out of the starting gate McDonalds has well trained management and staff.

**MYTH** You have to build a practice slowly and take an average of seven years to get a fee for service family practice dental office up and rolling.




## A Focused Factory Dental Health Care Facility Needs:

1) Consistency
2) Reliability
3) Clear Standards
4) Low Cost
5) Convenience
6) Patient Comfort
7) Quality
8) Customer Acceptance

*Market Driven Health Care*
Regina E. Herzlinger PhD, Economist, Harvard University

## In the old days dentists thought that Quality was the be-all and end-all!

**Today's dentists must also master customer behavior, customer preferences and customer emotions!**

## Enamel/Dentin Acids or Surface Preparation

| Ingredient | Use on: | |
|---|---|---|
| Phosphoric A | Enamel + Dentin | zinc phosphate cement 60 – 70%<br>enamel etchant 37%<br>dentin conditioners 10% - 37% |
| Polyacrylic A | Dentin | Durelon cement<br>Smear clean for glass ionomers |
| Maleic a | Enamel + Dentin | Scotch prep primer |
| Nitric A | Enamel + Dentin | Tenure conditioner |
| Citric A | Dentin | Periodontal root surface cleaner/porcelain conditioner |
| EDTA | Dentin | Gluma / Tubliocid |

## Adhesive Resin / Monomers

1. Bowen Chemistry (NTG – GMA/PMDM)
2. HEMA
3. 4 – Meta
4. Phosphonated Esters

## Are You A 2100 Dentist?

2110 Amalgam-one surface, deciduous
2120 Amalgam-two surfaces, deciduous
2130 Amalgam-three surfaces, deciduous
2131 Amalgam-four surfaces, deciduous
2140 Amalgam-one surface, permanent
2150 Amalgam-two surfaces, permanent
2160 Amalgam-three surfaces, permanent
2161 Amalgam-four or more surfaces, permanent

## Are You a 2300 Dentist?

2330 Resin-one surface, anterior
2331 Resin-two surfaces, anterior
2332 Resin-three surfaces, anterior
2335 Resin-four or more surfaces or involving incisal angle
2380 Resin-one surface, posterior – primary
2381 Resin-two surfaces, posterior – primary
2382 Resin-three or more surfaces, posterior – primary
2385 Resin-one surface, posterior – permanent
2386 Resin-two surface, posterior – permanent
2387 Resin-three or more surfaces, posterior – permanent

A consumer focused dental delivery system is not organized by dental specialties that are provider focused. They are organized by patients' requirements.

Your consumer oriented family practice dental office should contain all the resources necessary for the patients' needs, wants & desires.

Considerable evidence demonstrates that the quality of a medical procedure is directly related to how frequently doctors perform it, or its volume!

Regina Herzlinger Ph.D.
Economist Harvard University
Author of *Market Driven Health Care*

Tangible attributes include a clean office, a friendly staff and satisfactory treatment. Intangible attributes are those that occur when every visit caters to the individual, builds value, inspires loyalty, maintains thrill, reiterates promise and exceeds desires. It is sometimes referred to as the "Wow!" factor.

Imtiaz Manji, Dental Practice & Finance, Sept./Oct 1998

In the old "want and need" syndrome people will find money to buy what they want without addressing their needs – because they see value in their want. The dental practice that truly succeeds is the one that creates a high need and a high want.

Imtiaz Manji, Dental Practice & Finance, Sept./Oct 1998

## Repetition is the mother of skill.

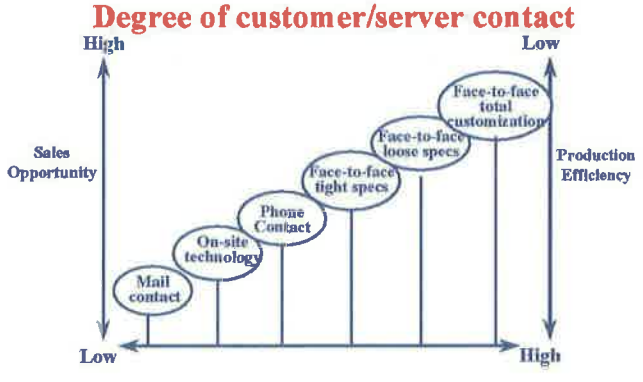
## Necessity is the mother of invention

Differentiation: Involves making your product or service appear different in the mind of the consumer.

Employee Courtesy = Long-term staff
Availability = extended hours
Expertise = FAGD / MAGD / DICOI
Location = Retail intersections, Accessibility
Cosmetic = Natural tooth color
Warranty

| Customer First | Operating System First |
|---|---|
| Customer Centered<br>Customer Focused | Provider Centered<br>Provider Focused |
| Lee Optical | Department Store Clerks tied to a register |
| EyeMaster | Hospitals - Radiology, Orthopedic, Pharmacy |
| | Dentist - Ortho, Perio, Oral Surgery, Pedo, Prost |

Customers need salespeople who can help them anywhere in the store, not someone who is tied to one department and chained to one register.



- **Service operations are responsible for the creation and delivery of value added goods and/or services in any organization – public or private, profit or non-profit!**

- The operations function within an organization typically accounts for 75% of a firm's investment, comprises 80% of a firm's personnel, and controls at least 85% of a firm's expenditures for materials and equipment!

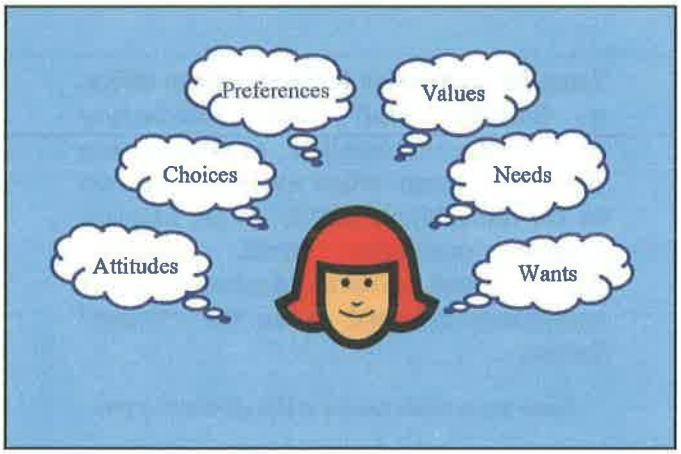
**Professor Manus Rungtusanatham**
**Operations & Logistics Management**
**Arizona State University**

- **Humans have imperfect brains, they gather incomplete information and they make low quality decisions!**

- **They are very challenging to understand and they are even more challenging to predict!**

**Easy One Stop Shopping for all your Dental Needs: Get your FAGD then your MAGD**

- **Endodontic Therapy (Root Canals)**
- **Pediatric Dentistry (Children)**
- **Orthodontics (Braces)**
- **Oral Surgery (Wisdom teeth removal, Implants)**
- **Periodontal Therapy (Gum Therapy)**
- **Prosthodontics (Dentures & Partials)**



## The 8 Principles of Waiting!

1) Unoccupied Time Feels Longer than Occupied Time
2) Pre-Process Waits Feel Longer than In-Process Waits
3) Anxiety Makes Waits Seem Longer
4) Uncertain Waits are Longer than Known, Finite Waits
5) Unexplained Waits are Longer than Explained Waits
6) Unfair Waits are Longer than Equitable Waits
7) The more Valuable the Service, The Longer I Will Wait
8) Solo Waiting Feels Longer Than Group Waiting

**Source: Harvard Business School, The Psychology of Waiting Lines**

**In 1991 there were 704 million patient visits to the physician. If each patient had to wait 30 minutes for his or her scheduled appointment, then our economy would have lost 176,000 years of work.**

**Regina Herzlinger Ph.D.**
**Economist Harvard University**
**Author of *Market Driven Health Care***

**Most people want everyone else in the world to change but themselves! Let me tell you, it's easier to change yourself than everyone else!**

***Rich Dad Poor Dad***
**By Robert Kiyosaki &**
**Sharon L. Lechter CPA**

SOURCE: Abraham H. Maslow, "A Theory of Human Motivation", *Psychological Review*, Vol.. 50, 1943, p. 374

I WILL NOT TREAT A DENTAL PATIENT IN A WAY I MYSELF WOULD NOT WANT TO BE TREATED

The ethic that we should treat others as we ourselves want to be treated and not in a way we ourselves would not want to be treated is found in all the great religions of the world:

| Religion | When Founded | Membership | "Golden Rule" |
|---|---|---|---|
| Judaism | 2000 BC | 13,866,000 | "What is hateful to you, do not to your fellow man. That is the entire Law, all the rest is commentary."—The Talmud, Shab 31A |
| Hinduism | 1500 BC | 793,075,000 | "This is the sum of all true righteousness: deal with others as thou wouldst thyself be dealt by."—The Mahabharata |
| Buddhism | 500 BC | 325,275,000 | "Hurt not others in ways that you yourself would find hurtful."—Undanavarqua:5:18 |
| Confucianism | 500 BC | 5,086,000 | "Surely it is the maxim of loving kindness: Do not unto others that you would not have them do unto you."—Analects |
| Christianity | 0 | 1,955,229,000 | "Do unto others as you would have done unto you."—Luke 6:31 |
| Islam | 600 AD | 1,126,325,000 | "No one of you is a believer until he desires for his brother that which he desires for himself."—Sunnah |

Source: The New York Times 1998 Almanac and *Children are Worth It!*, Barbara Coloroso, 1997

**"The Golden Rule"**
**could also be called**
**"The Law of Reciprocity!"**

**If you need it then give it!**

**"Hate the sin but love the sinner" is a theology as popular with the Fortune 500 as it is with the Salvation Army!**

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham

**If you won't help your patients professionally, they will get treatment unprofessionally.**

## Excused Patient Collections

Today's Dental
10850 S. 48th Street
Phoenix, AZ 85044

Dear _____,

This letter is to serve as notice that your outstanding balance of $_____ has been excused. Repeated attempts to collect your balance during the course of the last year have been unsuccessful.

In order to effectively continue to provide our patients with affordable quality dental services, Today's Dental has found it necessary to excuse your balance in order to offset the additional high administration costs associated with monthly statement processing and mailing.

In closing, Dr. Farran and the staff at Today's Dental want to wish you and yours the best in 1998. We hope that the new year is more prosperous for you than 1997. With the country's economic situation the way it is, we can only guess that you must have been adversely impacted. It is for this reason that we are excusing your outstanding balance. We know hardship must have forced you to neglect our payment especially after we had already delivered, in good faith, the dental services you required.

Today's Dental has and always will consider you a valued patient and thanks you for continuing to refer us to your friends and family for quality dental services.

Sincerely,

Kathy Brodal
Office Administrator

## Excuse Bad Debts

- Excuse outstanding uncollectable debts
- Saves cost of processing statements
- Reduces chance for disgruntled patients
- Reduces lawsuits (Don't feed the lawyers)
- Increases loyalty = increased referrals
- You should do this at the end of year Christmas holidays on a greeting card which cleans up your end of the year statements, and is very emotionally rewarding for your patients!

**Some people are alive simply because it is illegal to kill them!**

## Daily "We care calls" are the "Golden Rule" of Dentistry!

- Every single patient who receives an injection will receive a "We Care Call" from Today's Dental that night or the very next morning to make sure everything is going fine! Hopefully it will be the very same person who actually gave the injection!
- A week later, the dental assistant who assisted the procedure will call to make sure everything is going fine! This gives the patient a solid week to "Drive it around the block!"

## The 3 Legs of Managerial Economics!

What's the Reward?

What's the Score?

Who Makes What Decisions?

Source: Adapted from Managerial Economics and Organizational Architecture, Brinckley, Smith & Zimmerman

EXIT INTERVIEW

1. Were you satisfied with the treatment you received from the service staff? Yes____ No____
2. Did the service staff listen and understand your needs? Yes____ No____
3. Were you satisfied with the service staffs' ability to have your vehicle ready when promised? Yes____ No____
4. If you receive a survey from Chrysler Corp. Will you be able to answer it in a positive fashion? Yes____No____
5. Comments:

Source: Chrysler

## My wife ran away with my best friend and I still miss him a lot!

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham

## The Key Measures of Consumerism:

1) Time on the phone necessary to make an appointment:
2) The number of days needed to wait for an appointment with:

| | |
|---|---|
| Hygienist | Cleaning |
| Dentist | Scheduled |
| Dentist | Emergency |

3) On time performance of seating each dental patient:

Howard Farran DDS, MBA, MAGD

**The top 2 reasons cited for not getting a 6 month cleaning when you have indemnity dental insurance that pays 100% for a cleaning exam & x ray are:**

1) **Difficulty in leaving work**
2) **Difficulty getting an appointment**

Available: one that can be used and usable, can be reached and is very handy!

Accessible: easy to approach or enter, easily understood, obtainable and generally appreciated!

| | The Average General Dentist | The Average Specialist |
|---|---|---|
| The average number of days to wait for a "new" patient to get in for an appointment! | 8 | 7 |
| The average number of days to wait for an "existing" patient of record to get in for an appointment! | 8 | 7 |

ADA Survey Center, 1996

## Convenient Hours

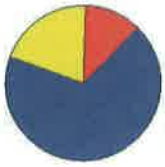
The name 7-Eleven originated in 1946 when the stores were open from 7 a.m. until 11 p.m. Today, approximately 95% of all 7-Eleven stores in the United States and Canada are open 24 hours a day. With 17,104 convenience stores worldwide!

Source: The Southland Corporation 1997 Annual Report

## Distribution of Dentists in Private Practice

20% Practicing with one other dentist

12% Practicing with two or more other dentists



68% Solo Practices

Source: ADA 1995 Survey of Dental Practices

The reasonable man spends his life trying to adapt himself to the world!

The unreasonable one persists in trying to adapt the world to himself!

Therefore all progress is dependent upon the unreasonable man!

Ralph Waldo Emerson

## In-Office Dispensing

CompuMed
1 (800) 443 - 9218

## The 3 components of operations and logistics management!

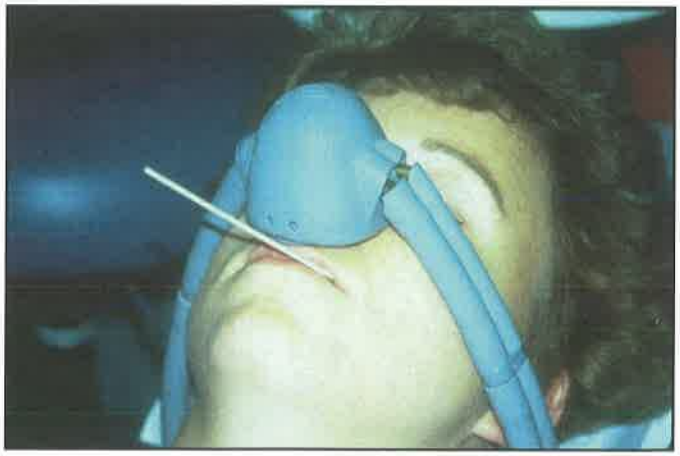
Sales Inventory Expenses

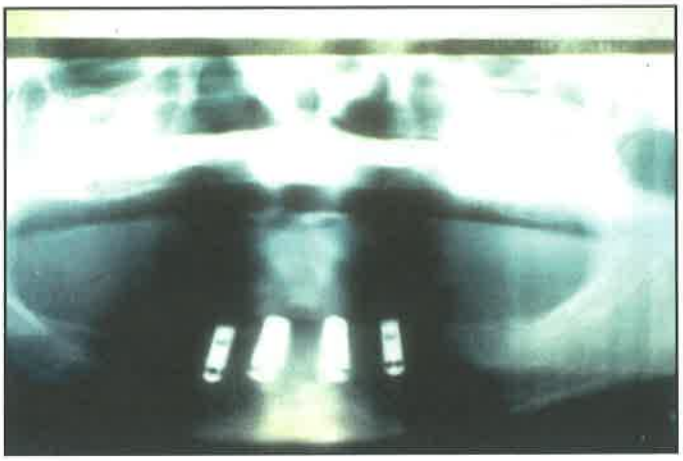
"If at first you do succeed, quit trying! "

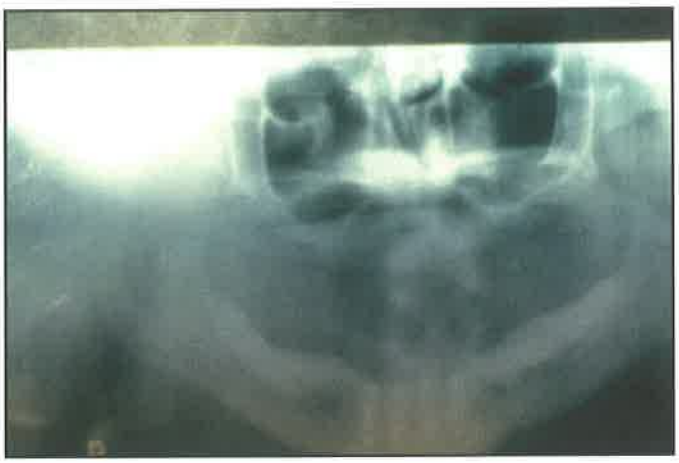
Source: *The Essays of Warren Buffet: Lessons for Corporate America,* 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham

Justice Stewart found it impossible to formulate a test for obscenity but nevertheless asserted, "I know it when I see it!"

Source: *The Essays of Warren Buffet: Lessons for Corporate America,* 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham







## Blood Pressure Monitor: $181

### Smart Practice
### 1-800-522-0800

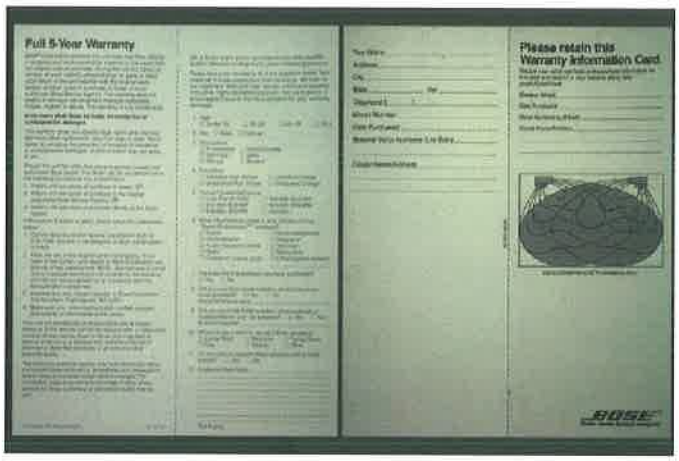
**Taking a patient's blood pressure at every appointment is a great value added service. Bundle it into your current fee. It is medically necessary before you use any vasoconstricter epinephrine containing anesthetic and patients over 40 love it!**

## Implementation of Consumerism

- Instructional sheet with every procedure!
- Pre operative videotape, instruction sheet, signed legal consent form, home care instructions with every procedure!
- Always give out your entire "Walk-Out Statement" stating everything that was done and the costs incurred in your high quality, great service, family practice dental office!

## Warranties

- **Warranty for five years.**
- **Provides patients with piece of mind.**
- **Reduces confrontation.**
- **Conditional-free repairs or replace.**
- **The patient must return at least one time every year for a continuing care cleaning, Xrays & exam or the warranty is VOID.**
- **You cannot guarantee work, only warranty work**



When you find great articles that you feel your patients can benefit from reading them, then cut them out, xerox them, if it is legal, and then pass them out to your patients!

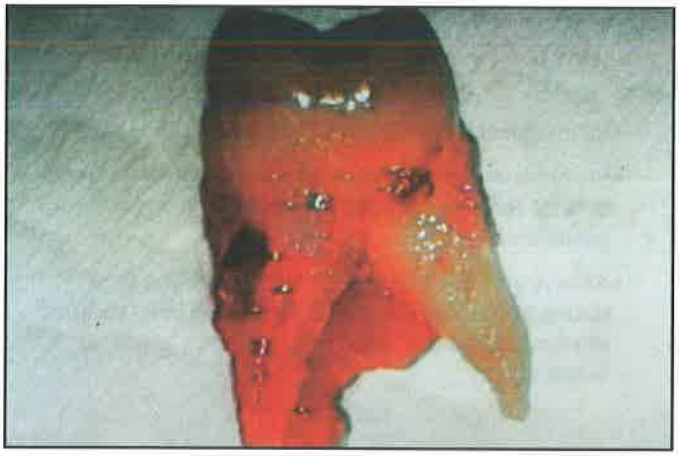
Be sure to check each article for permission to copyright!

**Just because you know what dental sealants are, do you think everyone knows what dental sealants are?**

**Do you think that all 265,000,000 Americans know what dental sealants are?**

**Do you think that all 6 billion Earthlings know what dental sealants are?**

**You can get patient education sheets like these free of charge at your local Office of Dental Health!**



Dr. Farran's

## Patient Education Sheets

Owner's Manual

**Congratulations on becoming the new owner of a complete set of Dr. Howard Farran's unique—and incredibly effective—Patient Education Sheets! There are 45 sheets comprising 40 handouts (all handouts are single-sheet except No. 009, "TMJ," which is five sheets).**

**Personalizing Your Patient Education Sheets**

Before you begin—REVIEW these sheets for any changes and customizations that you feel you may want to make for your practice (i.e. your practice name, office phone number and hours, and procedures for emergency contact). With your Patient Education Sheets you have received an IBM formatted diskette containing the sheets in both MS Word and WordPerfect application format. First create a directory on your hard drive titled "Patient Education Sheets." Once you have established the directory, put the diskette into your a: drive. Start up your word processing software and open the file named Patient Education (from the a: drive). Be sure you open up the appropriate file for the software you are using (i.e. Word or WordPerfect). Save As "Patient Education Sheets" to your c: drive (the directory you just made).

**Photocopying Your Patient Education Sheets**

Dr. Farran recommends that your Patient Education Sheets be photocopied on colored paper, a different color for each sheet. (You may want to do some of these on your office stationery so that you have your logo, address, and phone number.) This makes inventory control simpler, and it adds a nice touch to the sheet that your patient takes home with him or her. Colored copies should run between 6 and 8 cents—a fabulous bargain when you realize that each sheet makes a patient happier, more likely to return to your practice, and more likely to spread the word to friends and acquaintances that yours is the best dental practice in town.

**Questions?**

Don't hesitate to call us with questions. For content questions, ask for Kathy at (602) 893-1213 and for questions on personalizing and copying your Patient Education Sheets, ask for Carol at (602) 598-0001.

**Patient Education Sheets**
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## Patient Education Sheet #TD9

### TMJ

**Temporomandibular Joint Irregularity**

Some 60 million Americans have TMJ. Simply put, TMJ is the syndrome that happens when the muscles in the jaw and the temporomandibular joint are out of alignment or misaligned, causing problems when chewing. In plain English, the ligaments, muscles, bones and joints do not line up, causing pain.

**Some Symptoms Associated with TMJ:**

1. a clicking, popping or grating sound when opening or closing the mouth
2. headaches and/or dizziness
3. tenderness in the jaw muscles
4. ear ache
5. jaws that sometimes lock open when yawning or if mouth is held open
6. spasm or cramps in the jaw area (very common)

**What Causes TMJ? There are the most common causes:**

1. accidents
2. developmental (natural) defects, including the wearing-down of teeth or fillings causing a misalignment of the teeth
3. surgery
4. orthodontics
5. stress that causes clenching of the jaws and grinding of the teeth
6. naturally misaligned teeth

**What Can be Done to Correct TMJ?**

- If the temporomandibular area has been damaged by arthritis or as a result of an accident, surgery may be needed to correct the TMJ and re-establish the proper occlusion. Far more likely, your doctor will recommend a therapy that may include a *bite splint* and specific exercises to keep the teeth from touching and to allow the joint to remain lined up, allowing the jaw's hinge area to relax. Such therapy increases your comfort by diminishing the TMJ pain. If a splint is prescribed for you, it is very important that you follow your doctor's instructions regarding the *amount of time and time of day you must wear it.*
- If your condition is temporomandibular joint irregularity (TMJ), you need to wear your splint all the time unless directed otherwise. Do not remove the splint when you eat, as this would compromise your treatment and diminish its effect. The splint stops tooth-to-tooth contact and keeps your jaw lined up properly, allowing the muscles and joint area to heal. As this healing takes place and the symptoms gradually disappear, your doctor will adjust your splint to keep your teeth properly aligned. During this period of your therapy, you will begin wearing the splint *fewer hours* of the day and, after a period of time, you will no longer need to wear a splint.

  Grinding ("bruxism") and Clenching: These conditions require you to wear your splint only at night, while sleeping.

  Clean the splint by brushing it. Keep it in water and mouthwash solution when it is not in your mouth.

## Patient Education Sheet #TD16

### Infection Control

To reduce the chance of cross-contamination of disease from patient to patient, we take these important measures:

1. Face Masks:
   All of our staff wear face masks during active patient care. These masks prevent the spread of bacteria.
2. Rubber Gloves:
   New gloves are worn for every patient, and disposed of immediately after their one and only use.
3. Disinfection of Counters and Other Office Surfaces:
   This standard health and sanitation procedure is performed routinely after each patient visit in every operatory and throughout all public areas of our office.
4. Equipment Sterilization:
   Items attached to each dental operatory —handpieces, air blowers, suction, etc.- are disinfected by heat sterilization. Our practice proudly meets and exceeds *all* OSHA regulations for operatory equipment sterilization.
5. Continuing Education:
   We are very conscious of the fact that health-threatening viruses, bacteria, and other conditions are constantly changing and evolving into new, sometimes more virulent strains. *We are absolutely committed to intensive continuing education by which we remain current, informed, and capable of state-of-the-art patient protection.*

## Patient Education Sheet #TD23

### Crowns or Bridges
**(Fixed Prosthesis)**

You have just had some crowns or fixed bridges cemented onto your teeth. They will replace your missing tooth structure or missing teeth very well, and should give you years of good service - provided you observe the following cautions:

Chewing: Do not chew hard foods on the restorations for 24 hours from the time they were cemented - to attain optimum strength, the cement must mature for approximately 24 hours.

Sensitivity: Don't worry about mild sensitivity to hot or cold foods. This sensitivity will disappear gradually over a few weeks. Infrequently, sensitivity lasts longer than six weeks. Please notify us if this occurs.

Preventative Procedures: To provide optimum longevity for your restorations and to prevent future dental decay and supporting tissue breakdown, please use the following preventive procedures:

___ Brush and floss after eating and before bedtime.
___ Use a fluoride rinse, swish vigorously for at least 30 seconds daily.
___ Use fluoride gel as prescribed by our office.
___ Use, _____(a Water Pik, an Interpik toothbrush, etc.) as advised by us.

Recalls: *The most significant reason for prosthesis failure is inadequate return for examination.* Visit us at regular six-month examination periods. Often problems that are developing around the restorations can be found at an early stage and corrected easily. Waiting for a longer time may require redoing the entire restoration.

Problems: Call us immediately if any one of these conditions occurs:

- A feeling of movement or looseness in the restoration.
- Sensitivity to sweet foods.
- A peculiar taste from the restoration site.
- Breakage of a piece of material from the restoration.
- Sensitivity to pressure.

We have done our best to provide you with the finest quality restoration available today. Only your continuing care and concern can ensure long-term good dental health.

## Patient Education Sheet #TD24

### Cracked Tooth Syndrome

Teeth may crack when subjected to the stress of chewing hard food or ice, or by biting on an unexpected hard object. Teeth with or without restorations may exhibit this problem, but teeth restored with typical silver-alloy restorations are most susceptible.

Symptoms and Signs of Cracked Teeth (some or all of the following):

- pain while chewing;
- pain upon cold air application;
- unsolicited pain (usually leakage of sugar into a tooth crack);

Treatment of Cracked Teeth:

Simple Crack. The majority of cracked teeth—about 9 out of every 10—can be treated by placement of a simple crown (cap) on the tooth. When the tooth is prepared for the crown, and a temporary restoration is placed, the pain usually leaves immediately. *If this is the case with your tooth*, we will place the final crown on your next appointment, and the condition should be resolved.

Complex Crack. Occasionally - about 1 in 10 - a crack is pronounced or severe enough to access the pulp (nerve) of the tooth. *If pain persists* after placement to the temporary crown, you may have such a crack into the pulp of the affected tooth. To verify, please call us. *The tooth may require endodontics (root canal therapy) before the crown is placed.*

## Patient Education Sheet #TD26

### Occlusal Equilibration

**What is it? Why do I need it?**

Occlusal equilibration is the mechanical adjustment of your teeth, dentures, fillings, or other appliances to a position which allows your lower jaw to function as a natural hinge in relation to your upper jaw reducing needed tooth structure to assure that all teeth fit together with equal pressure on all teeth and surfaces. This allows you a better chewing surface and comfort.. There are many reasons why teeth and jaws do not occlude (meet) in a comfortable position. Some of them are: numerous fillings or bridges over period of years, orthodontics, developmental defects, oral surgery, trauma, malocclusion (poor bite), bruxism (grinding one's teeth), and clenching.

Your mouth is being equilibrated because some problem exists; i.e. pain, abnormal wear, breaking of restorations, or other situations. The problem is usually present because your teeth and/or fillings do not meet in harmony with your lower jaw at a proper position. The teeth and fillings have not "worn in" properly.

We approach occlusion adjustments in a very conservative way. In most cases we will make minor adjustments, then if you still have discomfort we will re-adjust until you have the comfort and chewing capability we are trying to accomplish.

Your comfort as well as your ability to chew is important to us!

## Patient Education Sheet #TD30

### Medications and Birth-Control Pills

Several studies have shown that taking these medications may reduce the effectiveness of your birth control pills.

**antibiotics — sulfa drugs**
**pain killers — tranquilizers**
**sedatives or antihistamines**

Please check with your doctor before taking these or any other medication.


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**sedatives or antihistamines**

Please check with your doctor before taking these or any other medication.


## Patient Education Sheet #TD 31

### Dental Patient
### *Bill of Rights*

*You have a right*
to see the dentist of your choice.

*You have a right*
to see the dentist every time you receive dental treatment.

*You have a right*
to know in advance the type and expected cost of treatment.

*You have a right*
to expect dental team members to use appropriate infection-controls.

*You have a right*
to ask about treatment alternatives and to be told,
in language you can understand,
the advantages and disadvantages of each.

*You have a right*
to know the education and training of your dentist
and the dental team.

*You have a right*
to know what professional rules, laws and ethics apply
to your dentist and the dental team.

## Patient Education Sheet #TD35

**"At Home" Tooth Bleaching**

Hydrogen peroxide has been used for many years to bleach teeth. In past years, it was usually applied only by dentists, who used heat and/or light to accelerate its bleaching action. In recent years, a highly effective technique has been found that allows patients to bleach their teeth at home - although *only* when supervised by a dentist.*

The "at home" technique of bleaching teeth does not require heat or light, and allows you to monitor your own progress. The amount of color change depends on the length of time you wear the tray each day and the number of weeks you continue the treatment. The results can be unpredictable. Although effects may be noticed as early as a few days, many patients report that a minimum of two weeks is required to see a color change. Peroxide bleaching in custom-fitted trays is often the fastest and most painless method known.

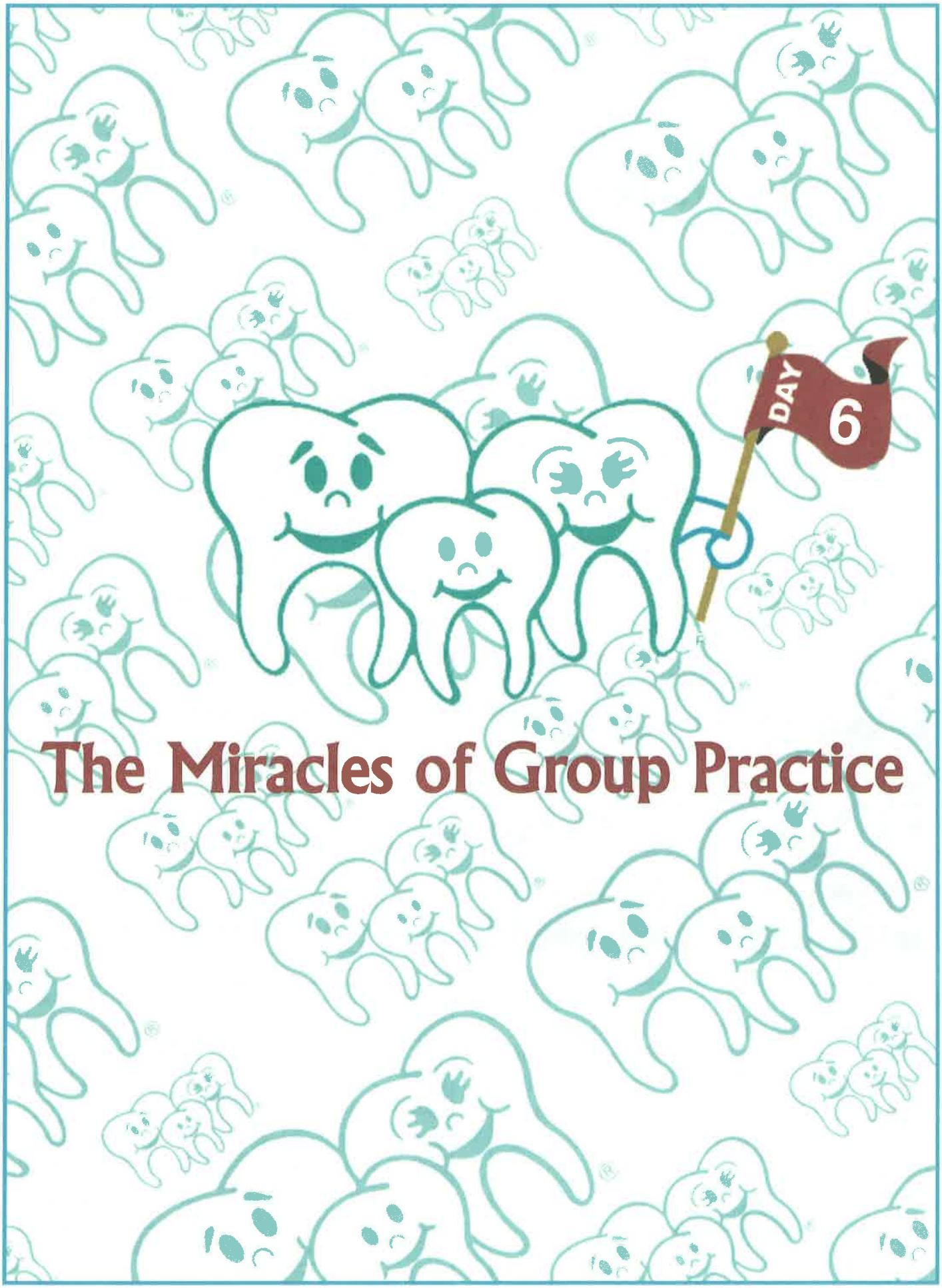
**The Procedure:**

1. One or two hours before bedtime, brush and floss your teeth, in order to clean them before placement of the tray. Rinse well.
2. Place one or two drops of bleaching gel in the tray at each tooth position to be bleached. Use the gel *only* in the tray provided by us to fit your teeth.
3. Place the tray firmly over your teeth. Spit out excess gel and foam, and wear loaded tray for one (1) hour. Then remove the tray, wipe it with tissue paper to remove the gel (do not wash it out at this time), reload the tray, replace it, and wear it for another hour.
4. Anytime you remove the tray for longer than 15 minutes, place new bleaching gel in it before you use it again.
5. Re-apply the bleaching gel approximately every 3-4 hours.
6. To receive maximum bleaching potential, the tray should be worn a minimum of twelve (12) hours per day.

**Possible Side Effects:**

1. Some patients have reported that teeth become sensitive to cold and biting pressure for a short time during and after treatments. The discomfort normally does not last for an extended time. If, however, your teeth continue to be sensitive, stop using the bleaching gel and call us.
2. Your gingiva or gums may react to the bleaching gel by creating gum sensitivity. If it does, simply decrease the amount of bleaching gel in the tray, or return to the office so we can trim the appliance in order to reduce the amount of bleaching gel in contact with your gum tissue.
3. If bleaching trays are worn too long during any given day, discomfort in your jaw joints may occur. This discomfort will go away when the bleaching trays are removed.

* In the past, hydrogen peroxide was considered to be a cosmetic agent only. However, the US Food and Drug Administration is now considering registering this chemical as a drug to assure its proper use and dentist supervision.




# The Miracles of Group Practice

## Your 30 Day Dental MBA
## Day 6

# The Miracles of Group Practice

## The McDonalds Check List

**McDonalds does a lot of things that dentists should do**

| McDonalds has... | Most Dentists have... |
|---|---|
| Signature building | Medical/Dental building |
| Lighted Sign | Wood sign next to a wood tree, camouflage |
| Name and Logo | "Dr. Good, DDS, MAGD" |
| Economic incentive | "Coupons are tacky." |
| Television advertising | Get into organized dentistry |
| A realistic market attitude | "I only want rich patients!" |
| Trained management | You |
| Trained staff | Staff is staff is staff |
| Product consistency | Amalgams to composites, PFM's to procera |
| Systems dependent | Doctor dependent |
| Consumer convenient hours | Doctor convenient hours |

## Do You Want to Build a Practice Quickly? Go Retail!

**Just ask Ray Kroc of McDonalds**

**FACT** McDonalds will open a brand new store, and in it's first month produce and collect 80% of its best month ever. From the first day out of the starting gate McDonalds has well trained management and staff.

**MYTH** You have to build a practice slowly and take an average of seven years to get a fee for service family practice dental office up and rolling.

## A Focused Factory Dental Health Care Facility Needs:

1) Consistency
2) Reliability
3) Clear Standards
4) Low Cost
5) Convenience
6) Patient Comfort
7) Quality
8) Customer Acceptance

*Market Driven Health Care*
**Regina E. Herzlinger PhD, Economist, Harvard University**

## The 8 Principles of Waiting!

1) Unoccupied Time Feels Longer than Occupied Time
2) Pre-Process Waits Feel Longer than In-Process Waits
3) Anxiety Makes Waits Seem Longer
4) Uncertain Waits are Longer than Known, Finite Waits
5) Unexplained Waits are Longer than Explained Waits
6) Unfair Waits are Longer than Equitable Waits
7) The more Valuable the Service, The Longer I Will Wait
8) Solo Waiting Feels Longer Than Group Waiting

**Source: Harvard Business School, The Psychology of Waiting Lines**

**In 1991 there were 704 million patient visits to the physician. If each patient had to wait 30 minutes for his or her scheduled appointment, then our economy would have lost 176,000 years of work.**

**Regina Herzlinger Ph.D.**
**Economist Harvard University**
**Author of *Market Driven Health Care***

I WILL NOT TREAT A DENTAL PATIENT IN A WAY I MYSELF WOULD NOT WANT TO BE TREATED

The ethic that we should treat others as we ourselves want to be treated and not in a way we ourselves would not want to be treated is found in all the great religions of the world:

| Religion | When Founded | Membership | "Golden Rule" |
|---|---|---|---|
| Judaism | 2000 BC | 13,866,000 | "What is hateful to you, do not to your fellow man. That is the entire Law, all the rest is commentary."—The Talmud, Shab 31A |
| Hinduism | 1500 BC | 793,075,000 | "This is the sum of all true righteousness: deal with others as thou wouldst thyself be dealt by."—The Mahabharata |
| Buddhism | 500 BC | 325,275,000 | "Hurt not others in ways that you yourself would find hurtful."—Undanavarqua:518 |
| Confucianism | 500 BC | 5,086,000 | "Surely it is the maxim of loving kindness: Do not unto others that you would not have them do unto you."—Analects |
| Christianity | 0 | 1,955,229,000 | "Do unto others as you would have done unto you."—Luke 6:31 |
| Islam | 600 AD | 1,126,325,000 | "No one of you is a believer until he desires for his brother that which he desires for himself."—Sunnah |

Source: The New York Times 1998 Almanac and *Children are Worth It!*, Barbara Coloroso, 1997

## "The Golden Rule" could also be called "The Law of Reciprocity!"

## If you need it then give it!

## Excused Patient Collections

Today's Dental
10850 S. 48th Street
Phoenix, AZ 85044

Dear _____,

This letter is to serve as notice that your outstanding balance of $_____ has been excused. Repeated attempts to collect your balance during the course of the last year have been unsuccessful.

In order to effectively continue to provide our patients with affordable quality dental services, Today's Dental has found it necessary to excuse your balance in order to offset the additional high administration costs associated with monthly statement processing and mailing.

In closing, Dr. Farran and the staff at Today's Dental want to wish you and yours the best in 1998. We hope that the new year is more prosperous for you than 1997. With the country's economic situation the way it is, we can only guess that you must have been adversely impacted. It is for this reason that we are excusing your outstanding balance. We know hardship must have forced you to neglect our payment especially after we had already delivered, in good faith, the dental services you required.

Today's Dental has and always will consider you a valued patient and thanks you for continuing to refer us to your friends and family for quality dental services.

Sincerely,

Kathy Brodal
Office Administrator

## EXIT INTERVIEW

1. Were you satisfied with the treatment you received from the service staff? Yes____ No____
2. Did the service staff listen and understand your needs? Yes____ No____
3. Were you satisfied with the service staffs' ability to have your vehicle ready when promised? Yes____ No____
4. If you receive a survey from Chrysler Corp. Will you be able to answer it in a positive fashion? Yes____No____
5. Comments:

**Source: Chrysler**

## The Key Measures of Consumerism:

1) **Time on the phone necessary to make an appointment:**

2) **The number of days needed to wait for an appointment with:**

| | |
|---|---|
| **Hygienist** | **Cleaning** |
| **Dentist** | **Scheduled** |
| **Dentist** | **Emergency** |

3) **On time performance of seating each dental patient:**

**Howard Farran DDS, MBA, MAGD**

**The top 2 reasons cited for not getting a 6 month cleaning when you have indemnity dental insurance that pays 100% for a cleaning exam & x ray are:**

1) **Difficulty in leaving work**
2) **Difficulty getting an appointment**

**Available**: one that can be used and usable, can be reached and is very handy!

**Accessible**: easy to approach or enter, easily understood, obtainable and generally appreciated!

| | The Average General Dentist | The Average Specialist |
|---|---|---|
| The average number of days to wait for a "new" patient to get in for an appointment! | 8 | 7 |
| The average number of days to wait for an "existing" patient of record to get in for an appointment! | 8 | 7 |

ADA Survey Center, 1996

## Convenient Hours

**The name 7-Eleven originated in 1946 when the stores were open from 7 a.m. until 11 p.m. Today, approximately 95% of all 7-Eleven stores in the United States and Canada are open 24 hours a day. With 17,104 convenience stores worldwide!**

**Source: The Southland Corporation 1997 Annual Report**

## Distribution of Dentists in Private Practice

**20%**
**Practicing with one other dentist**

**12%**
**Practicing with two or more other dentists**

**68%**
**Solo Practices**

**Source: ADA 1995 Survey of Dental Practices**

## The 3 components of operations and logistics management!

**Sales** **Inventory** **Expenses**

## Warranties

- Warranty for five years.
- Provides patients with piece of mind.
- Reduces confrontation.
- Conditional-free repairs or replace.
- The patient must return at least one time every year for a continuing care cleaning, Xrays & exam or the warranty is VOID.
- You cannot guarantee work, only warranty work

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ADA Survey Center, 1996

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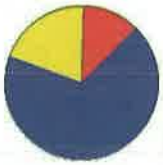

68% Solo Practices

Source: ADA 1995 Survey of Dental Practices

**In my opinion, the only ideal office sharing arrangement is two specialist in two different small towns altering back and forth!**

**The average dental practice in America runs at 40% of its practice potential.**

**At 2500 active patients you and your patients could both benefit with an associate!**

| Dr. A | Dr. B |
|---|---|
| Mon. Tues. Wed. | Thurs. Fri. Sat. |
| 10 hour days | 10 hour days |

- For each 10-hour day you need 375 patients.
- The clinical staff rotates with the dentist.
- An active patient is someone who has been in the practice at least once.
- This setup needs 4 treatment rooms, 2 for hygiene and 2 for the restorative dentist.

**You don't make money from owning sheet rock and dental equipment!**

Fixed Expenses will depreciate all the way to zero dollars! You make money by fixing up patients' teeth beyond their expectations!

## Associate not Assistant Dentist!

The Associate dentist is not an assistant dentist. If your associate dentist is not treated as a professional equal, they are designed to fail!

## Dental Ownership Facts

21% of dentist graduates in the last 10 years are nonowners.

8% of all dentists are nonowners.

Average age of a nonowner dentist is 40 years old.

Average net income of a nonowner dentist is $65,000 per year.

| Top 25% | Medium | Bottom 25% |
|---|---|---|
| Over $85,000 | $60,000 | $40,000 |

Source: ADA Survey, 1996

## Dentist Average Incomes

- The average general dentist earns $122,000 a year
- The average specialist earns $192,000 a year
- The average for all dentists is $135,000 a year
- The Top 25% of dentists earn over $175,000
- The Median dentist earns around $120,000
- The Bottom 25% of dentists earn less than $75,000

Source: ADA Survey Center, 1996 Survey of Dental Practice

The number of hours per week that you work drastically affects your net income!

| | | |
|---|---|---|
| Dr. A 40% | 40 + hours a week | Averages $140,000/year |
| Dr. B 44% | 32 + hours a week | Averages $105,000/year |
| Dr. C 14% | 32 or less hours a week | Averages $85,000/year |

**Notice:** that Doctor A works 25% more hours than Doctor B, yet nets 33% more!

Source: ADA Survey of Dental Practice, 1996.

## Family Practice General Dentist by the Number of Years Since

Graduation in 5 year age groups

| Years after grad. | 5 - 9 | 10 - 14 | 15 - 19 | 20 - 24 | 25 - 29 | 30 - 34 | 35 - 40 |
|---|---|---|---|---|---|---|---|
| Production | $290 K | $345 K | $355 K | $370 K | $380 K | $295 K | $225 K |
| Net Profit | $105 K | $125 K | $130 K | $135 K | $140 K | $115 K | $110 K |
| Profit Margin | 36% | 36% | 37% | 36% | 37% | 39% | 49% |

ADA Survey Center, 1996 Survey of Dental Practice.

## Incentive vs. Disincentive

A fixed salary or fixed hourly rate is a disincentive to the employee and the employer!

An incentive-based profit sharing plan is an incentive for the employees and the employers!

Win – Win or Lose – Lose!

A Win – Lose or Lose – Win scenario can only work in the short run!

## It's not the percent it's the practice!

Regarding associates: There are a heck of a lot of associates making a fortune at 25% and a heck of a lot barely scraping by at 40%! If the associate works for a profitable practice then everyone grows the pie and makes money! If the practice is not making money they can't afford to invest in the practice so the pie starts to shrink!

## Young dental graduates by and large are:

- Insecure
- Paranoid
- Scared
- Believe they know it all
- Have too many hormones
- Have no experience
- Have no money
- Have little to no dental skills

Other than that, they're great!

Howard Farran DDS, MBA, MAGD

## Money & Sex

Contrary to popular belief, most group practices don't break up. The number one reason those that do break up do so is over how the income is divided or spent. The same is also true with marriages. Sexual related problems are number 2!

## Ask Yourself These Questions

1. Do you have the same energy, more energy, or less energy than you did 5 years ago?
2. If you had to do it all over again would you still become a dentist?
3. What part of the profession of dentistry do you dislike the most?
   - Managing the staff
   - Paying the bills
   - Dealing with accountants?

## Group Practice Means Freedom!

**Group practice means that you don't have to wait until you're 65 to have freedom!**

## Own Your Own Business?

**You want to own your own business so you can go from working 40 hours a week to 110 hours a week; so you can go from getting paid to paying out, and so you can stress out to the fact that 70-80% will fail in 5-7 years!**

Arizona State University, MKT502, Professor R. Kuntze

## Why is it that starting around 50 years old, no matter how old a dentist is they always say that they are going to only practice 5 more years?

## Behind every successful...

**The single most important business decision you could ever make is to marry or develop a business interest in your spouse! Behind every successful businessperson is a business-oriented spouse!**

Milton Friedman – Rose Friedman
Gordon Christensen – Rella Christensen
Howard Farran – Judith Farran

## Group Practice means Diversity!

**A group practice is like an index fund! It provides a diversification format for risk, stress, responsibility and ultimately your income!**

## Do you really want to be the boss?

**Benefits:**

Responsibility for
- Staff
- Rent
- Payroll
- Bills
- Equipment

**If you feel the rewards for bossing around the staff exceed the benefits of stress free personal responsibility and freedom then you are dysfunctional!**

## Why must so many dentists own?

**Why do so many dentists insist on wanting to own their dental offices which is nothing more than a large non-interest bearing asset? What's even more bizarre is that these same dentists usually do not even take full advantage and maximize an interest bearing tax deferred 401K!**

## Of course, you have life insurance and a will....

At 50 years old, if you have not made a solid relationship with a long-term, risk adverse National brand name practice transition broker, you are essentially making the same decision as not having life insurance or a will!

Howard Farran DDS, MBA, MAGD

## What's good for the goose...

Regarding dentist – associate practice transactions, whatever contract the associate dentist works under until the practice transition, has to be the exact same contract the selling dentist works under after the sell. What's good for the goose is good for the gander!

## Grow the Pie!

When you advertise for a dentist to come into your office for an office sharing agreement, you are essentially cutting up your own geographical area market by one more slice. This is not "Growing the Pie"!

## Success!

Success defined succinctly is fulfilling your needs by doing what you want to when you want to!

## AFTCO

I can say with great confidence that AFTCO doesn't sell practices, but dentists all across America have simply bought over one billion dollars of solutions from AFTCO to solve their own personal practice needs!

## Residencies do wonders for a dentist!

When looking for the ideal associate, on the aggregate, a dentist who has completed a general practice residency is a cut above those who haven't! They seem overall to be willing to do far more procedures that the average dentist refers out. Such as root canals, surgeries, perio. Etc.!

## Come retire in Arizona!

You wouldn't be listening to me right now if the ownership of a dental practice weren't an outright burden. Never confuse ownership with profit! The smartest thing any dentist over 50 could do is to sell their practice, put the money in their pension fund to grow with the miracle of compound interest, then retire to Arizona and come play in my office with no management headaches for more profit!

## Choose Group Practice!

If you could make more money without the burden and stress from ownership would you take that option! Critical balanced thinking for hope growth and prosperity chooses group practice!

## More Advantages of Group Practice!

**When you are in a group practice you can go on vacation and concentrate on where you are and not worry about where you aren't!**

## High quality decisions vs. burnout

**At the unconscious level, psychological depression and burnout, as opposed to chemical clinical depression is really all about the effects from having the true needs produced from your thoughts about making a life change without following through with the physical action of making a high quality decision!**

## Economic Incentives are a MUST!

**The number one flaw in all practice management material and lecturers is the complete inattention to economic incentives for the entire staff's own self-interest!**

## High risk vs. risk diversification!

**Owning your own practice is high risk, high stress solo economic dependency! Group practice is risk diversification, economies of scale and scope, and creates a profit for each dentist that collectively is greater than the sum of all its parts!**

## The number one professional competence of group practice is cross consultation and professional camaraderie!

## If you do not prefer to present large cases then you simply market until you can reach 2 full time hygienists for each full time restorative dentist!

## If it ain't in writing it ain't!

**If an associate leaves your practice and violates the restrictive covenant and opens up next door, the government is not going to shut them down.**

**If you sue for economic damages you probably won't be able to prove them because most likely they are not profitable, and secondly you probably picked up the slack.**

**So always put the punishment into the agreed upon and signed associate contract. "If you violate the restrictive covenant you owe Dr. Good $30,000 cash for every year worked due no later than 30 days after the first day patients were seen in the new practice!**

## Are you in an Associateship or an Ambiguouship?

The higher the opportunity cost you pay the dentist in terms of the percentage of production pay, the less profit you will make! Try to determine the real market value of a dentist in your area!

**Satellite offices double your fixed costs!**

On the aggregate, satellite offices double your fixed costs not your variable costs! Fixed costs are usually 15% of collections while variable costs are usually 65%. Fixed costs include the opportunity costs of the dentist, staff labor, lab & sundries! Satellite offices generally are very lucrative for specialists who currently average a 40% - 50% total costs overhead but have a very poor outcome for the far more competitive environment of the general dentist that runs a total cost overhead of nearly 80%!

**The average general practice nets 31% of collection**

**Bernie Fink**

**Arrogance + Ignorance = Governance**

For liability purposes you should never ad an associate to an unincorporated practice!

**The 4 Basic Characteristics of a Corporation:**

1) Central management
2) Transferability
3) Perpetuity
4) Limited Liability

Central Management means that someone is in charge of the corporation!

Excellence is the enemy of good!

## Fixed Costs vs. Variable Cost

Cost which are incurred on a monthly bases whether you are open and treating patients or closed.

Y

F.C.
Fixed Costs:
Land
Building
Equipment
Insurance
Utilities
Professional Dues
Continuing Ed.
Computers
Tenant Improvements
Treatment Rooms
Marketing
Maintenance
Property Taxes

The Profit Zone

V.C.
Variable Cost:
Labor
Lab Bill
Sundries

X

Output of High Quality Dental Services During a Monthly Period.

## Control your overhead with the Magic of Group Practice!

| MON | TUE | WED | THU | FRI | SAT | SUN |
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FIXED OVERHEAD
Rent/Mortgage
Equipment
Build-Out
Electric
Phone
Advertisement
Malpractice
Computer & Updates
Insurance

**Working 32 hours per week in solo practice utilizes your fixed overhead just 19% of the time, or just 29% of your total waking hours!**

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**Working 64 hours per week in solo practice utilizes your fixed overhead just 40% of the time, or just 56% of your total waking hours!**

**Inconvenience in our dental care industry packs a one–two combination punch!**

**Not only does it rob people of their time, it prevents them from obtaining important preventive dental care!**

**Inconvenience, in fact, substantially reduces people's dental health status and needlessly inflates costs!**

Howard Farran DDS, MBA, MAGD

## The Dupont Formula:

$$\left(\frac{\text{Net Income}}{\text{Sales}}\right) \times \left(\frac{\text{Sales}}{\text{Assets}}\right) \times \left(\frac{\text{Assets}}{\text{Equity}}\right)$$

$$\text{(Profit Margin)} \times \text{(Turnover)} \times \text{(Leverage)}$$

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**Return On Assets**

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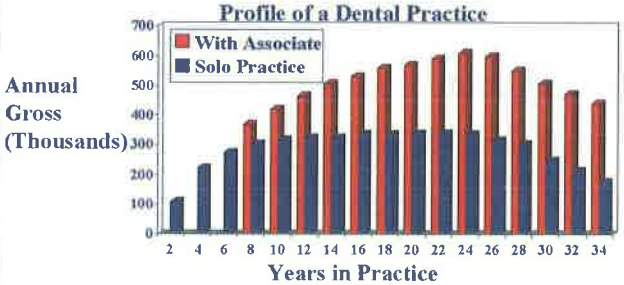
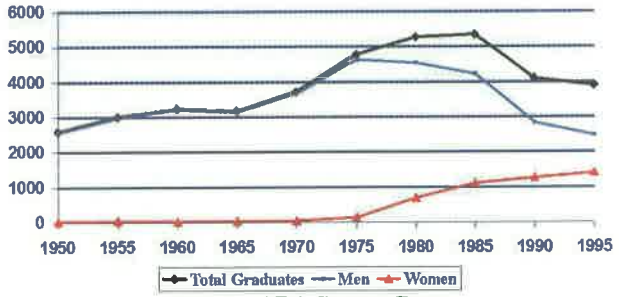
**Return On Equity**

## The Macro View of a Solo Dental Practice and a Practice with an Associate!



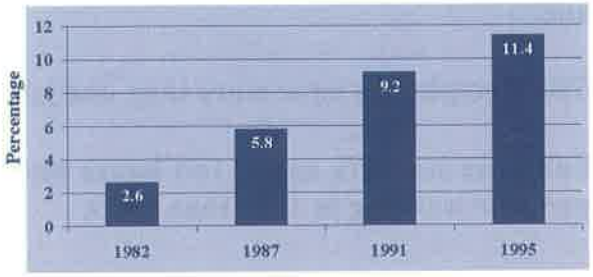

Source: ADA, 1996 Survey of Dental Practice

## The Rising Rate of Women Dental Graduates from 1950-1995:




Source: ADA Survey Center

## Percentage of female active private practitioners, 1982, 1987, 1991 and 1995




Source: American Dental Association

## The Top 7 Occupations Most Dominated by Female Workers

| Occupation | 1975 | 1996 |
|---|---|---|
| Dental Assistant | 99.4% | 79.8% |
| Child Care Worker | 98.4% | 97.1% |
| Registered Nurse | 97.0% | 93.3% |
| Telephone Operator | 93.3% | 90.5% |
| Data Entry Keyer | 92.8% | 84.5% |
| Elementary Teacher | 85.4% | 83.3% |
| Librarian | 81.1% | 79.8% |

Source: U.S. Department of Labor, Bureau of Labor Statistics, *Employment and Earnings* (monthly) January 1997.

## The Bottom 7 Occupations Most Dominated by Female Workers

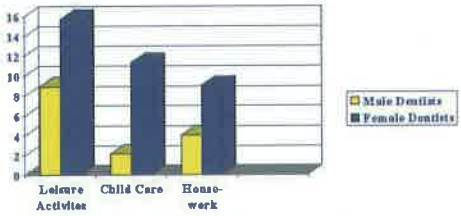
| Occupation | 1975 | 1996 |
|---|---|---|
| Telephone Installer | 4.8% | 13.9% |
| Dentist | 1.8% | 13.7% |
| Gas Station Attendant | 4.7% | 5.8% |
| Welder | 4.4% | 5.0% |
| Office Machine Repair | 1.7% | 3.7% |
| Airline Pilot | 0.0% | 1.4% |
| Carpenter | 0.6% | 1.3% |
| Auto Mechanic | 0.5% | 1.2% |

Source: U.S. Department of Labor, Bureau of Labor Statistics, *Employment and Earnings* (monthly) January 1997.

## Nearly 30% of female dentists in the United States are married to male dentists!

Source: 1995 Survey of dentists, female dentists: personal and family issues, work related issues. ADA Survey Center.

## Hours per week married dentists spend with children for leisure activities, childcare




Source: 1995 Survey of Dentists: A Comparison of Male and Female Dentists: Personal & Family Issues

## Women who seek to be equal with men lack ambition!

## % of women in the labor force

| 1960 | 1993 |
|---|---|
| 38% | 57% |

## % of married women with children under 18 in the labor force

| 1960 | 1993 |
|---|---|
| 28% | 68% |

*Market Driven Health Care*, Regina Herzlinger, Copyright 1997

7% of employees care for an elderly loved one.

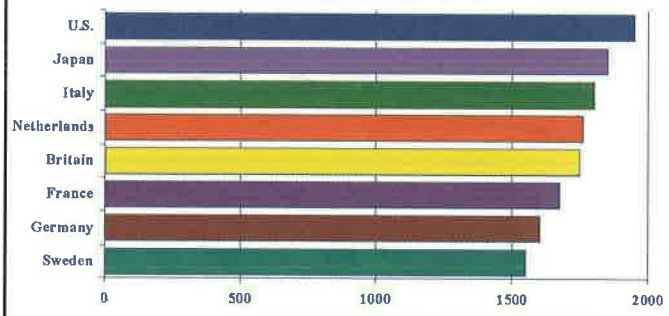
6% of employees have more than one job.

Full time workers spend 138 hours more per year working in 1989 than 1969.

*Market Driven Health Care*, Regina Herzlinger, Copyright 1997

## Hours On The Job

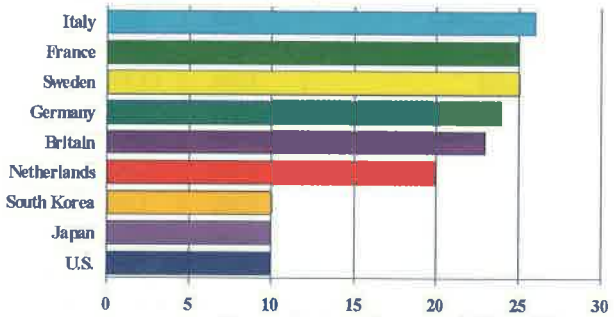
Average hours worked per year; full-time workers




Source: Fortune, December 1998, p.153

## Time Off

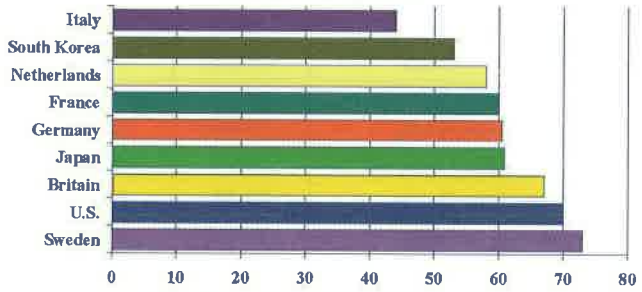
Average vacation days per year; full-time workers




Source: Fortune, December 1998, p. 153

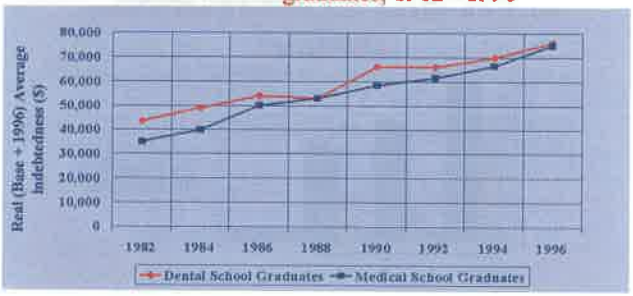
## Women at Work

Percent in work force



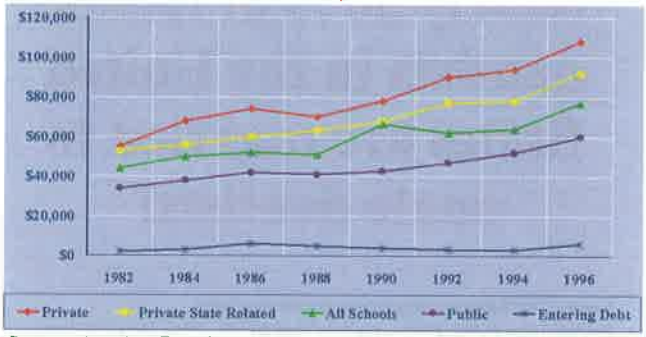

Source: Fortune, December 1998, p. 154

## The average indebtedness of dental and medical school graduates, 1982 - 1996



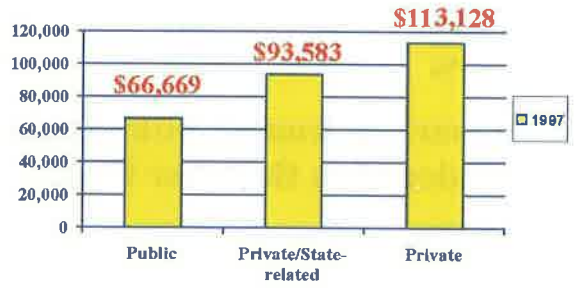

Sources: American Dental Association, American Association of Dental Schools and American Association of American Medical Colleges.

## Real (base = 1996) average indebtedness of dental school students, 1982 - 1996




Sources: American Dental Association, American Association of Dental Schools

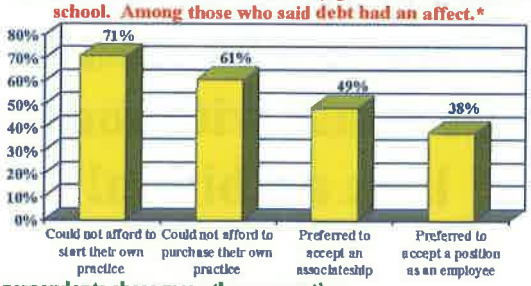
## Graduating Indebtedness




U.S. Dept of Education, National Center for Education Statistics

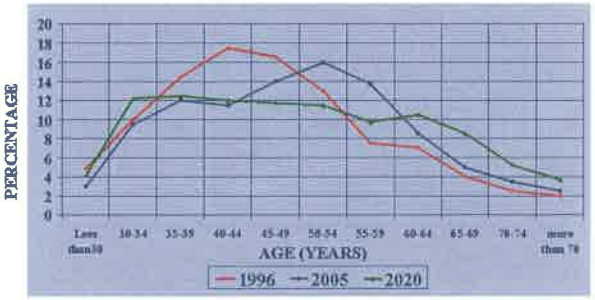
## The Price of Student Debt

Nearly two-thirds of respondents said their educational debt influenced practice options when they graduated from dental school. Among those who said debt had an affect.*




* Some respondents chose more than one option.
Source: 1998 Survey on the Impact of Student Indebtedness, American Dental Association

## A projection of the age distribution of professionally active dentists, 1996 - 2020




Source: American Dental Association

## Census Counts and Projections of Dental School Applicants, Enrollees and Graduates from 1976 – 2020

| YEAR | APPLICANTS | APPLICANT RATE | FIRST-YEAR ENROLLEES | GRADUATES | APPLICANTS PER ADMISSION |
|---|---|---|---|---|---|
| 1978 | 10,776 | 0.5935 | 6,100 | 5,324 | 1.76 |
| 1982 | 7,724 | 0.4619 | 5,498 | 5,371 | 1.40 |
| 1987 | 5,398 | 0.2607 | 4,370 | 4,717 | 1.24 |
| 1991 | 5,632 | 0.3658 | 4,047 | 3,995 | 1.39 |
| 1993 | 6,761 | 0.3997 | 4,100 | 3,778 | 1.65 |
| 1994 | 7,713 | 0.4062 | 4,121 | 3,875 | 1.87 |
| 1995 | 7,996 | 0.4196 | 4,237 | 3,908 | 1.89 |
| 1996 | 8,598 | 0.4257 | 4,255 | 3,810 | 2.02 |
| 1997 | 7,825 | 0.4310 | 4,337 | 3,915 | 1.80 |
| 1998 | 7,654 | 0.4408 | 4,393 | 3,936 | 1.74 |
| 1999 | 7,832 | 0.4531 | 4,450 | 4,046 | 1.76 |
| 2000 | 8,189 | 0.4693 | 4,518 | 4,064 | 1.81 |
| 2005 | 9,647 | 0.4928 | 4,916 | 4,386 | 1.96 |
| 2010 | 10,764 | 0.5268 | 5,289 | 4,769 | 2.04 |
| 2015 | 11,718 | 0.5377 | 5,617 | 5,122 | 2.09 |
| 2020 | 11,591 | 0.5377 | 5,775 | 5,414 | 2.01 |

Source: American Dental Association. Future numbers are projections.

## U.S. Census Counts and Projections: Dental Practitioners, 1976 - 2020

| Year | Professionally Active Dentists | Active Private Practitioners | U.S. Resident Population In Millions | Professionally Active Dentists Per 1000 U.S. Residents | Professionally Active Practitioners Per 1,000 U.S. Residents |
|---|---|---|---|---|---|
| 1976 | 110,276 | 100,051 | 218 | 0.51 | 0.46 |
| 1978 | 117,044 | 106,672 | 222 | 0.53 | 0.48 |
| 1982 | 126,985 | 116,208 | 232 | 0.55 | 0.50 |
| 1987 | 137,817 | 126,357 | 242 | 0.57 | 0.52 |
| 1991 | 150,782 | 138,094 | 252 | 0.60 | 0.55 |
| 1993 | 151,390 | 139,325 | 258 | 0.59 | 0.54 |
| 1995 | 153,412 | 141,379 | 263 | 0.58 | 0.54 |
| 1997 | 153,856 | 141,528 | 268 | 0.57 | 0.53 |
| 1999 | 155,847 | 143,552 | 272 | 0.57 | 0.53 |
| 2005 | 162,099 | 149,320 | 286 | 0.57 | 0.53 |
| 2010 | 166,147 | 152,663 | 298 | 0.56 | 0.51 |
| 2015 | 168,997 | 155,025 | 310 | 0.54 | 0.50 |

Source: American Dental Association

## Extended Hours

Make your office hours the hours when consumers **want** or **are able** to be seen:

- **Early Morning**
- **After Work**
- **Weekends**

# How to Become the Ultimate Dentist Leader

Your 30 Day Dental MBA
Day 7

# How to Become The Ultimate Dentist Leader

## Fixed Costs vs. Variable Cost

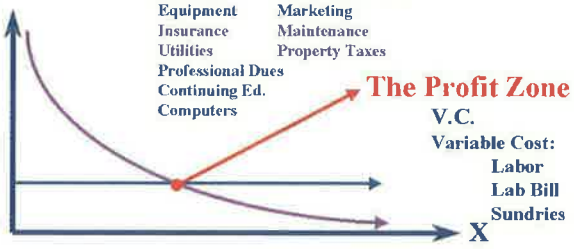
Cost which are incurred on a monthly bases whether you are open and treating patients or closed.

Y F.C.

Fixed Costs:

Land, Building, Equipment, Insurance, Utilities, Professional Dues, Continuing Ed., Computers

Tenant Improvements, Treatment Rooms, Marketing, Maintenance, Property Taxes




Output of High Quality Dental Services During a Monthly Period.

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$$\text{[Profit Margin]} \times \text{[Turnover]} \times \text{[Leverage]}$$

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**Return On Assets**

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**Return On Equity**

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Source: ADA, 1996 Survey of Dental Practice

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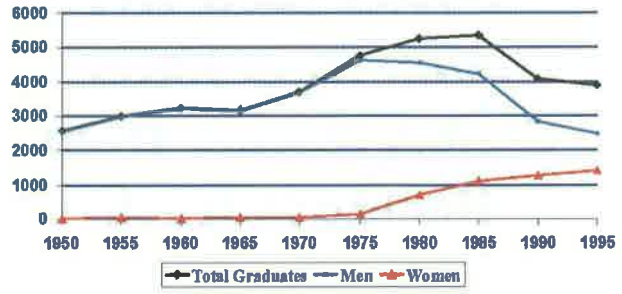
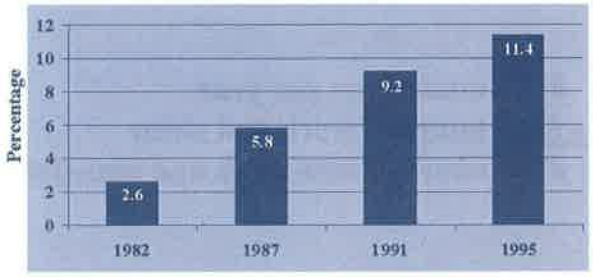



Source: ADA Survey Center

## Percentage of female active private practitioners, 1982, 1987, 1991 and 1995




Source: American Dental Association

## Nearly 30% of female dentists in the United States are married to male dentists!

Source: 1995 Survey of dentists, female dentists: personal and family issues, work related issues. ADA Survey Center.

"I have studied the enemy all of my life. I have read the memoirs of his generals and his leaders. I have even read his philosophers and listened to his music. I have studied in detail the account of every damned one of his battles. I know exactly how he will react under any given set of circumstances. And he hasn't the slightest idea of when I'm going to whip the hell out of him."

**General George S. Patton**

## There are:

**24 hours in a day.**

**168 hours in a week.**

**8766 hours in a year!**

## There are:

**40 hours per work week**
**X52 weeks per year**
**2080 work hours in a year!**

## There are:

**8.00 hours of sleep per night**
**X 365.25 days per year**
**2922.00 hours of sleep per year!**

## There are:

**2080 work hours in a year!**
**+ 2922 hours of sleep per year!**
**5002 hours work & sleep per year**

## There are:

8766 total hours per year
- 5002 hours of work and sleep
3764 hours of non-work and non-sleep

## Doctor (dök´ter) *noun* from Latin *doctor*, teacher from Docére to teach

## Index of Competency

| | | |
|---|---|---|
| Above the Line | 2% | are Masters |
| | 8% | are Adept |
| | 36% | are Students |
| Below the Line | 54% | are Indifferent |

Source: L.D. Pankey

Commander in Chief
↓ ↑
General
↓ ↑
Colonel
↓ ↑
Major
↓ ↑
Lieutenant
↓ ↑
Sergeant
↓ ↑
Private

↓ Top Down Commands

↑ Bottom Up Voluntary Cooperation

## Moving from a command and control organization of yesterday to a → lead, coach and counsel framework for tomorrow.

## Richest Americans in History

| | |
|---|---|
| 1. John D. Rockefeller (1839- 1937) Wealth: 1.53% of the U.S. economy.* America's first billionaire – thanks to oil. | 4. Stephen Girard (1750 - 1831) Wealth: 0.67% of the U.S. economy. Made his money in shipping and later was the largest investor in the First Bank of the United States. |
| 2. Cornelius Vanderbilt (1794- 1877) Wealth: 1.15% of the U.S. economy. Built an impressive empire of steamboats and railroads. | 5. Andrew Carnegie (1835 - 1919) Wealth: 0.60% of the U.S. economy. Started by building iron bridges for the railroads, then cashed in with steel. |
| 3. John Jacob Astor (1763-1848) Wealth: 0.93% of the U.S. economy. His initial fortune came from the fur trade, then later in New York real estate. | 6. Bill Gates (1955 -) Wealth: 0.58% of the U.S. economy. King of the operating system emperor of software |

Source: Forbes ASAP, August 24, 1998

## "Do what you feel in your heart to be right – for you will be criticized anyway! You'll be damned if you do, and damned if you don't!"

Eleanor Roosevelt

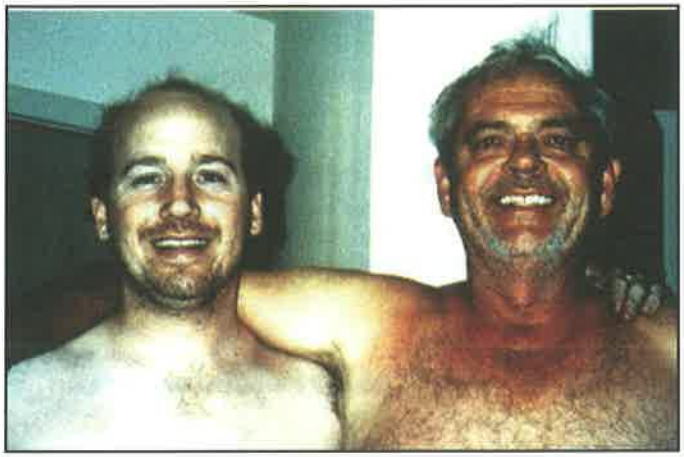
## The Cubs last win was in 1908. Any team can have a bad century.

## The best hitters in baseball fail 65% of the time.

## Think Your Way To The Top!

## What is the difference between Leadership & Management?

- Management gets you to change your behavior **with force**, manipulation & coercion.
- Leadership gets you to change your behavior **without force**, manipulation & coercion.



Commander in Chief
↓ ↑
General
↓ ↑
Colonel
↓ ↑
Major
↓ ↑
Lieutenant
↓ ↑
Sergeant
↓ ↑
Private

↓ Top Down **Commands**

↑ Bottom Up **Voluntary Cooperation**

| | |
|---|---|
| Unconsciously | Competent |
| ⇑ | |
| Consciously | Competent |
| ⇑ | |
| Consciously | Incompetent |
| ⇑ | |
| Unconsciously | Incompetent |

## Management by Delegation

Do these scenarios sound familiar? You're walking to your office and an employee stops you to give you a rundown of what's happening: *"I made a phone call to Bill. He says that we can't get the project down until July 7, so I'm going to work on the Smith account, and after lunch turn my attention to the Lion account. The newsletter project will be finished on June 17, and, by the way, the copy machine is broken. Should I call a repairman?"*

As you get to your office, another employee stops you to give a rundown of his situation. This lasts another three minutes.

Frustrating? You bet. And you wonder, *why can't these employees take more responsibility and not drop every detail of every project in your lap?*

Maybe it's not them, but you. Maybe you're not delegating effectively. Here are some key points to remember:

Source: Methodist Leadership, 6565 Fannin, Houston, TX 77030

## Management by Delegation

**#1 Stress results, not details.** Make it clear to your employees that you're more concerned about the final outcome of all projects, rather than the day-to-day details that accompany them.

Source: Methodist Leadership, 6565 Fannin, Houston, TX 77030

## Management by Delegation

**#2 Don't be sucked in by giving solutions to employees' problems.** When employees come to you with problems, they're probably looking for you to solve them. Don't. Teach them how to solve problems themselves. This, too, can be frustrating because it takes time. But in the long run, you'll save yourself time and money.

Source: Methodist Leadership, 6565 Fannin, Houston, TX 77030

## Management by Delegation

**#3 Turn the question around.** If an employee comes to you with a problem, ask him or her for possible solutions. If an employee comes to you with a question, ask for possible answers.

Source: Methodist Leadership, 6565 Fannin, Houston, TX 77030

## Management by Delegation

**#4 Establish measurable and concrete objectives.** With all employees, make your objectives clear and specific. Once this is done, employees will feel more comfortable acting on their own. Think of this plan as a road map – and your employees will too.

Source: Methodist Leadership, 6565 Fannin, Houston, TX 77030

## Management by Delegation

**#5 Develop reporting systems.** Get your feedback from reporting systems: monthly reports, statistical data, or samplings. Or consider weekly meetings with employees.

Source: Methodist Leadership, 6565 Fannin, Houston, TX 77030

## Management by Delegation

**#6 Give strict and realistic deadlines.** If you don't give clear deadlines, employees won't feel accountable for the completion of their tasks.

Source: Methodist Leadership, 6565 Fannin, Houston, TX 77030

## Management by Delegation

**#7 Keep a delegation log.** When you delegate an assignment, jot it down. You'll be able to monitor the progress, and discipline employees when necessary.

Source: Methodist Leadership, 6565 Fannin, Houston, TX 77030

## Management by Delegation

**#8 Recognize the talents and personalities of your employees.** Being a good delegator is like being a good coach of a baseball team. You have to know what projects each employee can handle, and what projects they can't.

Source: Methodist Leadership, 6565 Fannin, Houston, TX 77030

## The 3 Rules of Managing a Family Business

- Family members do not work in the business unless they are at least as able as any non family member and work at least as hard.
- One top job is always filled by an outsider who is not a member of the family. The Mafia called this person their conciliar and this person was not even Sicilian.
- All non family professionals have to be treated as equals with "full citizenship in the firm".

## "Never Give Up"

- In 1898 Henry Ford started The Detroit Automobile Company, it failed and went Bankrupt! In 1901 He started The Ford Motor Company and sold over 10 million Model T Cars alone!
- Walt Disney lost money on the release of Pinocchio, Fantasia and Bambi!
- Howard Clark of American Express said, "I would rather die on the operating table than bleed to death!"

## The Fourteen Management Points of W. Edwards Deming

Point 1 - Create constancy of purpose for the improvement of quality and service.
Point 2 - Adopt the new philosophy.
Point 3 - Cease dependence on mass inspection.
Point 4 - End the practice of buying from the cheapest supplier.
Point 5 - Improve constantly and forever the system of production and service.
Point 6 - Institute Training and Retraining.
Point 7 - Institute Leadership.
Point 8 - Drive out fear.
Point 9 - Break down barriers between staff areas.
Point 10 - Eliminate slogans, exhortations, and targets for the workforce.
Point 11 - Eliminate numerical quotas.
Point 12 - Remove barriers to pride of workmanship.
Point 13 - Institute a vigorous program of education and retraining.
Point 14 - Take action to accomplish transformation.

## Do your own MATH!!

- Peachtree/ADP
- Practice Outlook (800) 247-6173
- Quicken/Quick Books
- Microsoft Money

**Tom Watson started out at NCR and got fired.**
**Lee Iacocca started out at Ford and got fired.**

**Failure breeds success.**

Anthony Robbins

**Questions change our focus.**
**Questions delete.**

**Question = Can I? = Doubt**

Anthony Robbins

**Ego Strength is a greater than average ability to tolerate anxiety, depression and anger!**

**True learning takes energy, passion and a burning desire! Fear is a big part of that formula, for passion is fear and love combined!**

**Dentists say, "I just can't motivate my staff.**

**Try saying this all pumped up with emotion.**

**The 3 things that every businessperson needs to do:**

1. Decide
2. Direct
3. Delegate

**Your Aptitude is only determined by your Attitude!**

**Thought precedes Action!**
**Think Positive!**

**Think and Grow Rich**
**by Napoleon Hill**

**The Mind is the Bridge from your body to your future.**

**True learning takes energy, passion and a burning desire! Fear is a big part of that formula, for passion is fear and love combined!**

*Rich Dad Poor Dad*
By Robert Kiyosaki & Sharon L. Lechter CPA

**Are you Fearfully Falling Forward Or Flippantly Flying Freely?**

Every single thought that you think and word that you speak will factually determine your destiny!

The Fearful Falling Forward say that they are bad in math and have to do 5 problems!
The Flippantly Flying Freely say that math is a game and they are going to solve 5 puzzles!

The Fearful Falling Forward say, I will be happy when ... !"
The Flippantly Flying Freely say, I am happy now!"

The Fearful Falling Forward always think, say and believe negative thoughts about themselves!
The Flippantly Flying Freely always think, say and believe high self esteem thoughts about themselves!

Emotions are what make us human! Make us real! The word 'emotion' stands for energy in motion! Be truthful about your emotions, and use your mind and emotions in your favor, not against yourself!

*Rich Dad Poor Dad* By Robert Kiyosaki &Sharon L. Lechter CPA

**Funding your IRA, 401K, or any other retirement plan is always a top priority!**

If you start funding a $2,000 per year IRA at age 25, the total amount you will have deposited by age 65 is $80,000, but it will have grown to $973,704 – and will earn you an annual interest only income of $116,379 per year!

$2,000 per year is only $5.48 per day!

$2.74 for the husband and $2.74 for the wife.

This could be your fast food lunch!

Everyone should hear Greg Stanley 602 934-2108

Your small business is a grape vine:

Concentrate on growing grapes,
which are net income,
not leaves,
which are gross sales.

Sow a thought → Reap an action
Sow an action → Reap a habit
Sow a habit → Reap a character
Sow a character → Reap a destiny

## Healthy managers are better managers!

Any of the characteristics reported to be found in self-actualizing people, or in the successful product of psychotherapy, or in psychologically healthy people measured in any other way, that if such a list of characteristics is made, each of these characteristics is predicted to be found in a higher degree in the better managers than in the poorer managers.

Source: Maslow on Management, Abraham Maslow, 1998

## The By-Products of Enlightened Management

The person who truly is influenced by enlightened management should become a better husband or wife and a better parent, as well as a better citizen in general!

Source: Maslow on Management, Abraham Maslow, 1998

## The difference between *being* something and *trying* to be something!

We are involved here in the paradox that there must be a transition between being something bad and being something good. If a thief becomes conscious of the fact that he is a thief and wants to become an honest man instead, there is no way in which he can do this except this except by consciously trying not to be a thief and consciously trying to be an honest man. Trying to be an honest man is self-conscious, artificial, not spontaneous, not natural, and may look phony. This is very different from spontaneous honesty which is an expression of deep-lying character attitudes. And yet else is possible?

Source: Maslow on Management, Abraham Maslow, 1998

## Love Breeds More Love!

The spending of love creates more wealth of love. It is only when the young lover falls in love for the first time in a reciprocative way that he is truly able to love the whole world. The more he loves his sweetheart or his wife, the more he is able to love his children and friends and humanity in general.

Source: Maslow on Management, Abraham Maslow, 1998

## Ego Strength

Ego strength describes the greater-than-average ability to tolerate anxiety, depression and anger.

Source: Maslow on Management, Abraham Maslow, 1998

## Leaders are decisive!

Leaders are so decisive, so sure of themselves, so unwavering, so definite about what they want and don't want, so clear about right and wrong, etc. In a nation in which most people do not have an identity, or a real self, in which they are all confused about right and wrong, about good and evil, in which they are basically uncertain about what they want and what they don't, then they are apt to admire and succumb to and look for leadership to any person who seems to know definitely what he wants.

Source: Maslow on Management, Abraham Maslow, 1998

## One source of many divorces!

One form of inability to love is censoriousness, moralism, disapproving of a person and trying to make him over, to remodel him, and remold him. This is, of course, a source of great unhappiness in many marriages and a source of many divorces.

Source: Maslow on Management, Abraham Maslow, 1998

## Do you really love your boss?

The boss in an enterprise has the actual power to hire and fire, to give raises and promotions and anything of that sort. I would like to point out that it is absolutely impossible for a person in such a position of judge, executioner, etc., to expect the same kind of openness to him, the same kind of trust and love, and so on, that one can give to a person who is not a judge, who doesn't have power over us, and so on!

Source: Maslow on Management, Abraham Maslow, 1998

## One big happy family!

It is Pollyannish to think that good managerial policy, good participative management can somehow make the boss and the workers into one big happy family or into buddies or something of the sort. In the long run this is absolutely impossible!

Source: Maslow on Management, Abraham Maslow, 1998

## The military cannot be democratic!

There have been many efforts throughout the world to make the armed forces democratic, and it has never worked out well because the fact remains that somebody has to tell this particular person to take a chance on being killed, or even to go to his death. This cannot be decided democratically, because nobody wants to die. Somebody has to choose impersonally, and , therefore, it's better for the general to be lonely, aloof, detached figure, not to be friendly with any of the people whom he may have to send to their deaths or whom he may have to order to be executed.

Source: Maslow on Management, Abraham Maslow, 1998

## A good leader is like a farmer!

The good leader is again like the farmer, not so much in training or molding or forcing or shaping people, but in offering them good growing conditions and in either supplying them with seeds or bringing out their own inner seeds and then permitting them to grow without too much interference.

Source: Maslow on Management, Abraham Maslow, 1998

## Leaders as trainers!

The term trainer for the leader of these groups is as condescending as the word therapist, which implies that I, the god, healthy, perfect, way up here, will reach down, way down there, to you, poor worm, unhealthy, helpless, and I will help you.

Source: Maslow on Management, Abraham Maslow, 1998

## Helping may cause critical remarks!

Out of love and out of friendship and out of the impulse to help, critical remarks may come, and these should be differentiated from deep-lying hostility or attack.

Source: Maslow on Management, Abraham Maslow, 1998

## Ego-dystonic or Ego-syntonic

The difference between neurotic needs and normal or healthy needs is that they are ego-dystonic rather than ego-syntonic; that is, they are felt as alien or as something overcoming one, rather than as one's own autonomous self-willed coming-from-within desires or impulses.

Source: Maslow on Management, Abraham Maslow, 1998

## Managers

- Managers are stewards of shareholder capital!
- The best managers think like owners in making business decisions!
- First-rate managers will tell it like it is or at least as they see it.

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham

## Directors therefore must be chosen for their business savvy, their interest, and their owner-orientation.

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham

## Founder/Company/Profession

| Founder | Company | Profession |
|---|---|---|
| Sam Walton | Wal-Mart | Retailers |
| Charles Schwab | Charles Schwab | Stock Brokers |
| Charles Walgreen | Walgreen's | Pharmacists |
| Herb Keheler | Southwest Airlines | Pilots |
| Howard Farran | Today's Dental | Dentists |

## You've Done All You Can in First Gear!

Suppose you are an executive driving down the road with the corporate gas pedal floored, yet competitors are still passing you by. You are pushing your company toward change as hard as you can, but the car will not go more than 35 miles per hour. You bemoan the fact that your competitors are advancing with ease while you're running your vehicle into the ground just to keep up. Desperately, you look for answers. At the next gas station, you receive some good advice: "At twenty-five miles per hour, shift into second gear. You've done all you can in first gear."

*Managing at the Speed of Change*, Daryl R. Conner, 1992

## The Three Major Differences Between the CEO and Other Employees:

1) Standards for measuring a CEO's performance are inadequate or easy to manipulate, so a CEO's performance is harder to measure than that of most workers.
2) No one is senior to the CEO, so no senior person's performance can be measured either.
3) A board of directors cannot serve that senior role since relations between CEOs and boards are conventionally congenial.

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham

# 2 + 2 = 5

## Corporate Strategy

By Igor Ansoff

Unconsciously Competent

⇑

Consciously Competent

⇑

Consciously Incompetent

⇑

Unconsciously Incompetent

## A policy only exists absent someone reading it!

- There is no truth!
- Truth is objective reality!
- Life is individual perspective, cultures, customs, religions, taboos, biases, heuristics, geographical presence and time of existence!

| | | |
|---|---|---|
| The total number Of all active U.S.A. dentists | 164,940 | 100% |
| The total number of all active U.S.A. dentists who are members of the American Dental Association on 8-20-98 | 119,784 | 72.6% |
| The total number of all active U.S.A. dentists who are not members of the American Dental Association on 8-20-98 | 45,156 | 27.4% |

Source: ADA Survey Center

## ADA Members

1 out of 4 dentists who have graduated from dental school in the U.S.A. who currently have an active license are not members of the ADA.

1 out of 3 dentists who have graduated from dental school in the U.S.A. in the last 10 years who currently have an active license are not members of the ADA.

Source: ADA Survey Center

## American Dental Association and Subsidiaries

Consolidated Statements of Activities

Years Ended December 31, 1996 and 1995

| REVENUES | 1996 | 1995 |
|---|---|---|
| Membership dues | $ 36,894,792 | 35,387,465 |
| Advertising and subscriptions | 7,856,592 | 8,194,413 |
| Rental income | 7,457,406 | 6,323,634 |
| Sales of educational materials | 5,401,069 | 5,412,082 |
| Educational testing fees | 3,614,069 | 3,296,271 |
| Grants and contributions (including temporarily restricted contributions of $71,127 in 1996 and $165,124 in 1995) | 3,466,450 | 4,010,964 |
| Meeting and seminar registration fees | 2,869,863 | 879,985 |
| Investment income | 5,750,366 | 3,815,651 |
| Other income | 6,374,481 | 4,666,875 |
| TOTAL REVENUES | 79,685,386 | 71,987,340 |

Source: ADA Annual Published Budget Report

## American Dental Association and Subsidiaries

Consolidated Statements of Activities

Years Ended December 31, 1996 and 1995

| EXPENSES | 1996 | 1995 |
|---|---|---|
| Staff compensation, taxes and benefits (Note 8) | $ 29,228,405 | $ 27,017,059 |
| Publication and project expenses | 11,931,762 | 11,581,835 |
| Meeting and travel expenses | 8,117,722 | 5,751,763 |
| Professional services | 6,713,081 | 5,530,548 |
| Facility and utility expenses | 3,587,827 | 3,639,149 |
| Office expenses | 3,327,903 | 2,862,141 |
| Depreciation and amortization | 3,093,134 | 2,676,815 |
| Interest expenses | 650,985 | 719,497 |
| Other expenses | 1,950,480 | 1,723,955 |
| TOTAL EXPENSES | 68,601,299 | 61,502,762 |

Source: ADA Annual Published Budget Report

**The trouble with dentistry today as with so many other institutions around the world, is that nobody is quite sure of what the goals and the ultimate end is!**

Howard Farran DDS, MBA, MAGD

**Cowardice asks the question: is it safe?**
**Expediency asks the question: is it politic?**
**Vanity asks the question: is it popular?**
**But conscience asks the question: is it right?**
**And there comes a time when one must take a position that is neither safe, nor politic, nor popular – but one must take it because it is right.**

Martin Luther King Jr.

### The Theory of Social Improvement & Slow Revolution!

Article No. 1: Societal change comes about by attack along the total front, by efforts to change simultaneously every single institution and subinstitution within the entire society!

Article No. 2: Accepts the necessity and the inevitability of slow rather than rapid social change!

Article No. 3: says that it follows necessarily from the above two articles that change by knowledge, by conscious control, by conscious design and planning, by science is necessary (and is the only sensible possibility)!

Article No. 4: is the practical, political item of feasibility and practicality!

Abraham Maslow

### The Theory of Social Improvement & Slow Revolution!

Article No. 5: says that there is hope of change!

Article No. 6: is to recognize the necessity for total commitment and hard work at particular local tasks without demanding great cosmic tasks!

Article No. 7: another article of faith in the holistic theory of social betterment is that no one man can do everything!

Article No. 8: there must be a division of labor in the task of changing a society, that is to say, there must necessarily be many people and many kinds of people to do the job!

Article No. 9: every person can be and should be healthily selfish!

Abraham Maslow

## The Theory of Social Improvement & Slow Revolution!

**Article No. 10:** namely the feeling of brotherhood and colleague-hood!

**Article No. 11:** each person must pick himself for his own job, that is, that there must be only volunteers for particular jobs. Each person must place himself in the society!

**Article No. 12:** is the necessity for self-development, for self-actualization, for discipline and hard work in the fullest development of one's own talents or capacities, one's own genius!

**Article No. 13:** the American type of revolution or social betterment differs from the traditional type of revolution in being not eternal, fixed, final, but rather in being open and experimental and even humble in a scientific way!

Abraham Maslow

## Magna Carta (means Great Charter)

- English barons forced King John to approve the charter in June 1215!
- The charter granted many rights to the English aristocracy!
- The ordinary English people gained little from the Magna Carta!
- It contained 63 articles, most of which pledged the king to uphold feudal customs!
- These articles chiefly benefited the barons and other landholders!

| Code | DIAGNOSTIC | Fee |
|---|---|---|
| 100 | Toothache | |
| 100 | Suture Removal | |
| 100 | Premedication | |
| 100 | Broken Tooth | |
| 100 | Deliver Custom Trays | |
| 101 | Delivery | |
| 101 | Lost Filling | |
| 110 | Initial Oral Exam | $35 |
| 120 | Periodic Examination | $35 |
| 130 | Emergency Examination | $45 |
| 140 | Limited Examination | $45 |
| 150 | Complete Oral Examination | $50 |
| 160 | Detailed & Extensive Oral Exam | $95 |

| Code | DIAGNOSTIC | Fee |
|---|---|---|
| 210 | Intraoral Complete Series - FMX | $82 |
| 220 | Intraoral Periapical - Single First Film | $17 |
| 230 | Intraoral Periapical - Each Add. Film | $13 |
| 240 | Intraoral - Occlusal Film | $13 |
| 250 | Extraoral - First Film | $82 |
| 260 | Extraoral - Each Additional Film | $82 |
| 270 | Bitewing - One Film | $13 |
| 272 | Bitewing - Two Films | $25 |
| 290 | Post. / Ant. / Lateral Skull Survey | $82 |
| 274 | Bitewing - Four Films | $30 |

| Code | Diagnostic | Fee |
|---|---|---|
| 310 | Saliography | $995 |
| 320 | Temporal Mandibular Joint Arthrogram | $3300 |
| 321 | Other Temporal Mandibular Joint Films | $82 |
| 322 | Tomographic Survey | $82 |
| 330 | Panoramic Film | $63 |
| 340 | Cephalometric Film | $122 |

| Code | Diagnostic | Fee |
|---|---|---|
| 415 | Microbiological Sampling | $82 |
| 425 | Caries Susceptibility Test | $82 |
| 460 | Pulp Vitality Test | $82 |
| 470 | Study Models -- Diagnostic Cast | $95 |
| 471 | Diagnostic Photographs | $75 |
| 500 | Deductible | |
| 501 | Histopathological | $82 |
| 502 | Other Oral Pathology Process By Report | $82 |
| 999 | Unspecified Diagnostic Procedure | $82 |
| 999.1 | AACD After Photos | |

| Code | Preventive | Fee |
|---|---|---|
| 1110 | Adult Cleaning (Prophylaxis) | $58 |
| 1111 | Specialist Referral Made | n/c |
| 1111.5 | Specialist Treatment Completed | n/c |
| 1119 | Bleaching | $330 |
| 1119.1 | Refill Box of Bleaching Tubes | $48 |
| 1120 | Child Cleaning Under 14 (Prophylaxis) | $48 |
| 1199 | Oxyfresh Products | $10 |
| 1200 | Patient Convenience Center Wall Products | |
| 1201 | Topical Fluoride w/Cleaning on a Child | $48 |
| 1203 | Topical Fluoride w/out Cleaning on a Child | $18 |
| 1204 | Topical Fluoride for Adult | $18 |

| Code | Preventive | Fee |
|---|---|---|
| 1205 | Adult Cleaning (Prophylaxis) w/Topical Fluoride | $58 |
| 1310 | Nutrition Counseling | $33 |
| 1320 | Tobacco Counseling on Oral Disease | $33 |
| 1330 | Oral Hygiene Instruction | $33 |
| 1340 | Plaque Control Instruction | $33 |
| 1351 | Sealants Per Tooth | $33 |
| 1510 | Fixed Unilateral Space Maintainer | $215 |
| 1515 | Fixed Bilateral Space Maintainer | $315 |
| 1520 | Removable Unilateral Space Maintainer | $215 |
| 1525 | Removable Bilateral Space Maintainer | $315 |
| 1550 | Recementation of Fixed Space Maintainer | $125 |

| Code | Restorative - Direct | Fee |
|---|---|---|
| 2110 | Amalgam – One Surface – Primary | $125 |
| 2120 | Amalgam – Two Surface – Primary | $135 |
| 2130 | Amalgam – Three Surface – Primary | $165 |
| 2131 | Amalgam Four Surface – Primary | $195 |
| 2140 | Amalgam – One Surface – Permanent | $125 |
| 2140.1 | P.R.R. – Preventive Resin or Amalgam Restoration | $125 |
| 2150 | Amalgam – Two Surface – Permanent | $135 |
| 2160 | Amalgam – Three Surface – Permanent | $165 |
| 2161 | Amalgam – Four Surface – Permanent | $195 |
| 2210 | Silicate Cement | $125 |

| Code | Restorative - Direct | Fee |
|---|---|---|
| 2330 | Composite Resin – One Surface – Anterior - Permanent | $125 |
| 2331 | Preventive Resin Restoration (P.R.R.) – Permanent | $125 |
| 2331 | Composite Resin – Two Surface – Anterior – Permanent | $135 |
| 2332 | Composite Resin – Three Surface – Anterior – Permanent | $165 |
| 2335 | Composite Resin – Four or more Surface – Anterior – Permanent | $195 |
| 2336 | Composite Resin Crown – Anterior – Primary | $195 |
| 2380 | Composite Resin – One Surface – Posterior – Primary | $125 |
| 2381 | Composite Resin – Two Surface – Posterior – Primary | $135 |
| 2382 | Composite Resin – Three Surface – Posterior – Primary | $165 |
| 2385 | Composite resin – One Surface – Posterior – Permanent | $195 |
| 2385.1 | P.R.R. – Preventive Resin Restoration | $195 |
| 2386 | Composite resin – Two Surface – Posterior – Permanent | $135 |
| 2387 | Composite Resin – Three or more Surfaces - Permanent | $165 |

| Code | Restorative – Indirect | Fee |
|---|---|---|
| 2410 | Gold Foil – One Surface | $210 |
| 2420 | Gold Foil – Two Surface | $310 |
| 2430 | Gold Foil – Three Surface | $410 |
| 2510 | Onlay – Metallic – Gold – One Surface | $585 |
| 2520 | Onlay – Metallic – Gold – Two Surface | $585 |
| 2530 | Onlay – Metallic – Gold – Three Surface | $585 |
| 2540 | Onlay – Metallic – Gold – Four Surface | $585 |
| 2610 | Inlay – Porcelain – Ceramic – One Surface | $585 |
| 2620 | Inlay – Porcelain – Ceramic – Two Surface | $585 |
| 2630 | Inlay – Porcelain – Ceramic – Three Surface | $585 |
| 2640 | Onlay – Porcelain – Ceramic – One Surface | $585 |
| 2642 | Onlay – Porcelain – Ceramic – Two Surface | $585 |
| 2643 | Onlay – Porcelain – Ceramic – Three Surface | $585 |
| 2644 | Onlay – Porcelain – Ceramic – Four Surface | $585 |
| 2650 | Inlay – Composite Resin – One Surface – Lab Fabricated | $585 |
| 2651 | Inlay – Composite Resin – Two Surface – Lab Fabricated | $585 |
| 2652 | Inlay – Composite Resin – Three Surface – Lab Fabricated | $585 |
| 2660 | Onlay – Composite Resin – One Surface – Lab Fabricated | $585 |
| 2661 | Seat Onlay | $585 |

| Code | Restorative – Indirect | Fee |
|---|---|---|
| 2662 | Onlay - Composite Resin – Two Surface – Lab Fabricated | $585 |
| 2663 | Onlay - Composite Resin – Three Surface – Lab Fabricated | $585 |
| 2664 | Onlay - Composite Resin – Four Surface – Lab Fabricated | $585 |
| 2710 | Crown – Resin – Lab Fabricated | $685 |
| 2720 | Crown Resin – w / High Noble Metal | $685 |
| 2740 | Crown – Porcelain / Ceramic | $685 |
| 2750 | Crown – Porcelain Fused To High Noble Metal | $685 |
| 2751 | Crown – Porcelain Fused To Predominately Base Metal | $685 |
| 2752 | Crown – Porcelain Fused To Noble Metal | $685 |
| 2752.1 | Porcelain Crown Over Implant | $785 |
| 2790 | Crown – Full Cast High Noble Metal | $685 |
| 2791 | Crown – Full Cast High Predominately Base Metal | $685 |
| 2792 | Crown – Full Cast Noble Metal | $685 |
| 2810 | Crown – ¾ Cast Noble Metal | $685 |
| 2910 | Recement Inlay | $105 |
| 2920 | Recement Crown | $105 |
| 2930 | Prefabricated Stainless Steel Crown Primary Tooth | $180 |
| 2931 | Prefabricated Stainless Steel Crown Permanent Tooth | $375 |

| Code | Restorative – Indirect | Fee |
|---|---|---|
| 2932 | Prefabricated Resin Tooth | $185 |
| 2933 | Prefabricated Stainless Steel Crown w/ Resin Window | $185 |
| 2940 | Sedative Filling | $185 |
| 2950 | Core Buildup Including Pins | $155 |
| 2951 | Pin Retention Per Tooth In Addition To The Restoration | $35 |
| 2952 | Cast Post & Core In Addition To The Crown | $195 |
| 2954 | Prefabricated Post & Core In Addition To The Crown | $155 |
| 2955 | Post Removal – Non Endodontic | $155 |
| 2960 | Composite Resin – Labial Veneer – Laminate – Chairside | $385 |
| 2961 | Composite Resin – Labial Veneer – Laminate – Lab Fabricated | $685 |
| 2962 | Porcelain Veneer – Labial – Laminate – Lab Fabricated | $685 |
| 2970 | Temporary Crown | $135 |
| 2971 | Re-Impress | |
| 2999 | Unspecified Restorative By Narrative | $125 |
| 2999.1 | Seat Crown | $125 |
| 2999.2 | Recement Temporary Crown | $125 |
| 2999.3 | Seat Veneer | |
| 2999.4 | Seat Onlay | |

| Code | Endodontics | Fee |
|---|---|---|
| 3110 | Pulp Cap – Direct | $110 |
| 3120 | Pulp Cap – Indirect | $110 |
| 3220 | Pulpotomy On A Primary Tooth | $110 |
| 3230 | Pulpal Therapy – Anterior Primary Tooth | $110 |
| 3240 | Pulpal Therapy – Posterior Primary Tooth | $110 |
| 3310 | Anterior Root Canal Excluding Final Restoration | $420 |
| 3320 | Bicuspid Root Canal Excluding Final Restoration | $520 |
| 3330 | Molar Root Canal Excluding Final Restoration | $635 |
| 3330.1 | Finish Root Canal – Complete Endodontic Therapy | |
| 3340 | Finish Root Canal | |
| 3346 | Retreatment of Ant. Root Canal Excl. Final Rest. | $445 |
| 3347 | Retreatment of Bicuspid Root Canal Excl. Fin.Rest | $550 |
| 3348 | Retreatment of Molar Root Canal Excl. Final Rest | $660 |

| Code | Endodontics | Fee |
|---|---|---|
| 3351 | Apexification – Recalcification on the Initial Visit | $195 |
| 3352 | Apexification – Recalcification – Interim Medication Replacement | $125 |
| 3353 | Apexification – Recalcification On The Final Visit | $195 |
| 3410 | Apicoectomy – Periradicular Surgery - Anterior | $425 |
| 3421 | Apicoectomy – Periradicular Surgery – Bicuspid | $475 |
| 3425 | Apicoectomy – Periradicular Surgery – Molar | $530 |
| 3426 | Apicoectomy – Periradicular Surgery – Each Additional Root | $105 |
| 3430 | Retrograde Filling – Per Tooth | $75 |
| 3450 | Root Amputation | $160 |
| 3460 | Endodontic Endosseous Implant | $995 |
| 3470 | Intentional Reimplantation – Incisal Splint | $425 |
| 3910 | Surgical Process – Isolation Of Tooth w/ Rubber Dam | $160 |
| 3920 | Hemisection | $475 |
| 3950 | Canal Preparation & Fitting Of Preformed Dowel Or Post | $155 |
| 3960 | Bleaching - Tooth | $95 |
| 3999 | Unspecified Endodontic Procedure By Report | $95 |
| 3999.1 | Final Fill Of Root Canal – Endodontic Procedure By Report | $95 |

| Code | Periodontics | Fee |
|---|---|---|
| 4110 | Periodontal Evaluation & Treatment Plan | $50 |
| 4210 | Gingivectomy Per Quadrant | $450 |
| 4211 | Gingivoplasty Per Tooth | $155 |
| 4220 | Gingival Curettage Per Tooth | $240 |
| 4230 | Distal / Proximal Wedge | $585 |
| 4240 | Soft Tissue Surgery | $585 |
| 4249 | Clinical Crown Lengthening | $505 |
| 4250 | Mucogingival Surgery Per Quadrant | $450 |
| 4260 | Osseous Surgery Per Quadrant | $725 |
| 4261 | Bone Replacement Graft – Single Site | $265 |
| 4262 | Bone Replacement Graft – Multiple Site | $495 |
| 4263 | Osseous Graft First Site | $495 |
| 4264 | Osseous Graft First Each Additional Site | $495 |
| 4266 | Guided Tissue Regeneration | $495 |
| 4267 | Guided Tissue Regeneration W/ Membrane | $495 |
| 4268 | Guided Tissue Regeneration | $495 |
| 4270 | Pedicle Soft Tissue Graft Procedure | $615 |
| 4271 | Free Gingival Graft | $665 |

| Code | Periodontics | Fee |
|---|---|---|
| 4273 | Subepithelial Connective Tissue Graft | $665 |
| 4274 | Distal / Proximal Wedge Procedure | $665 |
| 4320 | Provisional Splinting – Intracoronal | $170 |
| 4321 | Provisional Splinting – Extracoronal | $170 |
| 4341 | Root Planning Per Quadrant | $170 |
| 4345 | Difficult Prophy – Periodontal Scaling Performed | $110 |
| 4355 | Full Mouth Debridement For Evaluation By Periodontist | $115 |
| 4380 | Periodontal Re-Evaluation | $45 |
| 4381 | Local Delivery Of Chemotherapeutic Agent | n/c |
| 4444 | Dr. Next – Patient To See Dr. Next After Hygiene Appointment | n/c |
| 4445 | Hygienist Next – Patient To See Hygienist Next After Dr. Appt. | n/c |
| 4446 | Doctor 1st | n/c |
| 4447 | Hygienist 1st | n/c |
| 4448 | Working | n/c |
| 4910 | Periodontal Recall | $80 |
| 4920 | Unscheduled Dressing Change | $50 |
| 4935 | Consultation For Diagnosis & Treatment Planning | $95 |
| 4936 | Post Treatment Consultation | $50 |

| Code | Prosthodontics – Removable Dentures & Partials | Fee |
|---|---|---|
| 5110 | Complete Upper Denture | $1100 |
| 5120 | Complete Lower denture | $1100 |
| 5130 | Immediate Upper Denture | $1200 |
| 5140 | Immediate Lower Denture | $1200 |
| 5211 | Upper Partial Denture – Resin Base With Clasps | $825 |
| 5212 | Lower Partial Denture – Resin Base With Clasps | $825 |
| 5213 | Upper Partial Denture – Metal Base With Clasps | $1000 |
| 5214 | Lower Partial Denture – Metal Base With Clasps | $1000 |
| 5281 | Removable Unilateral Partial Denture | $825 |
| 5410 | Adjust Complete Upper Denture | $65 |
| 5411 | Adjust Complete Lower Denture | $65 |
| 5421 | Adjust Complete Upper Partial Denture | $65 |
| 5422 | Adjust Complete Lower Partial Denture | $65 |
| 5510 | Repair Broken Complete Denture Base | $160 |

| Code | Prosthodontics – Removable Dentures & Partials | Fee |
|---|---|---|
| 5520 | Replace Missing or Broken Teeth - Complete or Partial Denture | $110 |
| 5610 | Repair Resin Saddle or Base | $110 |
| 5620 | Repair Cast Framework | $175 |
| 5630 | Repair or Replace A Broken Clasp | $155 |
| 5640 | Replace Broken Teeth – Per Tooth | $110 |
| 5650 | Add Tooth To An Existing Partial Denture | $110 |
| 5660 | Rebase A Complete Upper Denture | $155 |
| 5710 | Rebase A Complete Lower Denture | $595 |
| 5711 | Rebase A Partial Upper Denture | $595 |
| 5720 | Rebase A Partial Lower Denture | $495 |
| 5721 | Reline Complete Maxillary Denture Chairside | $495 |
| 5730 | Reline Complete Mandibular Denture Chairside | $205 |
| 5731 | Reline Maxillary Partial Denture - Chairside | $205 |

| Code | Prosthodontics – Removable Dentures & Partials | Fee |
|---|---|---|
| 5741 | Reline Mandibular Partial Denture – Chairside | $205 |
| 5750 | Reline Complete Upper Denture With The Laboratory | $260 |
| 5751 | Reline Complete Lower Denture With The Laboratory | $260 |
| 5760 | Reline Partial Upper Denture With The Laboratory | $260 |
| 5761 | Reline Partial Lower Denture With The Laboratory | $260 |
| 5810 | Temporary Complete Upper Denture | $260 |
| 5811 | Temporary Complete Lower Denture | $260 |
| 5820 | Temporary Partial Denture – Upper – Maxillary | $260 |
| 5821 | Temporary Partial Denture – Lower – Mandibular | $260 |
| 5850 | Tissue Conditioning The Upper Denture | $55 |
| 5851 | Tissue Conditioning The Lower Denture | $55 |
| 5860 | Overdenture | $1200 |
| 5861 | Overdenture Partial | $1200 |
| 5862 | Precision Attachment | $195 |
| 5899 | Unspecified Removable Prosthodontic Procedure | $195 |

| Code | Prosthodontics – Removable Dentures & Partials | Fee |
|---|---|---|
| 5911 | Facial Moulage (Sectional) | $3200 |
| 5912 | Facial Moulage (Complete) | $3200 |
| 5913 | Nasal Prosthesis | $3200 |
| 5914 | Auricular Prosthesis | $3200 |
| 5915 | Orbital Prosthesis | $4950 |
| 5916 | Ocular Prosthesis | $4950 |
| 5919 | Facial Prosthesis | $4950 |
| 5922 | Nasal Septal Prosthesis | $4950 |
| 5923 | Ocular Prosthesis – Interim | $4950 |
| 5924 | Cranial Prosthesis | $4950 |
| 5925 | Facial Augmentation Implant Prosthesis | $4950 |
| 5926 | Nasal Prosthesis – Replacement | $4950 |
| 5927 | Auricular Prosthesis – Replacement | $4950 |
| 5928 | Orbital Prosthesis – Replacement | $4950 |

| Code | Prosthodontics – Removable Dentures & Partials | Fee |
|---|---|---|
| 5929 | Facial Prosthesis – Replacement | $4950 |
| 5931 | Obturator Prosthesis – Surgical | $4950 |
| 5932 | Obturator Prosthesis – Definitive | $4950 |
| 5933 | Obturator Prosthesis – Modification | $4950 |
| 5934 | Mandibular Resection Prosthesis W/ Guide Flange | $4950 |
| 5935 | Mandibular Resection Prosthesis W/ No Guide Flange | $4950 |
| 5936 | Obturator Prosthesis – Interim | $4950 |
| 5937 | Trismus Appliance Not Associated With TMD | $885 |
| 5951 | Feeding Aid | $885 |
| 5952 | Speech Aid Prosthesis – Pediatric | $885 |
| 5953 | Speech Aid Prosthesis – Adult | $885 |
| 5954 | Palatal Augmentation Prosthesis | $885 |
| 5955 | Palatal Lift Prosthesis – Definitive | $885 |
| 5958 | Palatal Lift Prosthesis - Interim | $885 |

| Code | Prosthodontics – Removable Dentures & Partials | Fee |
|---|---|---|
| 5959 | Palatal Lift Prosthesis – Modification | $885 |
| 5960 | Speech Aid Prosthesis – Modification | $885 |
| 5982 | Surgical Stint | $885 |
| 5983 | Radiation Carrier | $885 |
| 5984 | Radiation Shield | $885 |
| 5985 | Radiation Cone Locator | $885 |
| 5986 | Fluoride Gel Carrier | $455 |
| 5987 | Commisure Splint | $455 |
| 5988 | Surgical Splint | $455 |
| 5999 | Unspecified Maxillofacial Prosthesis By Report | $455 |
| 5999.1 | Try In | n/c |
| 5999.2 | Deliver Denture | n/c |
| 6010 | Surgical Placement Of Implant Body | $1100 |
| 6020 | Abutment Placement Or Substitution | $1100 |

| Code | Prosthodontics – Removable Dentures & Partials | Fee |
|---|---|---|
| 6030 | Endosseous Implant | $1100 |
| 6040 | Surgical Placement Of An Endosteal Implant | $1100 |
| 6050 | Surgical Placement Of A Transosteal Implant | $4950 |
| 6055 | Implant Connecting Bar | $1100 |
| 6080 | Implant Maintenance Procedures | N/c |
| 6090 | Implant Repair | $455 |
| 6095 | Repair Implant Abutment By Report | $455 |
| 6099.1 | Implant Consultation By Report | $50 |
| 6100 | Implant Removal By Report | $455 |
| 6199 | Unspecified Implant Procedure By Report | $455 |

| Code | Prosthodontics – Nonremovable Dentures & Partials | Fee |
|---|---|---|
| 6210 | Pontic – Cast High Noble Metal | $685 |
| 6211 | Pontic – Cast Predominately Base Metal | $685 |
| 6212 | Pontic – Cast Noble Metal | $685 |
| 6240 | Pontic – Porcelain Fused To High Noble Metal | $685 |
| 6241 | Pontic – Porcelain Fused To Predominately Base Metal | $685 |
| 6242 | Pontic – Porcelain Fused To Noble Metal | $685 |
| 6250 | Pontic – Resin With High Noble Metal | $685 |
| 6251 | Pontic – Porcelain Fused To Metal On An Implant | $685 |
| 6252 | Pontic – Resin With Noble Metal | $685 |
| 6520 | Inlay – Metallic – Two Surfaces | $630 |
| 6530 | Inlay – Metallic – Three Surfaces | $630 |
| 6543 | Onlay – Metallic – Three Surfaces | $630 |

| Code | Prosthodontics – Nonremovable Dentures & Partials | Fee |
|---|---|---|
| 6544 | Onlay – Metallic – Four Or More Surfaces | $630 |
| 6545 | Retainer – Cast Metal For Acid Etch Bridge | $685 |
| 6720 | Resin With High Noble Metal | $685 |
| 6721 | Resin With Predominately Base Metal | $685 |
| 6722 | Crown – Resin With Noble Metal | $685 |
| 6750 | Crown – Porcelain Fused To High Noble Metal | $685 |
| 6751 | Crown – Porcelain Fused To Predominately Base Metal | $685 |
| 6752 | Crown – Porcelain Fused To Noble Metal | $685 |
| 6780 | Crown – ¾ Cast High Noble Metal | $685 |
| 6790 | Crown – Full Cast High Noble Metal | $685 |
| 6791 | Crown – Full Cast Predominately Base Metal | $685 |
| 6792 | Crown – Full Cast Noble Metal | $685 |

| Code | Preventive | Fee |
|---|---|---|
| 1110 | Adult Cleaning (Prophylaxis) | $58 |
| 1111 | Specialist Referral Made | n/c |
| 1111.5 | Specialist Treatment Completed | n/c |
| 1119 | Bleaching | $330 |
| 1119.1 | Refill Box of Bleaching Tubes | $48 |
| 1120 | Child Cleaning Under 14 (Prophylaxis) | $48 |
| 1199 | Oxyfresh Products | $10 |
| 1200 | Patient Convenience Center Wall Products | |
| 1201 | Topical Fluoride w/Cleaning on a Child | $48 |
| 1203 | Topical Fluoride w/out Cleaning on a Child | $18 |
| 1204 | Topical Fluoride for Adult | $18 |

| Code | Prosthodontics – Nonremovable Fixes Bridges | Fee |
|---|---|---|
| 6920 | Connector Bar | $185 |
| 6930 | Recement Bridge | $185 |
| 6940 | Stress Breaker | $185 |
| 6950 | Precision Attachment | $185 |
| 6970 | Cast Post & Core in addition to bridge retainer | $185 |
| 6971 | Cast Post & Core as part of Fixed Partial Denture | $185 |
| 6972 | Prefabricated Post & Core in addition to bridge retainer | $155 |
| 6973 | Core Build Up for retainer including any pins | $155 |
| 6975 | Coping – Metal | $155 |
| 6980 | Fixed Partial Denture Repair – By Report | $395 |
| 6999 | Unspecified Fixed Prosthodontic Procedure | $395 |
| 6999.1 | Seat Bridge | $154 |

| Code | Oral Surgery | Fee |
|---|---|---|
| 7110 | Extraction, Single Tooth, Simple, Nonsurgical | $105 |
| 7120 | Extraction of Each Additional Tooth | $100 |
| 7130 | Root Removal – Exposed Root | $145 |
| 7210 | Extraction, Erupted Tooth, Surgical Removal requiring a flap | $170 |
| 7220 | Extraction, Impacted Tooth, Soft Tissue | $180 |
| 7230 | Extraction, Impacted Tooth, Partial Bony | $220 |
| 7240 | Extraction, Impacted Tooth, Full Bony | $250 |
| 7241 | Extraction, Impacted Tooth, Full Bony, w/complications | $310 |
| 7250 | Surgical Removal of Residual Tooth Roots | $180 |
| 7251 | Extraction Site Packing at time of surgery | $35 |
| 7260 | Oro Antral Fistula Closure | $520 |
| 7270 | Tooth Re-implantation and/or stabilization of avulsed tooth | $310 |
| 7272 | Tooth Transplantation | $310 |
| 7280 | Surgical Exposure of tooth for Orthodontic Reasons | $180 |

| Code | Oral Surgery | Fee |
|---|---|---|
| 7281 | Surgical Exposure of Impacted Tooth to Aid Eruption | $180 |
| 7285 | Biopsy of Hard Oral Tissue | $180 |
| 7286 | Biopsy of Soft Oral Tissue | $180 |
| 7290 | Surgical Repositioning of Teeth | $310 |
| 7291 | Transeptal Fiberotomy | $90 |
| 7310 | Alveoplasty With Extraction | $160 |
| 7320 | Alveoplasty Without Extraction | $300 |
| 7340 | Vestibuloplasty – Ridge Extension – Secondary Epithelialization | $1650 |
| 7350 | Vestibuloplasty – Ridge Extension – Complex – Revision | $3300 |
| 7360 | Distal Wedge Tuberosity Reduction | $310 |
| 7410 | Radical Excision – Lesion Diameter < 1.25 cm | $1650 |
| 7420 | Radical Excision – Lesion Diameter > 1.25 cm | $2650 |
| 7430 | Excision of Benign Tumor < 1.25 cm | $1650 |
| 7431 | Excision of Benign Tumor > 1.25 cm | $2650 |

| Code | Oral Surgery | Fee |
|---|---|---|
| 7440 | Excision of Malignant Tumor < 1.25 cm | $3290 |
| 7441 | Excision of Malignant Tumor > 1.25 cm | $4290 |
| 7450 | Removal of Odontogenic Cyst or Tumor < 1.25 cm | $1650 |
| 7451 | Removal of Odontogenic Cyst or Tumor > 1.25 cm | $2650 |
| 7460 | Removal of Nonodontogenic Cyst < 1.25 cm | $1650 |
| 7461 | Removal of Nonodontogenic Cyst > 1.25 cm | $2650 |
| 7465 | Destruction of Lesion – By Report | $1650 |
| 7470 | Removal of Exostosis – Maxillary / Mandibular | $560 |
| 7480 | Partial Ostectomy | $1650 |
| 7490 | Radical Resection of Mandible w/bone Graft | $2650 |
| 7510 | Incision & Drainage of Abscess – Intraoral | $560 |
| 7520 | Incision & Drainage of Abscess – Intraoral | $560 |
| 7530 | Surgical Removal of Foreign Body | $560 |
| 7540 | Surgical Removal of Reaction Producing Foreign Body | $560 |

| Code | Oral Surgery | Fee |
|---|---|---|
| 7550 | Sequestrectomy for Osteomyelitis | $560 |
| 7560 | Maxillary Sinusotomy – Tooth Fragmentation – Foreign Body | $560 |
| 7610 | Maxilla – Open Reduction – Teeth Immobilized If Present | $2650 |
| 7620 | Maxilla – Closed Reduction – Teeth Immobilized If Present | $3300 |
| 7630 | Mandible – Open Reduction – Teeth Immobilized If Present | $2650 |
| 7640 | Mandible – Closed Reduction – Teeth Immobilized If Present | $3650 |
| 7650 | Malar / Zygomatic Arch – Open Reduction | $2650 |
| 7660 | Malar / Zygomatic Arch – Closed Reduction | $3650 |
| 7670 | Alveolus – Stabilization of the Open Reduction | $2650 |
| 7780 | Facial Bones Complicated Reduction | $3650 |
| 7810 | Open Reduction of Dislocation | $2650 |
| 7820 | Closed Reduction of Dislocation | $3650 |
| 7830 | Manipulation Under Anesthesia | $1650 |
| 7840 | Condylectomy | $3650 |

| Code | Oral Surgery | Fee |
|---|---|---|
| 7850 | Surgical Discectomy With or Without an Implant | $3650 |
| 7852 | Disc Repair | $3650 |
| 7854 | Synovectomy | $3650 |
| 7856 | Myotomy | $3650 |
| 7858 | Joint Reconstruction | $3650 |
| 7860 | Arthrotomy | $3650 |
| 7865 | Arthroplasty | $3650 |
| 7870 | Arthrocentesis | $3650 |
| 7872 | Arthroscopy – Diagnosis With or Without A Biopsy | $3650 |
| 7873 | Arthroscopy – Surgical | $3650 |
| 7874 | Arthroscopy – Surgical Disc Repositioning | $3650 |
| 7875 | Arthroscopy – Surgical Synovectomy | $3650 |
| 7875 | Arthroscopy – Surgical: Disectomy | $3650 |
| 7877 | Arthroscopy – Surgical: Debridement | $3650 |

| Code | Oral Surgery | Fee |
|---|---|---|
| 7880 | Occlusal Orthotic appliance | $560 |
| 7899 | Unspecified TMD Therapy – By Report | $560 |
| 7910 | Suture Of Recent Small Wound < 5 cm | $560 |
| 7911 | Complicated Suture < 5 cm | $675 |
| 7912 | Complicated Suture > 5 cm | $775 |
| 7920 | Skin Graft | $3650 |
| 7940 | Osteoplasty for Orthognathic Deformities | $3650 |
| 7941 | Osteotomy – Ramus – Closed | $3650 |
| 7942 | Osteotomy – Ramus – Open With Bone Graft | $3650 |
| 7944 | Osteotomy – Segmented Per Sextant or Quadrant | $3650 |
| 7945 | Osteotomy – Body of Mandible | $3650 |
| 7946 | Lefort I – Maxilla – Total | $3650 |
| 7947 | Lefort I – Maxilla – Segmented | $3650 |
| 7948 | Lefort II / Lefort III Without Bone Graft | $3650 |

| Code | Oral Surgery | Fee |
|---|---|---|
| 7949 | Lefort II / Lefort III With Bone Graft | $4650 |
| 7950 | Osseous – Osteoperiosteal – Or Cartil | $3650 |
| 7655 | Repair Maxillofaciaol Soft / Hard Tissue | $1650 |
| 7960 | Frenectomy | $295 |
| 7970 | Excision of Hyperplastic Tissue Per Arch | $745 |
| 7971 | Excision of Pericoronal Gingiva | $90 |
| 7980 | Sialolithotomy | $1650 |
| 7981 | Excision Of Salivary Gland – By Report | $1650 |
| 7982 | Sialodochoplasty | $1650 |
| 7983 | Closure of Salivary Fistula | $1650 |
| 7990 | Emergency Tracheotomy | $1650 |
| 7991 | Coronoidectomy | $1650 |
| 7995 | Synthetic Graft – Mandible – Maxilla – Or Facial Bone | $1650 |
| 7996 | Implant – Mandible For Augmentation Purposes | $1650 |
| 7999 | Unspecified Oral Surgery Procedure – By Report | $860 |

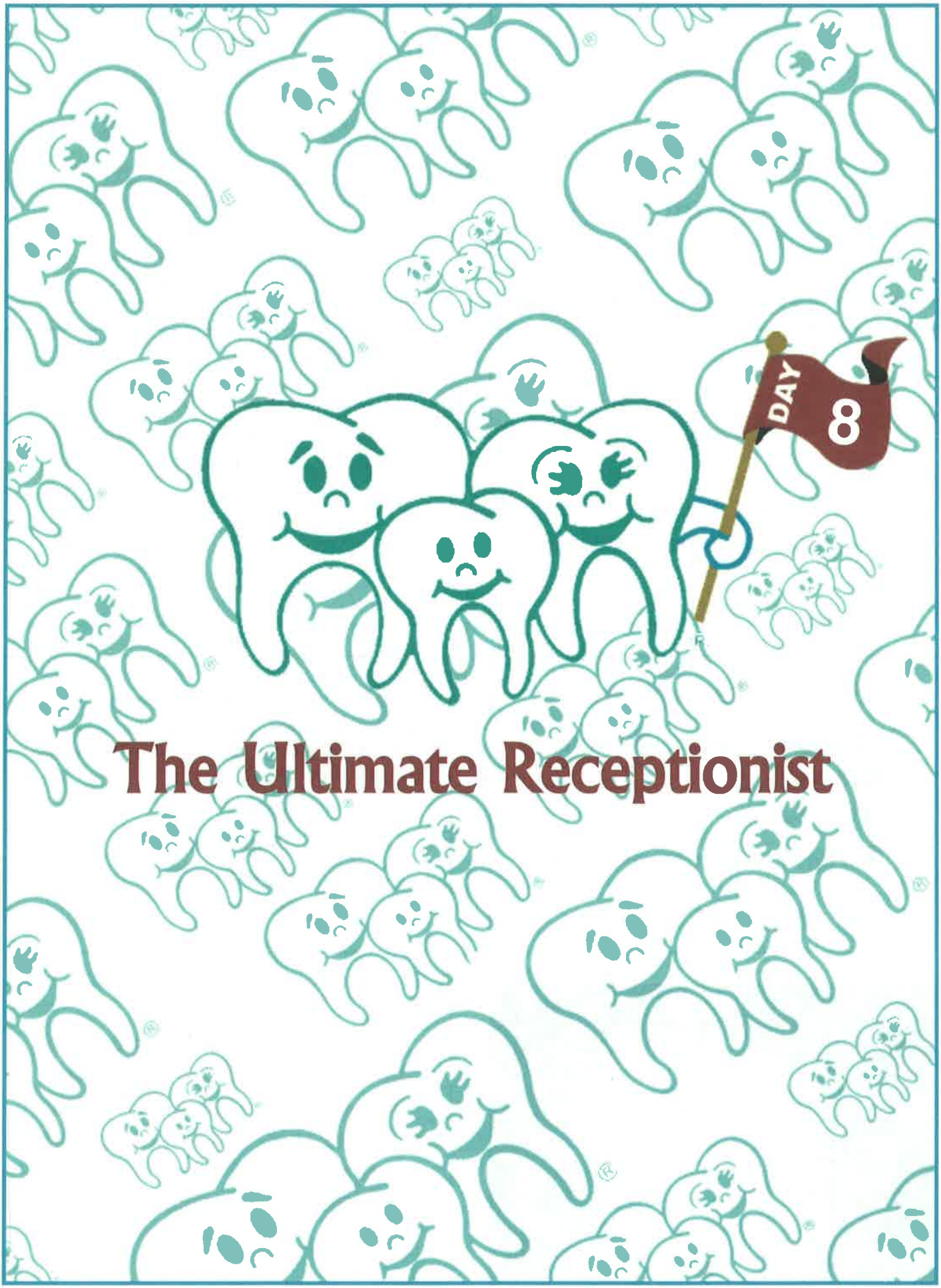
| Code | Orthodontics | Fee |
|---|---|---|
| 8010 | Limited Orthodontic Treatment of Primary | $855 |
| 8020 | Limited Orthodontic Treatment of Transitionary | $855 |
| 8030 | Limited Orthodontic Treatment of Adolescent | $855 |
| 8040 | Limited Orthodontic Treatment of Adult | $855 |
| 8050 | Interceptive Treatment of Primary Dentition | $855 |
| 8060 | Interceptive Treatment of Transitional Dentition | $855 |
| 8070 | Comprehensive Treatment of Transitional Dentition | $855 |
| 8080 | Comprehensive Treatment of Adolescent Dentition | $855 |
| 8090 | Comprehensive Treatment of Adult Dentition | $855 |
| 8110 | Removable Appliance Therapy for Minor Tooth Guidance | $855 |
| 8110.5 | Removable Appliance – Replacement Appliance | $855 |
| 8120 | Fixed Appliance Therapy for Minor Tooth Guidance | $855 |
| 8210 | Removable Appliance Therapy | $855 |
| 8220 | Fixed Appliance Therapy | $855 |
| 8360 | Removable Appliance Therapy for Interceptive Ortho. Trmt. | $855 |

| Code | Orthodontics | Fee |
|---|---|---|
| 8370 | Fixed Appliance Therapy For Interceptive Ortho Trmt | $855 |
| 8460 | Class I Malocclusion – Transitional Dentition – Complete Ortho | $4130 |
| 8470 | Class II Malocclusion – Transitional Dentition – Complete Ortho | $4240 |
| 8480 | Class III Malocclusion – Transitional Dentition – Complete Ortho | $4350 |
| 8560 | Class I Malocclusion – Permanent Dentition – Complete Ortho | $4130 |
| 8570 | Class II Malocclusion – Permanent Dentition – Complete Ortho | $4240 |
| 8580 | Class III Malocclusion – Permanent Dentition – Complete Ortho | $4350 |
| 8650 | Treatment of the Atypical or Extended Skeletal Case | $4450 |
| 8660 | Pre-Orthodontic Treatment Visit | $95 |
| 8670 | Periodic Orthodontic Treatment Visit | |
| 8671 | Orthodontic Retention | |
| 8680 | Orthodontic Treatment – Contract Fee | |
| 8690 | Orthodontic Treatment – Contract Fee | |
| 8999 | Unspecified Orthodontic Treatment – By Report | |

| Code | Adjunctive General Services | Fee |
|---|---|---|
| 9110 | Palliitive Treatment of Emergency Pain | $95 |
| 9201 | Office Visit New Patient – Class I | $195 |
| 9202 | Office Visit New Patient – Class II | $95 |
| 9203 | Office Visit New Patient – Class III | $95 |
| 9204 | Office Visit New Patient – Class IV | $95 |
| 9205 | Office Visit New Patient – Class V | $95 |
| 9210 | Local Anesthesia – Not in Conjunction | $95 |
| 9211 | Office Visit Established Patient – Class I | $95 |
| 9212 | Office Visit Established Patient – Class II | $95 |
| 9213 | Office Visit Established Patient – Class III | $95 |
| 9214 | Office Visit Established Patient – Class IV | $95 |
| 9215 | Office Visit Established Patient – Class V | $95 |
| 9220 | General Anesthesia – For First 30 minutes | $225 |
| 9221 | General Anesthesia – for Each Additional 15 Minutes | $95 |

| Code | Adjunctive General Services | Fee |
|---|---|---|
| 9230 | Nitrous Oxide Analgesia per half hour | $35 |
| 9231 | Nitrous Nose Piece | $15 |
| 9240 | Intravenous Sedation | $225 |
| 9241 | Office Consultation – Class I | $50 |
| 9242 | Office Consultation – Class II | $50 |
| 9243 | Office Consultation – Class III | $50 |
| 9310 | Initial Periodontal Evaluation | $50 |
| 9410 | House Call | $145 |
| 9420 | Hospital Call | $145 |
| 9430 | Office Visit, Suture Removal Post-op Check | $75 |
| 9440 | Emergency Office Visit After Hours | $95 |
| 9610 | Therapeutic Drug Injection – By Report | $95 |
| 9611 | Subgingival Irrigation | $45 |
| 9612 | Local Delivery of Chemotherapeutic Agent | $45 |

| Code | Adjunctive General Services | Fee |
|---|---|---|
| 9630 | Fluoride Treatment for Home | $10 |
| 9700 | Missed Appointment | $45 |
| 9910 | Desensitize | $45 |
| 9920 | Behavior Management – By Report | $45 |
| 9930 | Treatment of Dry Socket | $45 |
| 9940 | Occlusal Guard – Soft | $345 |
| 9941 | Occlusal Guard – Hard – Athletic | $345 |
| 9950 | Occlusal Guard | $345 |
| 9951 | Occlusal Adjustment –Limited | $40 |
| 9952 | Occlusal Adjustment – Complete | $50 |
| 9970 | Enamel Micro-air-abrasion | $50 |
| 9999 | Dental Services – Unspecified | $50 |
| 9999.1 | Resent Insurance | N/C |
| 9999.2 | Rebilled for B-Up | N/C |




# The Ultimate Receptionist

Your 30 Day Dental MBA
Day 8

# The Ultimate Receptionist

## Front Office Receptionist

| Solo | | Group | |
|---|---|---|---|
| 0 | 15% | 0 | 0% |
| 1 | 60% | 1 | 60% |
| 2 | 20% | 2 | 35% |
| 3 | 5% | 3 | 5% |

Avg Dentist 1.2 full time
Avg Specialist 1.3 part time

Full time and part time
Average Dentist 1
Average Specialist 1.2

Source: ADA Survey Center, 1996 Survey of Dental Practice, *Employment of Dental Practice Personnel.*

## First impressions are set in lead!

You never get a second chance to make a first impression!

## All staff should always be in a uniform, with a nametag, and introduce themselves by name!

## State Management

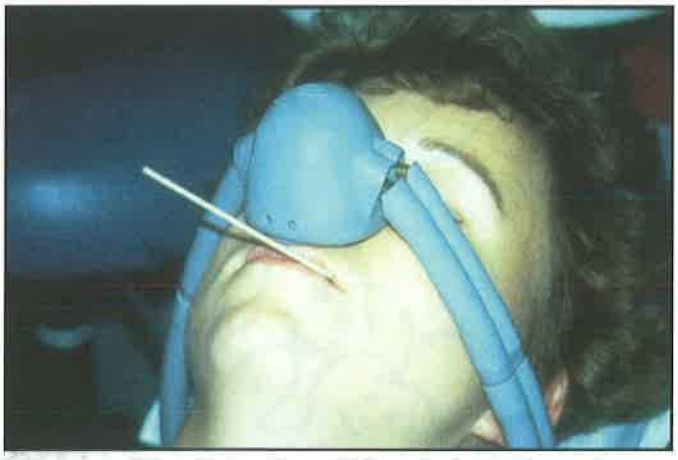
Feelings affect your state

- toothache
- headache
- what are you focusing on?

Anthony Robbins

**Fear:** is an emotional state that is activated to avoid pain! It stimulates the excretion of epinephrine to elicit the entire fight or flight response!

**F**alse
**E**vidence
**A**ppearing
**R**eal



## All staff team members need to have their own business cards with economic incentives on the back so that they can give it to their own social network to help build their own practice!

## Reminder to all receptionists:

## You work with people not paper!

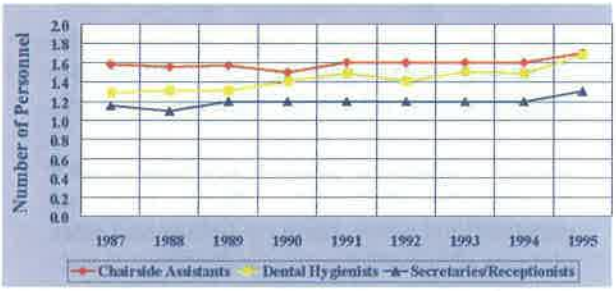
## Top traits to look for in hiring team members:

1) They love dentistry
2) They love to learn more about dentistry
3) They like people
4) They love getting involved in your practice area & community!

If dentistry is just a job, if they're really too busy to take continuing education, if they pay lip service to people but can't name a single community involvement, then stop this relationship now!

## You always know if the wife is really involved with the dental practice, they only hire really ugly mean women!

Average number of personnel per independent dentists, among dentists employing personnel, by position type, 1987 - 1995

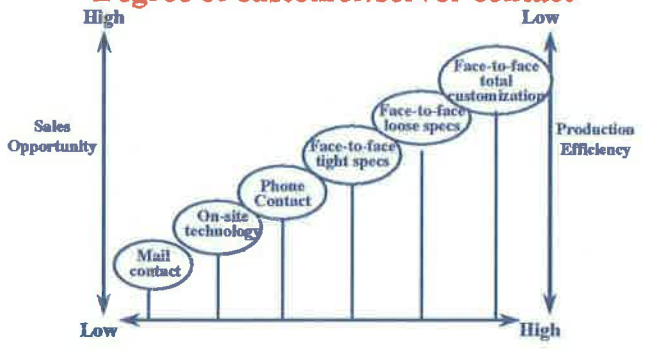



Source: American Dental Association

## Try To Upsale Every Order!

- When you go to McDonald's and order a Big Mac what is the first thing their employees say?
- When someone orders a cleaning, exam & x-rays - what is the first thing that you could say?

## Degree of customer/server contact



*People* magazine and *USA Today* are the only reading material that is so filled with pictures and people that it's okay if they're a little old!

## Wahl's Observation!

**If the patient is found standing against the wall instead of sitting in the chair, they have a greater than average fear level!**

## Patience

**Today's patients will not be patient.**

**The Word Patient comes from the old saying, "Please be Patient, the doctor will be with you in a while."**

## The 8 Principles of Waiting!

1) Unoccupied Time Feels Longer than Occupied Time
2) Pre-Process Waits Feel Longer than In-Process Waits
3) Anxiety Makes Waits Seem Longer
4) Uncertain Waits are Longer than Known, Finite Waits
5) Unexplained Waits are Longer than Explained Waits
6) Unfair Waits are Longer than Equitable Waits
7) The more Valuable the Service, The Longer I Will Wait
8) Solo Waiting Feels Longer Than Group Waiting

**Source: Harvard Business School, The Psychology of Waiting Lines**

## Proposition 1: Unoccupied Time Feels Longer than Occupied Time

**Give the people in your waiting room something meaningful to do. Preferably something that relates to dentistry. Use this time constructively to generate interest in dentistry especially elective procedures such as cosmetic dentistry! Don't hang up unrelated art work, hang up before and after pictures of beautiful cosmetic dentistry cases!**

**Source: Harvard Business School, The Psychology of Waiting Lines**

## Proposition 2: Pre-Process Waits Feel Longer than In-Process Waits

**Have your front office staff begin the patient's appointment by updating all necessary information in the patient's chart. This not only fills a vital need for your management information system, but makes the patient feel like their appointment has started and they are not just sitting and possibly forgotten!**

**Source: Harvard Business School, The Psychology of Waiting Lines**

## Proposition 3: Anxiety Makes Waits Seem Longer

**This applies to the medical and dental profession especially! Anything you can do to ease the tension in the waiting area with friendly staff and distractions such as television or Nintendo for the kids will make the waits feel shorter. A play area for kids eases the stress for both mom and kids!**

**Source: Harvard Business School, The Psychology of Waiting Lines**

## Proposition 4: Uncertain Waits are Longer than Known, Finite Waits

The worst part of waiting is when you don't know how long it will be. It is simple courtesy to let a person know how long they can expect to wait. When an airplane is waiting for their turn for departure the pilot makes an announcement to tell if you are 5th or 15th for departure. An important key is friendly extrovert personalities in your front office staff!

Source: Harvard Business School, The Psychology of Waiting Lines

## Proposition 5: Unexplained Waits are Longer than Explained Waits

If no one explains why the doctor is late I might assume that he is out on the golf course! However, if someone explains that a little boy just fell off his bicycle and knocked out his front tooth I would wait patiently for much longer! The right staff can use these times to build up the doctor's reputation regarding his policy to see emergencies right away!

Source: Harvard Business School, The Psychology of Waiting Lines

## Proposition 6: Unfair Waits are Longer than Equitable Waits

Suppose you arrive on time or early for your appointment but someone who arrived 20 minutes later gets seated before you! This feels unfair and makes continuing to wait unbearable. Again, the key is a friendly staff who is not afraid to explain why what seems to be unfair actually is fair! For example, the doctor is running late, but that person's appointment was with the hygienist who is running on time!

Source: Harvard Business School, The Psychology of Waiting Lines

## Proposition 7: The More Valuable the Service, the Longer I Will Wait

Of course I will wait longer for a meal at Ruth Chris Steak House than for a taco at Taco Bell! But more importantly, after I have got what I came for, I don't want to wait at all! Again, do anything you can before an appointment to help speed up the customer's check out at the end of the appointment when waiting seems the longest of all!

Source: Harvard Business School, The Psychology of Waiting Lines

## Proposition 8: Solo Waits Feel Longer Than Group Waits.

Misery loves company! Notice how Disneyland has implemented the "snake" lines so that people waiting could pass the time people watching and discussing how adorable the kids are while waiting in line. There develops a sense of community while waiting with other people. We are all in the same boat!

Source: Harvard Business School, The Psychology of Waiting Lines

**In 1991 there were 704 million patient visits to the physician. If each patient had to wait 30 minutes for his or her scheduled appointment, then our economy would have lost 176,000 years of work.**

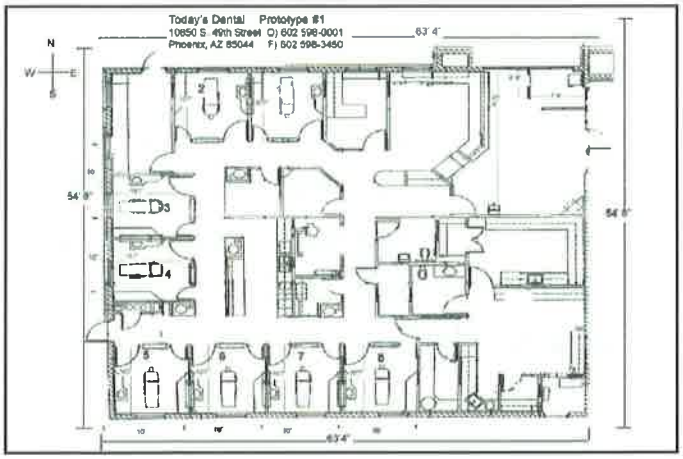
Regina Herzlinger Ph.D.
Economist Harvard University
Author of *Market Driven Health Care*

## The 3 components of operations and logistics management!

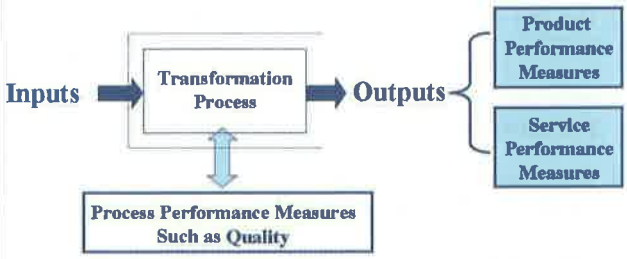
**Sales** **Inventory** **Expenses**

**The road called someday leads to a town called nowhere!**

Anthony Robbins




## Operations is a Transformation Process




Arizona State University, OPM 502, Professor M. Rungtusanatham

| Check In | | Check Out | |
|---|---|---|---|
| Greet Patient | ___ | Verify Insurance / Address | ___ |
| Update Address | ___ | Verify Charts Complete | ___ |
| Update Insurance | ___ | Collect All Monies | ___ |
| Verify Financial Arrange. | ___ | Schedule Next Visits | ___ |
| Notify Clinical Staff | ___ | Check Recall Sch. | ___ |
| Let pt. know / Dr. behind | ___ | File Insurance | ___ |

Time to reorder? Call Farran Enterprises at (602) 598-0001

## Thanks for Visiting!

*We want to know how you would rate your dental experience. Any suggestions on how we could serve you better, are always welcome.*

What did you have done today? ☐ cleaning ☐ other ___

Who was your doctor? ___

hygienist? ___

1. Were you satisfied with the treatment you received from the professional staff at Today's Dental?
   Very satisfied ___ Satisfied ___ Neutral ___ Dissatisfied ___ Very dissatisfied
2. Did the staff listen, understand all of your needs, and answer all your questions?
   Very satisfied ___ Satisfied ___ Neutral ___ Dissatisfied ___ Very dissatisfied
3. Did we begin your appointment ON TIME? ☐ yes ☐ no
4. Were you given POST OPERATIVE INSTRUCTIONS and our Today's Dental 8-YEAR WARRANTY? ☐ yes ☐ no
5. Would you recommend Today's Dental to a friend, co-worker, or relative?
   Very likely ___ Somewhat likely ___ Neutral ___ Unlikely ___ Very unlikely ___
6. Why did you choose Today's Dental?
   A dentist referred you ___ A friend referred you ___ Yellow pages ___
   Convenient hours ___ Convenient location ___ Other ___

Comments:

## Getting to Yes

| Time | Day | Date |
|---|---|---|
| | | |

| | | |
|---|---|---|
| 1. | Hygiene appointment time available per request? | yes / no |
| 2. | Doctor appointments time available per request? | yes / no |
| 3. | Appointment time after 5pm available? | yes / no |
| 4. | Appointment time before 9am available? | yes / no |
| 5. | Patient has HMO insurance? | yes / no |
| 6. | Patient has no insurance or money? | yes / no |

comments:

Time to reorder? Call Farran Enterprises at (602) 598-0001

## The Key Measures of Consumerism:

1) Time on the phone necessary to make an appointment:

2) The number of days needed to wait for an appointment with:

| | |
|---|---|
| Hygienist | Cleaning |
| Dentist | Scheduled |
| Dentist | Emergency |

3) On time performance of seating each dental patient:

Howard Farran DDS, MBA, MAGD

EXIT INTERVIEW

1. Were you satisfied with the treatment you received from the service staff? Yes____ No____
2. Did the service staff listen and understand your needs? Yes____ No____
3. Were you satisfied with the service staffs' ability to have your vehicle ready when promised? Yes____ No____
4. If you receive a survey from Chrysler Corp. Will you be able to answer it in a positive fashion? Yes____No_____
5. Comments:

Source: Chrysler

**Dentists & Physicians speak in a dogmatic language rooted in Latin & Greek whose certainty of tone vastly exceeds their certainty of knowledge.**

## Attention All Receptionists!!!

- **The absolute second that the doctor leaves the room ask the poor helpless patient, "Did you understand a single word that the doctor said?**
- **If they say, "Yes!" Reply, "Wow!! I didn't and I have been working here for over ten years!!**

**Doctor (dök´ter)**
***noun* from Latin**
***doctor*, teacher from**
**Docére to teach**

## The Key Measures of Consumerism:

1) Time on the phone necessary to make an appointment:
2) The number of days needed to wait for an appointment with:

| | |
|---|---|
| Hygienist | Cleaning |
| Dentist | Scheduled |
| Dentist | Emergency |

3) On time performance of seating each dental patient:

Howard Farran DDS, MBA, MAGD

Available: one that can be used and usable, can be reached and is very handy!

Accessible: easy to approach or enter, easily understood, obtainable and generally appreciated!

| | The Average General Dentist | The Average Specialist |
|---|---|---|
| The average number of days to wait for a "new" patient to get in for an appointment! | 8 | 7 |
| The average number of days to wait for an "existing" patient of record to get in for an appointment! | 8 | 7 |

ADA Survey Center, 1996

## People pay more for service!

People gladly pay more for service! Look at the prices people pay at a convenience store simply because they don't want to use a grocery store! People gladly pay for Federal Express instead of using the post office! People gladly pay more for a nonstop flight instead of having a layover! Everyday people pay $100 more for a crown today simply because their last dentist couldn't get them in for 3 more days!

## Fixed Costs vs. Variable Cost

## Your biggest problem!

**The number 1 problem in dentistry today is that dentists still do not clearly explain in written detail the expected expense before the treatment is started. We still have 10's of 1000's of dentists named Dr. Ambiguous saying, "Don't' worry about the fee, we'll work it out!"**

## Not discussing fees before treatment is a human relations crime!

## Confrontational interfaces test your confrontational tolerance!

**Less than 2% of all family practicing dentists collected no money from private insurance companies!**

**Less than 3% of all specialists collect no money from private insurance companies!**

**60% of all dentists accept no money from the government!**

Source: NADP and Interstudy

## What is the Scope of Dental Finance?

| | Patients | Percent of Lives Share | Service Cost | Cost Share |
|---|---|---|---|---|
| Indemnity | 92mm | 44% | $18 bil | 39% |
| Managed Care | 38mm | 18% | $06 bil | 13% |
| Patient Pays | 80mm | 38% | $22 bil | 48% |

Source: Dewar Sloan DeCEM analysis of Actual Dental Care Utilization Ratios and Consumption-vs-Benefit Coverage Levels, based on an estimated 210 million consumers, a $46 billion service market and premium ratio/cost level assumptions. Figures not fully adjusted for co-pays, non-paid electives deductibles. Estimates: 08/20/97

## McDonald's is a system long before it is a restaurant!

1) Take Order
2) Take Money
3) Give Food

## Dr. Numbnuts

1) Does Exam
2) Fixes Tooth
3) Begs For Money

## Those scary collection stickers!

What happens if you don't pay your mortgage?

They take your home!

What happens if you don't make your car payment?

They take your car!

What happens if you don't pay your water bill?

They turn off your water!

What happens if you don't pay your dental bill!

You get another bill with a sticker!

## "You are the most expensive dentist!"

When patients say, "You're the highest priced dentist I've called!" Respond, "Thank You!" I know how hard the dentists in this practice try to be the best! I'll pass on the good news! I know how much money they have spent on everything from lasers to continuing education!"

## If you are looking for discounted dentistry and medicine look for the HMO nearest you!

If you want a preferred provider ask what it takes to become preferred! Is it from passing an exam? Is it from delivering dentistry with airbags, antilock brakes, 4 wheel drive, AM-FM cassette stereo and power windows? Or does preferred provider really mean that you're a discount dentist!

At Today's Dental we never discount the dentistry. We deliver dentistry unto you as all of our staff would want done unto us! It's our promise!

## How do you become a preferred provider?

Do you have to pass a written exam? Do you take 500 hours of continuing education and get your FAGD, and then take 600 more hours and get your MAGD? Do you spend years building the most exceptional dental office team?

The answer is NO! None of the above! Just cut your fees by a third!

## UCR stands for Unusually Crummy Repair not Usual and Customary Rate

## Dental benefits companies speak unilaterally when they say our fees are too high yet fail to say their benefits are too low!

## The percentage of edentulous people among those 65 to 74 years old decreased from 45.6% in the 1971 – 1974 period to 28.6% in the 1988 – 1994 period!

Source: JADA, Vol. 129, December 1998 p. 1686

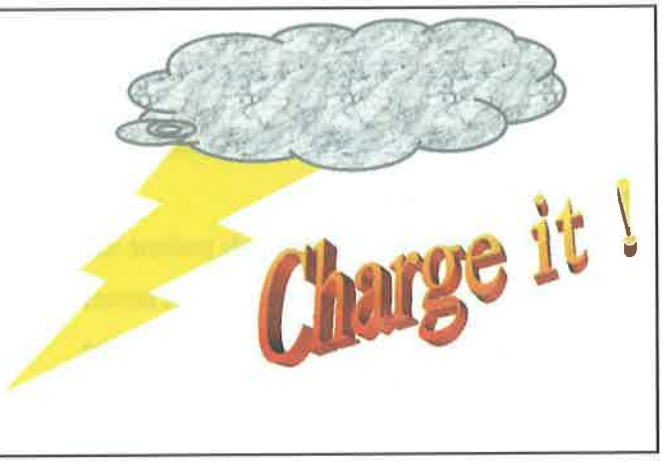
## Where is your bonus and your raise?

Do you want to know where your bonus is? Look and see how much your over 90 day accounts receivable are!

Do you want to know where your next pay raise is? Look and see how much your over 90 day accounts receivable are!

## Attention Staff:

**Do you want paid on a UCR basis?**




## Call VISA at:
## 1.800.VISA.311

for a free VISA sign for your reception area!

## American General Finance

## 1.800.597.5977

## How do I sign up for CareCredit?

## 1.800.300.3046

## Look up loans in your yellow pages to see who makes consumer loans in your area!

## Lower Overhead

- Eliminate costs of Billing
- Reduce time and expense of collections
- Decrease time and stress of calls

## Increase Profits

- Encourage patients to accept and start treatment
- Collect more of what you bill – NOW
- Eliminates billing, collecting and uncollectibles
- Encourages checkup and elective procedures

## Increase treatment acceptance

- Patients less likely to delay treatment
- No initial payments to start
- Quick approval process controls patient situation
- Patients receive optimal care not just necessities
- Added flexibility of another payment option

**We have eliminated billing so that we do not have to increase our fees to cover computerized billing, statements and collections!**

**"No matter how hard you work for success,**

**if your thought is saturated with fear of failure,**

**it will kill your efforts, neutralize your endeavors and make success impossible!"**

**Baudjuin**

**People are innately attracted to success! Once your customers know that you don't need them, you can't get rid of them!**

**It's not what you make,**
**It's what you keep!**

**It's not your gross, it's your net!**

**An empty treatment room is not a negative, it's a necessity!**

## The 3 Legs of Managerial Economics!

What's the Reward?

What's the Score?

Who Makes What Decisions?

Source: Adapted from Managerial Economics and Organizational Architecture, Brinckley, Smith & Zimmerman

## Your Management Information System, (MIS), is only as good as your computer!

**Suggested Software:**

| | |
|---|---|
| SoftDent (Dentsply) | 800 443 2409 |
| Dentrix (Shein) | 800 472 4346 |
| Eaglesoft (Patterson) | 800 352 8101 |
| Practice Outlook | 800 247 6173 |

A strong management information system (MIS) or integrated technology (IT) system, like SoftDent, Eaglesoft, Dentrix, or Practice Outlook, is key to the renewal in productivity of the American family practice dental healthcare system!

**Howard Farran DDS, MBA, MAGD**

# If you try something and it doesn't work, then you got an education.

**Anthony Robbins**

## Vilfredo Pareto ≡ The Pareto Rule

**The 80 - 20 rule which states that 80% of all events can be attributed to only 20% of their causes. This is Mother Nature's mysterious empirical relationship between cause and effect!**

**80% of the patients that came into your office last year were from 20% of your charts!**

**85% of the beer is consumed by 15% of the beer drinkers!**

**80% of your collection problems are from 20% of the patients you treated!**

**80% of the calories people eat are from 20% of the food items they eat!**

**80% of your staff problems arise from 20% of your staff!**

**80% of the clothes you wear are from 20% of your wardrobe!.**

**80% of your profit in dentistry comes from 20% of your procedures!**

## Successful Companies Who Achieve Goals

1. Support their employees with considerable training, to improve efficiency from their high cost labor investment.
2. Invest massively in technology to get more outputs from their expensive labor market.
3. Use gain-sharing systems that spread the created wealth and share the reward. What motivates the owners also motivates the entire team.
4. Have exquisitely crafted information management systems that assist in keeping "the score!"

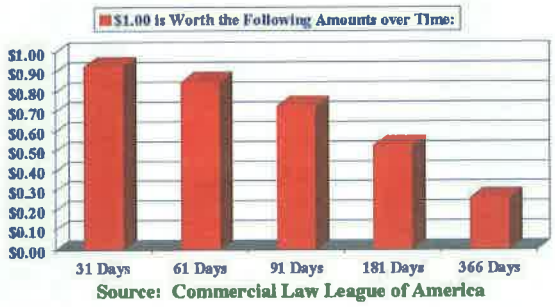
## The effects of a fee increase on your overhead!

Percent Fee Increase

| Current Overhead Percent | 5% | 10% | 15% | 20% | 25% |
|---|---|---|---|---|---|
| 90% | 50% | 100% | 150% | 200% | 250% |
| 85% | 33% | 67% | 100% | 133% | 167% |
| 80% | 25% | 50% | 75% | 100% | 125% |
| 75% | 20% | 40% | 60% | 80% | 100% |
| 70% | 17% | 33% | 50% | 67% | 83% |
| 65% | 14% | 29% | 43% | 57% | 71% |
| 60% | 12% | 25% | 37% | 50% | 62% |
| 55% | 11% | 22% | 33% | 44% | 56% |
| 50% | 10% | 20% | 30% | 40% | 50% |
| 45% | 9% | 18% | 27% | 36% | 45% |

**The Numbers In Red Is The Percent Increase In Net Income Related To A Fee Increase!**

## Value of Aged Accounts Receivable!




Source: Commercial Law League of America

## Excused Patient Collections

Today's Dental
10850 S. 46th Street
Phoenix, AZ 85044

Dear_____,

This letter is to serve as notice that your outstanding balance of $_____ has been excused. Repeated attempts to collect your balance during the course of the last year have been unsuccessful.

In order to effectively continue to provide our patients with affordable quality dental services, Today's Dental has found it necessary to excuse your balance in order to offset the additional high administration costs associated with monthly statement processing and mailing.

In closing, Dr. Farran and the staff at Today's Dental want to wish you and yours the best in 1998. We hope that the new year is more prosperous for you than 1997. With the country's economic situation the way it is, we can only guess that you must have been adversely impacted. It is for this reason that we are excusing your outstanding balance. We know hardship must have forced you to neglect our payment especially after we had already delivered, in good faith, the dental services you required.

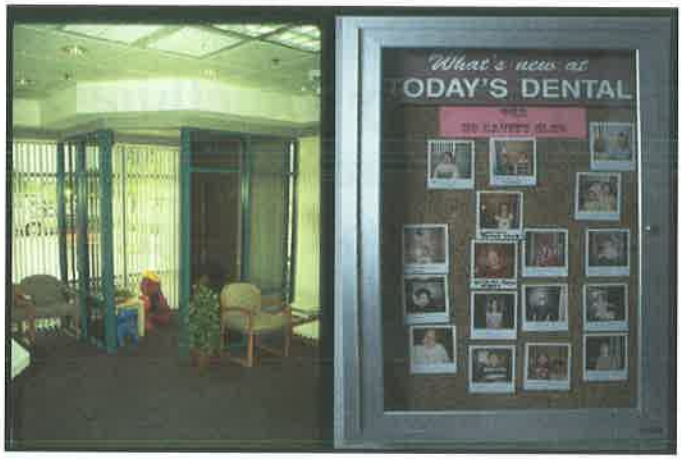
Today's Dental has and always will consider you a valued patient and thanks you for continuing to refer us to your friends and family for quality dental services.

Sincerely,

Kathy Brodal
Office Administrator

## Excuse Bad Debts

- **Excuse outstanding uncollectable debts**
- **Saves cost of processing statements**
- **Reduces chance for disgruntled patients**
- **Reduces lawsuits (Don't feed the lawyers)**
- **Increases loyalty = increased referrals**
- **You should do this at the end of year Christmas holidays on a greeting card which cleans up your end of the year statements, and is very emotionally rewarding for your patients!**



Source: Dr. Farran's Patient Education Sheets

**The 2 most common reasons that 56,399 people gave the CDC for not having a dental visit in the past year:**

| | | |
|---|---|---|
| # 1 Reason | 44.6% | Perceived that they did not have a problem! |
| #2 Reason | 26.6% | Cost! |

Source: Dental Service Use and Dental Insurance Coverage United States, Behavioral Risk Surveillance System 1995 Centers for Disease Control & Prevention Dec. 19th Morbidity & Mortality Weekly Report Survey of 56,399 Adults

**If a patient sees and understands what's happening, they <u>want</u> treatment!**

**If they can't see it, then the communication is all verbal and you haven't established rapport with them!**

Dr. Gordon Christensen

DentalVision
1·800·660·0409
BEFORE AFTER
BONDING!!
Children Are Special...
Smiles Are Too!
meredith
communications inc

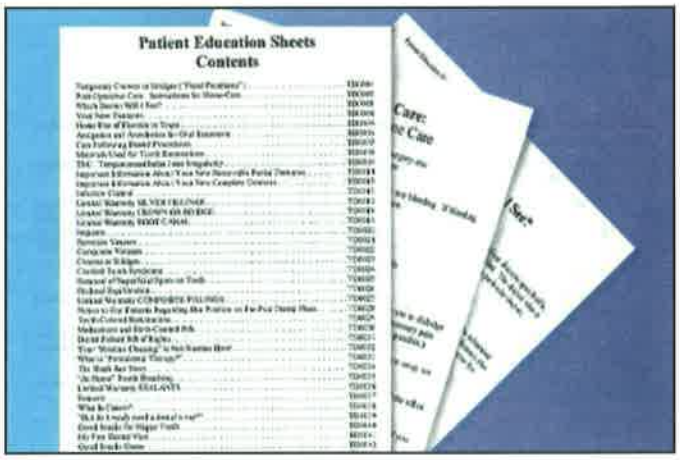
You deserve a PERFECT Smile!

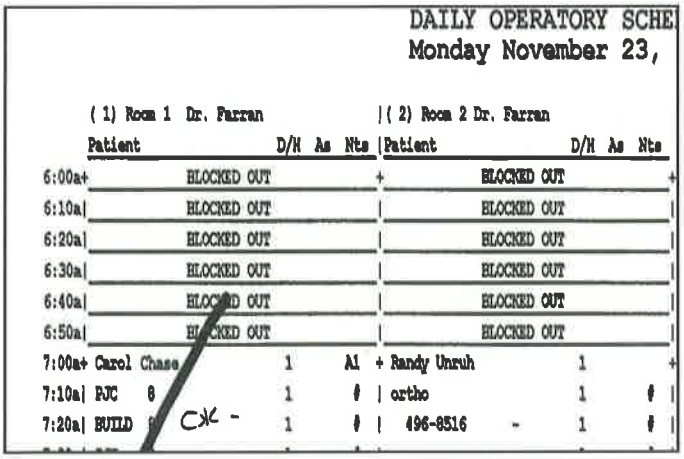
## Implementation of Consumerism

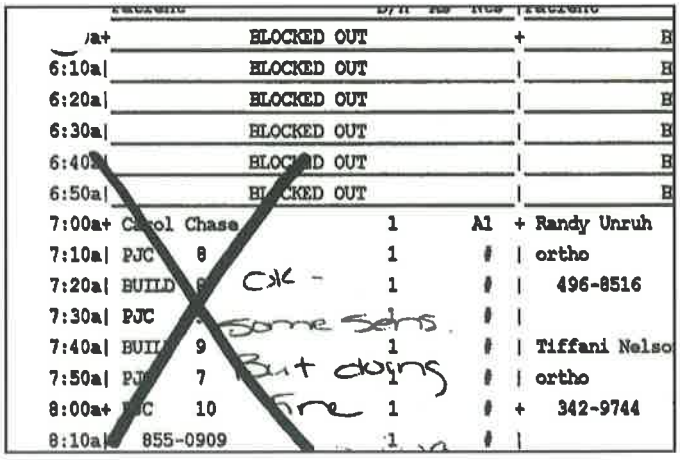
- Instructional sheet with every procedure!
- Pre operative videotape, instruction sheet, signed legal consent form, home care instructions with every procedure!
- Always give out your entire "Walk-Out Statement" stating everything that was done and the costs incurred in your high quality, great service, family practice dental office!

## Warranties

- Warranty for five years.
- Provides patients with piece of mind.
- Reduces confrontation.
- Conditional free repair or replace.
- The patient must return at least one time every year for a continuing care cleaning, X-rays & exam or the warranty is VOID.
- You cannot guarantee work, only warranty work



## Practice What You Preach

Get your own mouth and all your staff's mouths to optimum dental health in a fashionable cosmetic way today. You can start practicing on all of your staff today!

Howard's mandibular left quadrant before

Howard's mandibular left quadrant after

If I can do it, so can you!

Photos courtesy of David Hornbrook, DDS

## Patient Education Sheet #TD3

### Which Doctor Will I See?

**Which doctor will I see during my first visit?**
For your initial exam visit, if you have not requested one of our doctors specifically, you will be scheduled on the first, most convenient appointment. The doctor who is available at that appointment will see you. If you do request a particular doctor, you'll be scheduled with that doctor.

**Will I see the same doctor for all my treatment?**
Yes, if, for example, your treatment plan requires four visits, you will be scheduled all four times with your doctor. If a different doctor has a particular proficiency (for example, wisdom tooth removal), it may be suggested that you see that doctor for the special service.

**Can I see my doctor if I have an emergency?**
Yes, but only if his or her schedule is available. One of the reasons for our expanded schedule is to have a doctor available at as many times of the week as possible for emergency care. We would also like for all of our patients to eventually meet all of our doctors. The important thing is that one of our doctors will be available for emergency care throughout the week.

**Can I see my same doctor/hygienist on my continuing-care (check-up/cleaning) visit?**
Yes, but you must so request. Because we schedule continuing-care visits months in advance, it is difficult for us to match you with a specific doctor that far in advance.

**May I refer a friend or family member to a particular doctor?**
Yes. Please feel free to refer someone you care about to a specific doctor here at our office. We will do our best to assure that all patients see their doctor of choice.

## Patient Education Sheet #TD6

### Analgesics and Anesthetics for Oral Treatment

*We offer the following methods to provide comfort during oral treatment. Unless you have special needs, local anesthetic will be used.*

1. Local Anesthetic: This is by far the most common form of anesthetic. You will receive a nearly painless injection of an anesthetic which is short-acting (one-hour), long-acting (three-hour), or extra long-acting (up to six-hours). There are virtually no side effects.
2. Sedatives: If you are very anxious or nervous about oral treatment, please ask us about pre-medication. This medication is provided to you about half an hour (30 minutes) before the treatment begins. You should plan to arrive half an hour early and have someone present to drive you home later. There is, no additional fee for this service.
3. T.E.N.S. Anesthetic: Transcutaneous Electrical Nerve Stimulation, or T.E.N.S., a relatively new concept, affords non-chemical anesthetic effects for up to 70% of patients. The procedure requires slightly more time than chemical anesthetics, but is harmless and has no after-effects or post-operative "numbness." A T.E.N.S. fee is present on such services.
4. Nitrous Oxide: Is provided on request to all our patients for any/all dental procedures. Fee? We don't charge, but some offices do.

## Patient Education Sheet #TD28

Notice to Our Patients
Regarding Our Position on

### Pre-Paid Dental Plans

How can the pre-paid dental plans provide so many *free* services, like cleaning teeth, exams, x-rays, and so on—with such a low premium? Our research has shown that:

1. 90% of dentists do not provide services for the Pre-Paids. We encourage you to call some of them to find out why they have elected to stay out of Pre-Paid contracts.
2. If you wonder how you may be treated if you sign up with one of the Dental Plan Providing Dentists, do some experimenting by calling one of the Provider Dentists and arrange an appointment as a CASH patient. Then call back to the same dentist and tell them that you are on a Pre-Paid Dental Plan and ask how soon you can get in for the same exact service. This will probably satisfy your questions as to how you will be treated as a "Pre-Paid" patient. Our own similar research showed that the *average wait for Pre-Paid patients is 6 to 8 weeks, while immediate appointments are available for cash patients.*

In view of the fact that the dentist gets paid just as much if you come in or not, what motivation does the dentist have to treat you instead of the cash patient?

I got into Dentistry with the motto that I would provide "Quality consumer dentistry the whole family can afford in a safe and healthy environment." If I can't do dentistry for you and your family like I would for my own family—my wife, my children, my parents—then I'm not going to do it at all.

I hope this will explain our position. Please do not hesitate to call us at (__-_____), if you have any questions, or if we can be of any further service to you.

Kindest regards,

Dr.

## Patient Education Sheet #TD44

### (Your Office Name) AND YOUR INSURANCE PLAN – HOW THEY WORK TOGETHER

The staff at (Your Name) is pleased that you have insurance benefits to help with the cost of your dental care. We would like to help you obtain the maximum use of these benefits. With this in mind, please read the information on our insurance claims process so that we can work together to ensure this benefit.

*DO YOU ACCEPT MY INSURANCE? HOW MUCH WILL THAT PAY?*
We currently accept all private care insurance plans (plans that do not require you to select a dentist from a list or require our office to accept a reduced fee for services). This means that we work with literally thousands of companies. Although we can maintain computerized histories of payment by a given company, they do change, therefore it is impossible to give you a pre-entered quote at the time of service. We estimate your portion based on the most up-to-date information we have, but it is ONLY AN ESTIMATE. If you would like to know your exact insurance benefit, we will be happy to file a "pre-treatment authorization" with your insurance company prior to treatment. This does delay treatment but will give you the exact out of pocket figures you may require.

*I THOUGHT I PAID MY PORTION BUT I GOT A BILL. WHY?*
We base the patient portion of your bill on our most current data but there are many factors that can affect this estimate. There may be a deductible (individual or family) or you may have received treatment in another office prior to joining the (Your Name) family which is not calculated into our database. Sometimes you may need to see a specialist for care, which also uses your annual benefit. Insurance companies do not (and cannot in most cases) notify us of changes to your benefits, they only notify you. If these situations apply to you, please let us know when we estimate your treatment plan so we may adjust accordingly.

*INSURANCE DIDN'T PAY. NOW WHAT?*
We bill your insurance as a courtesy. If insurance does not pay within 90 days, (Your Name) reserves the right to request payment in full for services from you and let you collect the insurance funds that are due to you. This is very important that you recognize that insurance you have is a legal contract between YOU and your insurance company. Our office is not, and cannot be a part of that legal contract. Ultimately, you are responsible for all charges incurred in our office.

*FINANCIAL OPTIONS*
(Your Name) does request payment in full for your portion at the time of service. We accept MasterCard, VISA, American Express, and Discover. If you are in need of an extended finance option, we also work with American General Finance, who offers a six month "same as cash" or longer terms with an Internet clearing revolving charge designed to meet your treatment plan needs. Just ask one of the patient services staff for an application.

We welcome you to our family and look forward to helping you get the healthy, beautiful smile you've always wanted. If there is anything we can do to make your visits here more pleasant, please don't hesitate to ask one of our staff members.

*I have read, understand, and accept the terms of the above outlined policies for insurance handling and financial commitments that I may incur as a result of treatment at (Your Name).*

| Code | DIAGNOSTIC | Fee |
|---|---|---|
| 100 | Toothache | |
| 100 | Suture Removal | |
| 100 | Premedication | |
| 100 | Broken Tooth | |
| 100 | Deliver Custom Trays | |
| 101 | Delivery | |
| 101 | Lost Filling | |
| 110 | Initial Oral Exam | $35 |
| 120 | Periodic Examination | $35 |
| 130 | Emergency Examination | $45 |
| 140 | Limited Examination | $45 |
| 150 | Complete Oral Examination | $50 |
| 160 | Detailed & Extensive Oral Exam | $95 |

| Code | DIAGNOSTIC | Fee |
|---|---|---|
| 210 | Intraoral Complete Series - FMX | $82 |
| 220 | Intraoral Periapical - Single First Film | $17 |
| 230 | Intraoral Periapical - Each Add. Film | $13 |
| 240 | Intraoral - Occlusal Film | $13 |
| 250 | Extraoral - First Film | $82 |
| 260 | Extraoral - Each Additional Film | $82 |
| 270 | Bitewing - One Film | $13 |
| 272 | Bitewing - Two Films | $25 |
| 290 | Post. / Ant. / Lateral Skull Survey | $82 |
| 274 | Bitewing - Four Films | $30 |

| Code | Diagnostic | Fee |
|---|---|---|
| 310 | Saliography | $995 |
| 320 | Temporal Mandibular Joint Arthrogram | $3300 |
| 321 | Other Temporal Mandibular Joint Films | $82 |
| 322 | Tomographic Survey | $82 |
| 330 | Panoramic Film | $63 |
| 340 | Cephalometric Film | $122 |

| Code | Diagnostic | Fee |
|---|---|---|
| 415 | Microbiological Sampling | $82 |
| 425 | Caries Susceptibility Test | $82 |
| 460 | Pulp Vitality Test | $82 |
| 470 | Study Models – Diagnostic Cast | $95 |
| 471 | Diagnostic Photographs | $75 |
| 500 | Deductible | |
| 501 | Histopathological | $82 |
| 502 | Other Oral Pathology Process By Report | $82 |
| 999 | Unspecified Diagnostic Procedure | $82 |
| 999.1 | AACD After Photos | |

| Code | Preventive | Fee |
|---|---|---|
| 1205 | Adult Cleaning (Prophylaxis) w/Topical Fluoride | $58 |
| 1310 | Nutrition Counseling | $33 |
| 1320 | Tobacco Counseling on Oral Disease | $33 |
| 1330 | Oral Hygiene Instruction | $33 |
| 1340 | Plaque Control Instruction | $33 |
| 1351 | Sealants Per Tooth | $33 |
| 1510 | Fixed Unilateral Space Maintainer | $215 |
| 1515 | Fixed Bilateral Space Maintainer | $315 |
| 1520 | Removable Unilateral Space Maintainer | $215 |
| 1525 | Removable Bilateral Space Maintainer | $315 |
| 1550 | Recementation of Fixed Space Maintainer | $125 |

| Code | Restorative - Direct | Fee |
|---|---|---|
| 2110 | Amalgam – One Surface – Primary | $125 |
| 2120 | Amalgam – Two Surface – Primary | $135 |
| 2130 | Amalgam – Three Surface – Primary | $165 |
| 2131 | Amalgam Four Surface – Primary | $195 |
| 2140 | Amalgam – One Surface – Permanent | $125 |
| 2140.1 | P.R.R. – Preventive Resin or Amalgam Restoration | $125 |
| 2150 | Amalgam – Two Surface – Permanent | $135 |
| 2160 | Amalgam – Three Surface – Permanent | $165 |
| 2161 | Amalgam – Four Surface – Permanent | $195 |
| 2210 | Silicate Cement | $125 |

| Code | Restorative - Direct | Fee |
|---|---|---|
| 2330 | Composite Resin – One Surface – Anterior - Permanent | $125 |
| 2331 | Preventive Resin Restoration (P.R.R.) – Permanent | $125 |
| 2331 | Composite Resin – Two Surface – Anterior – Permanent | $135 |
| 2332 | Composite Resin – Three Surface – Anterior – Permanent | $165 |
| 2335 | Composite Resin – Four or more Surface – Anterior – Permanent | $195 |
| 2336 | Composite Resin Crown – Anterior – Primary | $195 |
| 2380 | Composite Resin – One Surface – Posterior – Primary | $125 |
| 2381 | Composite Resin – Two Surface – Posterior – Primary | $135 |
| 2382 | Composite Resin – Three Surface – Posterior – Primary | $165 |
| 2385 | Composite resin – One Surface – Posterior – Permanent | $195 |
| 2385.1 | P.R.R. – Preventive Resin Restoration | $195 |
| 2386 | Composite resin – Two Surface – Posterior – Permanent | $135 |
| 2387 | Composite Resin – Three or more Surfaces - Permanent | $165 |

| Code | Restorative – Indirect | Fee |
|---|---|---|
| 2410 | Gold Foil – One Surface | $210 |
| 2420 | Gold Foil – Two Surface | $310 |
| 2430 | Gold Foil – Three Surface | $410 |
| 2510 | Onlay – Metallic – Gold – One Surface | $585 |
| 2520 | Onlay – Metallic – Gold – Two Surface | $585 |
| 2530 | Onlay – Metallic – Gold – Three Surface | $585 |
| 2540 | Onlay – Metallic – Gold – Four Surface | $585 |
| 2610 | Inlay – Porcelain – Ceramic – One Surface | $585 |
| 2620 | Inlay – Porcelain – Ceramic – Two Surface | $585 |
| 2630 | Inlay – Porcelain – Ceramic – Three Surface | $585 |
| 2640 | Onlay – Porcelain – Ceramic – One Surface | $585 |
| 2642 | Onlay – Porcelain – Ceramic – Two Surface | $585 |
| 2643 | Onlay – Porcelain – Ceramic – Three Surface | $585 |
| 2644 | Onlay – Porcelain – Ceramic – Four Surface | $585 |
| 2650 | Inlay – Composite Resin – One Surface – Lab Fabricated | $585 |
| 2651 | Inlay – Composite Resin – Two Surface – Lab Fabricated | $585 |
| 2652 | Inlay – Composite Resin – Three Surface – Lab Fabricated | $585 |
| 2660 | Onlay – Composite Resin – One Surface – Lab Fabricated | $585 |
| 2661 | Seat Onlay | $585 |

| Code | Restorative – Indirect | Fee |
|---|---|---|
| 2662 | Onlay - Composite Resin – Two Surface – Lab Fabricated | $585 |
| 2663 | Onlay - Composite Resin – Three Surface – Lab Fabricated | $585 |
| 2664 | Onlay - Composite Resin – Four Surface – Lab Fabricated | $585 |
| 2710 | Crown – Resin – Lab Fabricated | $685 |
| 2720 | Crown Resin – w / High Noble Metal | $685 |
| 2740 | Crown – Porcelain / Ceramic | $685 |
| 2750 | Crown – Porcelain Fused To High Noble Metal | $685 |
| 2751 | Crown – Porcelain Fused To Predominately Base Metal | $685 |
| 2752 | Crown – Porcelain Fused To Noble Metal | $685 |
| 2752.1 | Porcelain Crown Over Implant | $785 |
| 2790 | Crown – Full Cast High Noble Metal | $685 |
| 2791 | Crown – Full Cast High Predominately Base Metal | $685 |
| 2792 | Crown – Full Cast Noble Metal | $685 |
| 2810 | Crown – ¾ Cast Noble Metal | $685 |
| 2910 | Recement Inlay | $105 |
| 2920 | Recement Crown | $105 |
| 2930 | Prefabricated Stainless Steel Crown Primary Tooth | $180 |
| 2931 | Prefabricated Stainless Steel Crown Permanent Tooth | $375 |

| Code | Restorative – Indirect | Fee |
|---|---|---|
| 2932 | Prefabricated Resin Tooth | $185 |
| 2933 | Prefabricated Stainless Steel Crown w/ Resin Window | $185 |
| 2940 | Sedative Filling | $185 |
| 2950 | Core Buildup Including Pins | $155 |
| 2951 | Pin Retention Per Tooth In Addition To The Restoration | $35 |
| 2952 | Cast Post & Core In Addition To The Crown | $195 |
| 2954 | Prefabricated Post & Core In Addition To The Crown | $155 |
| 2955 | Post Removal – Non Endodontic | $155 |
| 2960 | Composite Resin – Labial Veneer – Laminate – Chairside | $385 |
| 2961 | Composite Resin – Labial Veneer – Laminate – Lab Fabricated | $685 |
| 2962 | Porcelain Veneer – Labial – Laminate – Lab Fabricated | $685 |
| 2970 | Temporary Crown | $135 |
| 2971 | Re-Impress | |
| 2999 | Unspecified Restorative By Narrative | $125 |
| 2999.1 | Seat Crown | $125 |
| 2999.2 | Recement Temporary Crown | $125 |
| 2999.3 | Seat Veneer | |
| 2999.4 | Seat Onlay | |

| Code | Endodontics | Fee |
|---|---|---|
| 3110 | Pulp Cap – Direct | $110 |
| 3120 | Pulp Cap – Indirect | $110 |
| 3220 | Pulpotomy On A Primary Tooth | $110 |
| 3230 | Pulpal Therapy – Anterior Primary Tooth | $110 |
| 3240 | Pulpal Therapy – Posterior Primary Tooth | $110 |
| 3310 | Anterior Root Canal Excluding Final Restoration | $420 |
| 3320 | Bicuspid Root Canal Excluding Final Restoration | $520 |
| 3330 | Molar Root Canal Excluding Final Restoration | $635 |
| 3330.1 | Finish Root Canal – Complete Endodontic Therapy | |
| 3340 | Finish Root Canal | |
| 3346 | Retreatment of Ant. Root Canal Excl. Final Rest. | $445 |
| 3347 | Retreatment of Bicuspid Root Canal Excl. Fin.Rest | $550 |
| 3348 | Retreatment of Molar Root Canal Excl. Final Rest | $660 |

| Code | Endodontics | Fee |
|---|---|---|
| 3351 | Apexification – Recalcification on the Initial Visit | $195 |
| 3352 | Apexification – Recalcification – Interim Medication Replacement | $125 |
| 3353 | Apexification – Recalcification On The Final Visit | $195 |
| 3410 | Apicoectomy – Periradicular Surgery - Anterior | $425 |
| 3421 | Apicoectomy – Periradicular Surgery – Bicuspid | $475 |
| 3425 | Apicoectomy – Periradicular Surgery – Molar | $530 |
| 3426 | Apicoectomy – Periradicular Surgery – Each Additional Root | $105 |
| 3430 | Retrograde Filling – Per Tooth | $75 |
| 3450 | Root Amputation | $160 |
| 3460 | Endodontic Endosseous Implant | $995 |
| 3470 | Intentional Reimplantation – Incisal Splint | $425 |
| 3910 | Surgical Process – Isolation Of Tooth w/ Rubber Dam | $160 |
| 3920 | Hemisection | $475 |
| 3950 | Canal Preparation & Fitting Of Preformed Dowel Or Post | $155 |
| 3960 | Bleaching - Tooth | $95 |
| 3999 | Unspecified Endodontic Procedure By Report | $95 |
| 3999.1 | Final Fill Of Root Canal – Endodontic Procedure By Report | $95 |

| Code | Periodontics | Fee |
|---|---|---|
| 4110 | Periodontal Evaluation & Treatment Plan | $50 |
| 4210 | Gingivectomy Per Quadrant | $450 |
| 4211 | Gingivoplasty Per Tooth | $155 |
| 4220 | Gingival Curettage Per Tooth | $240 |
| 4230 | Distal / Proximal Wedge | $585 |
| 4240 | Soft Tissue Surgery | $585 |
| 4249 | Clinical Crown Lengthening | $505 |
| 4250 | Mucogingival Surgery Per Quadrant | $450 |
| 4260 | Osseous Surgery Per Quadrant | $725 |
| 4261 | Bone Replacement Graft – Single Site | $265 |
| 4262 | Bone Replacement Graft – Multiple Site | $495 |
| 4263 | Osseous Graft First Site | $495 |
| 4264 | Osseous Graft First Each Additional Site | $495 |
| 4266 | Guided Tissue Regeneration | $495 |
| 4267 | Guided Tissue Regeneration W/ Membrane | $495 |
| 4268 | Guided Tissue Regeneration | $495 |
| 4270 | Pedicle Soft Tissue Graft Procedure | $615 |
| 4271 | Free Gingival Graft | $665 |

| Code | Periodontics | Fee |
|---|---|---|
| 4273 | Subepithelial Connective Tissue Graft | $665 |
| 4274 | Distal / Proximal Wedge Procedure | $665 |
| 4320 | Provisional Splinting – Intracoronal | $170 |
| 4321 | Provisional Splinting – Extracoronal | $170 |
| 4341 | Root Planning Per Quadrant | $170 |
| 4345 | Difficult Prophy – Periodontal Scaling Performed | $110 |
| 4355 | Full Mouth Debridement For Evaluation By Periodontist | $115 |
| 4380 | Periodontal Re-Evaluation | $45 |
| 4381 | Local Delivery Of Chemotherapeutic Agent | n/c |
| 4444 | Dr. Next – Patient To See Dr. Next After Hygiene Appointment | n/c |
| 4445 | Hygienist Next – Patient To See Hygienist Next After Dr. Appt. | n/c |
| 4446 | Doctor 1st | n/c |
| 4447 | Hygienist 1st | n/c |
| 4448 | Working | n/c |
| 4910 | Periodontal Recall | $80 |
| 4920 | Unscheduled Dressing Change | $50 |
| 4935 | Consultation For Diagnosis & Treatment Planning | $95 |
| 4936 | Post Treatment Consultation | $50 |

| Code | Prosthodontics – Removable Dentures & Partials | Fee |
|---|---|---|
| 5110 | Complete Upper Denture | $1100 |
| 5120 | Complete Lower denture | $1100 |
| 5130 | Immediate Upper Denture | $1200 |
| 5140 | Immediate Lower Denture | $1200 |
| 5211 | Upper Partial Denture – Resin Base With Clasps | $825 |
| 5212 | Lower Partial Denture – Resin Base With Clasps | $825 |
| 5213 | Upper Partial Denture – Metal Base With Clasps | $1000 |
| 5214 | Lower Partial Denture – Metal Base With Clasps | $1000 |
| 5281 | Removable Unilateral Partial Denture | $825 |
| 5410 | Adjust Complete Upper Denture | $65 |
| 5411 | Adjust Complete Lower Denture | $65 |
| 5421 | Adjust Complete Upper Partial Denture | $65 |
| 5422 | Adjust Complete Lower Partial Denture | $65 |
| 5510 | Repair Broken Complete Denture Base | $160 |

| Code | Prosthodontics – Removable Dentures & Partials | Fee |
|---|---|---|
| 5520 | Replace Missing or Broken Teeth - Complete or Partial Denture | $110 |
| 5610 | Repair Resin Saddle or Base | $110 |
| 5620 | Repair Cast Framework | $175 |
| 5630 | Repair or Replace A Broken Clasp | $155 |
| 5640 | Replace Broken Teeth – Per Tooth | $110 |
| 5650 | Add Tooth To An Existing Partial Denture | $110 |
| 5660 | Rebase A Complete Upper Denture | $155 |
| 5710 | Rebase A Complete Lower Denture | $595 |
| 5711 | Rebase A Partial Upper Denture | $595 |
| 5720 | Rebase A Partial Lower Denture | $495 |
| 5721 | Reline Complete Maxillary Denture Chairside | $495 |
| 5730 | Reline Complete Mandibular Denture Chairside | $205 |
| 5731 | Reline Maxillary Partial Denture - Chairside | $205 |

| Code | Prosthodontics – Removable Dentures & Partials | Fee |
|---|---|---|
| 5741 | Reline Mandibular Partial Denture – Chairside | $205 |
| 5750 | Reline Complete Upper Denture With The Laboratory | $260 |
| 5751 | Reline Complete Lower Denture With The Laboratory | $260 |
| 5760 | Reline Partial Upper Denture With The Laboratory | $260 |
| 5761 | Reline Partial Lower Denture With The Laboratory | $260 |
| 5810 | Temporary Complete Upper Denture | $260 |
| 5811 | Temporary Complete Lower Denture | $260 |
| 5820 | Temporary Partial Denture – Upper – Maxillary | $260 |
| 5821 | Temporary Partial Denture – Lower – Mandibular | $260 |
| 5850 | Tissue Conditioning The Upper Denture | $55 |
| 5851 | Tissue Conditioning The Lower Denture | $55 |
| 5860 | Overdenture | $1200 |
| 5861 | Overdenture Partial | $1200 |
| 5862 | Precision Attachment | $195 |
| 5899 | Unspecified Removable Prosthodontic Procedure | $195 |

| Code | Prosthodontics – Removable Dentures & Partials | Fee |
|---|---|---|
| 5911 | Facial Moulage (Sectional) | $3200 |
| 5912 | Facial Moulage (Complete) | $3200 |
| 5913 | Nasal Prosthesis | $3200 |
| 5914 | Auricular Prosthesis | $3200 |
| 5915 | Orbital Prosthesis | $4950 |
| 5916 | Ocular Prosthesis | $4950 |
| 5919 | Facial Prosthesis | $4950 |
| 5922 | Nasal Septal Prosthesis | $4950 |
| 5923 | Ocular Prosthesis – Interim | $4950 |
| 5924 | Cranial Prosthesis | $4950 |
| 5925 | Facial Augmentation Implant Prosthesis | $4950 |
| 5926 | Nasal Prosthesis – Replacement | $4950 |
| 5927 | Auricular Prosthesis – Replacement | $4950 |
| 5928 | Orbital Prosthesis – Replacement | $4950 |

| Code | Prosthodontics – Removable Dentures & Partials | Fee |
|---|---|---|
| 5929 | Facial Prosthesis – Replacement | $4950 |
| 5931 | Obturator Prosthesis – Surgical | $4950 |
| 5932 | Obturator Prosthesis – Definitive | $4950 |
| 5933 | Obturator Prosthesis – Modification | $4950 |
| 5934 | Mandibular Resection Prosthesis W/ Guide Flange | $4950 |
| 5935 | Mandibular Resection Prosthesis W/ No Guide Flange | $4950 |
| 5936 | Obturator Prosthesis – Interim | $4950 |
| 5937 | Trismus Appliance Not Associated With TMD | $885 |
| 5951 | Feeding Aid | $885 |
| 5952 | Speech Aid Prosthesis – Pediatric | $885 |
| 5953 | Speech Aid Prosthesis – Adult | $885 |
| 5954 | Palatal Augmentation Prosthesis | $885 |
| 5955 | Palatal Lift Prosthesis – Definitive | $885 |
| 5958 | Palatal Lift Prosthesis - Interim | $885 |

| Code | Prosthodontics – Removable Dentures & Partials | Fee |
|---|---|---|
| 5959 | Palatal Lift Prosthesis – Modification | $885 |
| 5960 | Speech Aid Prosthesis – Modification | $885 |
| 5982 | Surgical Stint | $885 |
| 5983 | Radiation Carrier | $885 |
| 5984 | Radiation Shield | $885 |
| 5985 | Radiation Cone Locator | $885 |
| 5986 | Fluoride Gel Carrier | $455 |
| 5987 | Commisure Splint | $455 |
| 5988 | Surgical Splint | $455 |
| 5999 | Unspecified Maxillofacial Prosthesis By Report | $455 |
| 5999.1 | Try In | n/c |
| 5999.2 | Deliver Denture | n/c |
| 6010 | Surgical Placement Of Implant Body | $1100 |
| 6020 | Abutment Placement Or Substitution | $1100 |

| Code | Prosthodontics – Removable Dentures & Partials | Fee |
|---|---|---|
| 6030 | Endosseous Implant | $1100 |
| 6040 | Surgical Placement Of An Endosteal Implant | $1100 |
| 6050 | Surgical Placement Of A Transosteal Implant | $4950 |
| 6055 | Implant Connecting Bar | $1100 |
| 6080 | Implant Maintenance Procedures | N/c |
| 6090 | Implant Repair | $455 |
| 6095 | Repair Implant Abutment By Report | $455 |
| 6099.1 | Implant Consultation By Report | $50 |
| 6100 | Implant Removal By Report | $455 |
| 6199 | Unspecified Implant Procedure By Report | $455 |

| Code | Prosthodontics – Nonremovable Dentures & Partials | Fee |
|---|---|---|
| 6210 | Pontic – Cast High Noble Metal | $685 |
| 6211 | Pontic – Cast Predominately Base Metal | $685 |
| 6212 | Pontic – Cast Noble Metal | $685 |
| 6240 | Pontic – Porcelain Fused To High Noble Metal | $685 |
| 6241 | Pontic – Porcelain Fused To Predominately Base Metal | $685 |
| 6242 | Pontic – Porcelain Fused To Noble Metal | $685 |
| 6250 | Pontic – Resin With High Noble Metal | $685 |
| 6251 | Pontic – Porcelain Fused To Metal On An Implant | $685 |
| 6252 | Pontic – Resin With Noble Metal | $685 |
| 6520 | Inlay – Metallic – Two Surfaces | $630 |
| 6530 | Inlay – Metallic – Three Surfaces | $630 |
| 6543 | Onlay – Metallic – Three Surfaces | $630 |

| Code | Prosthodontics – Nonremovable Dentures & Partials | Fee |
|---|---|---|
| 6544 | Onlay – Metallic – Four Or More Surfaces | $630 |
| 6545 | Retainer – Cast Metal For Acid Etch Bridge | $685 |
| 6720 | Resin With High Noble Metal | $685 |
| 6721 | Resin With Predominately Base Metal | $685 |
| 6722 | Crown – Resin With Noble Metal | $685 |
| 6750 | Crown – Porcelain Fused To High Noble Metal | $685 |
| 6751 | Crown – Porcelain Fused To Predominately Base Metal | $685 |
| 6752 | Crown – Porcelain Fused To Noble Metal | $685 |
| 6780 | Crown – ¾ Cast High Noble Metal | $685 |
| 6790 | Crown – Full Cast High Noble Metal | $685 |
| 6791 | Crown – Full Cast Predominately Base Metal | $685 |
| 6792 | Crown – Full Cast Noble Metal | $685 |

| Code | Preventive | Fee |
|---|---|---|
| 1110 | Adult Cleaning (Prophylaxis) | $58 |
| 1111 | Specialist Referral Made | n/c |
| 1111.5 | Specialist Treatment Completed | n/c |
| 1119 | Bleaching | $330 |
| 1119.1 | Refill Box of Bleaching Tubes | $48 |
| 1120 | Child Cleaning Under 14 (Prophylaxis) | $48 |
| 1199 | Oxyfresh Products | $10 |
| 1200 | Patient Convenience Center Wall Products | |
| 1201 | Topical Fluoride w/Cleaning on a Child | $48 |
| 1203 | Topical Fluoride w/out Cleaning on a Child | $18 |
| 1204 | Topical Fluoride for Adult | $18 |

| Code | Preventive | Fee |
|---|---|---|
| 1110 | Adult Cleaning (Prophylaxis) | $58 |
| 1111 | Specialist Referral Made | n/c |
| 1111.5 | Specialist Treatment Completed | n/c |
| 1119 | Bleaching | $330 |
| 1119.1 | Refill Box of Bleaching Tubes | $48 |
| 1120 | Child Cleaning Under 14 (Prophylaxis) | $48 |
| 1199 | Oxyfresh Products | $10 |
| 1200 | Patient Convenience Center Wall Products | |
| 1201 | Topical Fluoride w/Cleaning on a Child | $48 |
| 1203 | Topical Fluoride w/out Cleaning on a Child | $18 |
| 1204 | Topical Fluoride for Adult | $18 |

| Code | Prosthodontics – Nonremovable Fixes Bridges | Fee |
|---|---|---|
| 6920 | Connector Bar | $185 |
| 6930 | Recement Bridge | $185 |
| 6940 | Stress Breaker | $185 |
| 6950 | Precision Attachment | $185 |
| 6970 | Cast Post & Core in addition to bridge retainer | $185 |
| 6971 | Cast Post & Core as part of Fixed Partial Denture | $185 |
| 6972 | Prefabricated Post & Core in addition to bridge retainer | $155 |
| 6973 | Core Build Up for retainer including any pins | $155 |
| 6975 | Coping – Metal | $155 |
| 6980 | Fixed Partial Denture Repair – By Report | $395 |
| 6999 | Unspecified Fixed Prosthodontic Procedure | $395 |
| 6999.1 | Seat Bridge | $154 |

| Code | Oral Surgery | Fee |
|---|---|---|
| 7110 | Extraction, Single Tooth, Simple, Nonsurgical | $105 |
| 7120 | Extraction of Each Additional Tooth | $100 |
| 7130 | Root Removal – Exposed Root | $145 |
| 7210 | Extraction, Erupted Tooth, Surgical Removal requiring a flap | $170 |
| 7220 | Extraction, Impacted Tooth, Soft Tissue | $180 |
| 7230 | Extraction, Impacted Tooth, Partial Bony | $220 |
| 7240 | Extraction, Impacted Tooth, Full Bony | $250 |
| 7241 | Extraction, Impacted Tooth, Full Bony, w/complications | $310 |
| 7250 | Surgical Removal of Residual Tooth Roots | $180 |
| 7251 | Extraction Site Packing at time of surgery | $35 |
| 7260 | Oro Antral Fistula Closure | $520 |
| 7270 | Tooth Re-implantation and/or stabilization of avulsed tooth | $310 |
| 7272 | Tooth Transplantation | $310 |
| 7280 | Surgical Exposure of tooth for Orthodontic Reasons | $180 |

| Code | Oral Surgery | Fee |
|---|---|---|
| 7281 | Surgical Exposure of Impacted Tooth to Aid Eruption | $180 |
| 7285 | Biopsy of Hard Oral Tissue | $180 |
| 7286 | Biopsy of Soft Oral Tissue | $180 |
| 7290 | Surgical Repositioning of Teeth | $310 |
| 7291 | Transeptal Fiberotomy | $90 |
| 7310 | Alveoplasty With Extraction | $160 |
| 7320 | Alveoplasty Without Extraction | $300 |
| 7340 | Vestibuloplasty – Ridge Extension – Secondary Epithelialization | $1650 |
| 7350 | Vestibuloplasty – Ridge Extension – Complex – Revision | $3300 |
| 7360 | Distal Wedge Tuberosity Reduction | $310 |
| 7410 | Radical Excision – Lesion Diameter < 1.25 cm | $1650 |
| 7420 | Radical Excision – Lesion Diameter > 1.25 cm | $2650 |
| 7430 | Excision of Benign Tumor < 1.25 cm | $1650 |
| 7431 | Excision of Benign Tumor > 1.25 cm | $2650 |

| Code | Oral Surgery | Fee |
|---|---|---|
| 7440 | Excision of Malignant Tumor < 1.25 cm | $3290 |
| 7441 | Excision of Malignant Tumor > 1.25 cm | $4290 |
| 7450 | Removal of Odontogenic Cyst or Tumor < 1.25 cm | $1650 |
| 7451 | Removal of Odontogenic Cyst or Tumor > 1.25 cm | $2650 |
| 7460 | Removal of Nonodontogenic Cyst < 1.25 cm | $1650 |
| 7461 | Removal of Nonodontogenic Cyst > 1.25 cm | $2650 |
| 7465 | Destruction of Lesion – By Report | $1650 |
| 7470 | Removal of Exostosis – Maxillary / Mandibular | $560 |
| 7480 | Partial Ostectomy | $1650 |
| 7490 | Radical Resection of Mandible w/bone Graft | $2650 |
| 7510 | Incision & Drainage of Abscess – Intraoral | $560 |
| 7520 | Incision & Drainage of Abscess – Intraoral | $560 |
| 7530 | Surgical Removal of Foreign Body | $560 |
| 7540 | Surgical Removal of Reaction Producing Foreign Body | $560 |

| Code | Oral Surgery | Fee |
|---|---|---|
| 7550 | Sequestrectomy for Osteomyelitis | $560 |
| 7560 | Maxillary Sinusotomy – Tooth Fragmentation – Foreign Body | $560 |
| 7610 | Maxilla – Open Reduction – Teeth Immobilized If Present | $2650 |
| 7620 | Maxilla – Closed Reduction – Teeth Immobilized If Present | $3300 |
| 7630 | Mandible – Open Reduction – Teeth Immobilized If Present | $2650 |
| 7640 | Mandible – Closed Reduction – Teeth Immobilized If Present | $3650 |
| 7650 | Malar / Zygomatic Arch – Open Reduction | $2650 |
| 7660 | Malar / Zygomatic Arch – Closed Reduction | $3650 |
| 7670 | Alveolus – Stabilization of the Open Reduction | $2650 |
| 7780 | Facial Bones Complicated Reduction | $3650 |
| 7810 | Open Reduction of Dislocation | $2650 |
| 7820 | Closed Reduction of Dislocation | $3650 |
| 7830 | Manipulation Under Anesthesia | $1650 |
| 7840 | Condylectomy | $3650 |

| Code | Oral Surgery | Fee |
|---|---|---|
| 7850 | Surgical Disectomy With or Without an Implant | $3650 |
| 7852 | Disc Repair | $3650 |
| 7854 | Synovectomy | $3650 |
| 7856 | Myotomy | $3650 |
| 7858 | Joint Reconstruction | $3650 |
| 7860 | Arthrotomy | $3650 |
| 7865 | Arthroplasty | $3650 |
| 7870 | Arthrocentesis | $3650 |
| 7872 | Arthroscopy – Diagnosis With or Without A Biopsy | $3650 |
| 7873 | Arthroscopy – Surgical | $3650 |
| 7874 | Arthroscopy – Surgical Disc Repositioning | $3650 |
| 7875 | Arthroscopy – Surgical Synovectomy | $3650 |
| 7875 | Arthroscopy – Surgical: Disectomy | $3650 |
| 7877 | Arthroscopy – Surgical: Debridement | $3650 |

| Code | Oral Surgery | Fee |
|---|---|---|
| 7880 | Occlusal Orthotic appliance | $560 |
| 7899 | Unspecified TMD Therapy – By Report | $560 |
| 7910 | Suture Of Recent Small Wound < 5 cm | $560 |
| 7911 | Complicated Suture < 5 cm | $675 |
| 7912 | Complicated Suture > 5 cm | $775 |
| 7920 | Skin Graft | $3650 |
| 7940 | Osteoplasty for Orthognathic Deformities | $3650 |
| 7941 | Osteotomy – Ramus – Closed | $3650 |
| 7942 | Osteotomy – Ramus – Open With Bone Graft | $3650 |
| 7944 | Osteotomy – Segmented Per Sextant or Quadrant | $3650 |
| 7945 | Osteotomy – Body of Mandible | $3650 |
| 7946 | Lefort I – Maxilla – Total | $3650 |
| 7947 | Lefort I – Maxilla – Segmented | $3650 |
| 7948 | Lefort II / Lefort III Without Bone Graft | $3650 |

| Code | Oral Surgery | Fee |
|---|---|---|
| 7949 | Lefort II / Lefort III With Bone Graft | $4650 |
| 7950 | Osseous – Osteoperiosteal – Or Cartil | $3650 |
| 7655 | Repair Maxillofacial Soft / Hard Tissue | $1650 |
| 7960 | Frenectomy | $295 |
| 7970 | Excision of Hyperplastic Tissue Per Arch | $745 |
| 7971 | Excision of Pericoronal Gingiva | $90 |
| 7980 | Sialolithotomy | $1650 |
| 7981 | Excision Of Salivary Gland – By Report | $1650 |
| 7982 | Sialodochoplasty | $1650 |
| 7983 | Closure of Salivary Fistula | $1650 |
| 7990 | Emergency Tracheotomy | $1650 |
| 7991 | Coronoidectomy | $1650 |
| 7995 | Synthetic Graft – Mandible – Maxilla – Or Facial Bone | $1650 |
| 7996 | Implant – Mandible For Augmentation Purposes | $1650 |
| 7999 | Unspecified Oral Surgery Procedure – By Report | $860 |

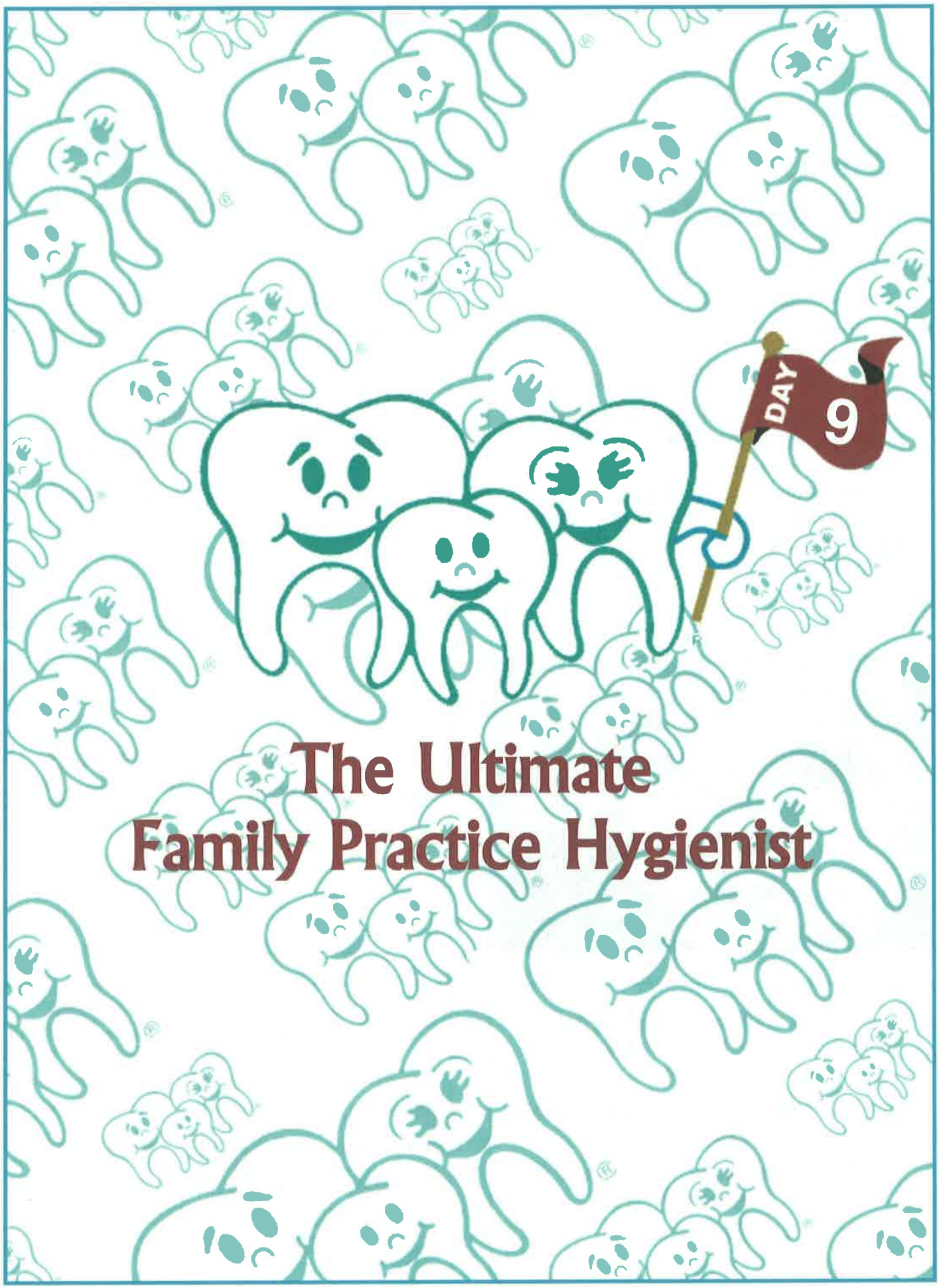
| Code | Orthodontics | Fee |
|---|---|---|
| 8010 | Limited Orthodontic Treatment of Primary | $855 |
| 8020 | Limited Orthodontic Treatment of Transitionary | $855 |
| 8030 | Limited Orthodontic Treatment of Adolescent | $855 |
| 8040 | Limited Orthodontic Treatment of Adult | $855 |
| 8050 | Interceptive Treatment of Primary Dentition | $855 |
| 8060 | Interceptive Treatment of Transitional Dentition | $855 |
| 8070 | Comprehensive Treatment of Transitional Dentition | $855 |
| 8080 | Comprehensive Treatment of Adolescent Dentition | $855 |
| 8090 | Comprehensive Treatment of Adult Dentition | $855 |
| 8110 | Removable Appliance Therapy for Minor Tooth Guidance | $855 |
| 8110.5 | Removable Appliance – Replacement Appliance | $855 |
| 8120 | Fixed Appliance Therapy for Minor Tooth Guidance | $855 |
| 8210 | Removable Appliance Therapy | $855 |
| 8220 | Fixed Appliance Therapy | $855 |
| 8360 | Removable Appliance Therapy for Interceptive Ortho. Trmt. | $855 |

| Code | Orthodontics | Fee |
|---|---|---|
| 8370 | Fixed Appliance Therapy For Interceptive Ortho Trmt | $855 |
| 8460 | Class I Malocclusion – Transitional Dentition – Complete Ortho | $4130 |
| 8470 | Class II Malocclusion – Transitional Dentition – Complete Ortho | $4240 |
| 8480 | Class III Malocclusion – Transitional Dentition – Complete Ortho | $4350 |
| 8560 | Class I Malocclusion – Permanent Dentition – Complete Ortho | $4130 |
| 8570 | Class II Malocclusion – Permanent Dentition – Complete Ortho | $4240 |
| 8580 | Class III Malocclusion – Permanent Dentition – Complete Ortho | $4350 |
| 8650 | Treatment of the Atypical or Extended Skeletal Case | $4450 |
| 8660 | Pre-Orthodontic Treatment Visit | $95 |
| 8670 | Periodic Orthodontic Treatment Visit | |
| 8671 | Orthodontic Retention | |
| 8680 | Orthodontic Treatment – Contract Fee | |
| 8690 | Orthodontic Treatment – Contract Fee | |
| 8999 | Unspecified Orthodontic Treatment – By Report | |

| Code | Adjunctive General Services | Fee |
|---|---|---|
| 9110 | Palliative Treatment of Emergency Pain | $95 |
| 9201 | Office Visit New Patient – Class I | $195 |
| 9202 | Office Visit New Patient – Class II | $95 |
| 9203 | Office Visit New Patient – Class III | $95 |
| 9204 | Office Visit New Patient – Class IV | $95 |
| 9205 | Office Visit New Patient – Class V | $95 |
| 9210 | Local Anesthesia – Not in Conjunction | $95 |
| 9211 | Office Visit Established Patient – Class I | $95 |
| 9212 | Office Visit Established Patient – Class II | $95 |
| 9213 | Office Visit Established Patient – Class III | $95 |
| 9214 | Office Visit Established Patient – Class IV | $95 |
| 9215 | Office Visit Established Patient – Class V | $95 |
| 9220 | General Anesthesia – For First 30 minutes | $225 |
| 9221 | General Anesthesia – for Each Additional 15 Minutes | $95 |

| Code | Adjunctive General Services | Fee |
|---|---|---|
| 9230 | Nitrous Oxide Analgesia per half hour | $35 |
| 9231 | Nitrous Nose Piece | $15 |
| 9240 | Intravenous Sedation | $225 |
| 9241 | Office Consultation – Class I | $50 |
| 9242 | Office Consultation – Class II | $50 |
| 9243 | Office Consultation – Class III | $50 |
| 9310 | Initial Periodontal Evaluation | $50 |
| 9410 | House Call | $145 |
| 9420 | Hospital Call | $145 |
| 9430 | Office Visit, Suture Removal Post-op Check | $75 |
| 9440 | Emergency Office Visit After Hours | $95 |
| 9610 | Therapeutic Drug Injection – By Report | $95 |
| 9611 | Subgingival Irrigation | $45 |
| 9612 | Local Delivery of Chemotherapeutic Agent | $45 |

| Code | Adjunctive General Services | Fee |
|---|---|---|
| 9630 | Fluoride Treatment for Home | $10 |
| 9700 | Missed Appointment | $45 |
| 9910 | Desensitize | $45 |
| 9920 | Behavior Management – By Report | $45 |
| 9930 | Treatment of Dry Socket | $45 |
| 9940 | Occlusal Guard – Soft | $345 |
| 9941 | Occlusal Guard – Hard – Athletic | $345 |
| 9950 | Occlusal Guard | $345 |
| 9951 | Occlusal Adjustment –Limited | $40 |
| 9952 | Occlusal Adjustment – Complete | $50 |
| 9970 | Enamel Micro-air-abrasion | $50 |
| 9999 | Dental Services – Unspecified | $50 |
| 9999.1 | Resent Insurance | N/C |
| 9999.2 | Rebilled for R-Up | N/C |




# The Ultimate Family Practice Hygienist

Your 30 Day Dental MBA
Day 9

# The Ultimate Family Practice Hygienist

## People pay more for service!

People gladly pay more for service! Look at the prices people pay at a convenience store simply because they don't want to use a grocery store! People gladly pay for Federal Express instead of using the post office! People gladly pay more for a nonstop flight instead of having a layover! Everyday people pay $100 more for a crown today simply because their last dentist couldn't get them in for 3 more days!

## Your biggest problem!

The number 1 problem in dentistry today is that dentists still do not clearly explain in written detail the expected expense before the treatment is started. We still have 10's of 1000's of dentists named Dr. Ambiguous saying, "Don't' worry about the fee, we'll work it out!"

## Not discussing fees before treatment is a human relations crime!

## Confrontational interfaces test your confrontational tolerance!

Less than 2% of all family practicing dentists collected no money from private insurance companies!

Less than 3% of all specialists collect no money from private insurance companies!

60% of all dentists accept no money from the government!

Source: NADP and Interstudy

## What is the Scope of Dental Finance?

| | Patients | Percent of Lives Share | Service Cost | Cost Share |
|---|---|---|---|---|
| Indemnity | 92mm | 44% | $18 bil | 39% |
| Managed Care | 38mm | 18% | $06 bil | 13% |
| Patient Pays | 80mm | 38% | $22 bil | 48% |

Source: Dewar Sloan DeCEM analysis of Actual Dental Care Utilization Ratios and Consumption-vs-Benefit Coverage Levels, based on an estimated 210 million consumers, a $46 billion service market and premium ratio/cost level assumptions. Figures not fully adjusted for co-pays, non-paid electives deductibles. Estimates: 08/20/97

## McDonald's is a system long before it is a restaurant!

1) Take Order
2) Take Money
3) Give Food

## Dr. Numbnuts

1) Does Exam
2) Fixes Tooth
3) Begs For Money

## Those scary collection stickers!

What happens if you don't pay your mortgage?

They take your home!

What happens if you don't make your car payment?

They take your car!

What happens if you don't pay your water bill?

They turn off your water!

What happens if you don't pay your dental bill!

You get another bill with a sticker!

## "You are the most expensive dentist!"

When patients say, "You're the highest priced dentist I've called!" Respond, "Thank You!" I know how hard the dentists in this practice try to be the best! I'll pass on the good news! I know how much money they have spent on everything from lasers to continuing education!"

## If you are looking for discounted dentistry and medicine look for the HMO nearest you!

If you want a preferred provider ask what it takes to become preferred! Is it from passing an exam? Is it from delivering dentistry with airbags, antilock brakes, 4 wheel drive, AM-FM cassette stereo and power windows? Or does preferred provider really mean that you're a discount dentist!

At Today's Dental we never discount the dentistry. We deliver dentistry unto you as all of our staff would want done unto us! It's our promise!

## How do you become a preferred provider?

Do you have to pass a written exam? Do you take 500 hours of continuing education and get your FAGD, and then take 600 more hours and get your MAGD? Do you spend years building the most exceptional dental office team?

The answer is NO! None of the above! Just cut your fees by a third!

## UCR stands for Unusually Crummy Repair not Usual and Customary Rate

## Dental benefits companies speak unilaterally when they say our fees are too high yet fail to say their benefits are too low!

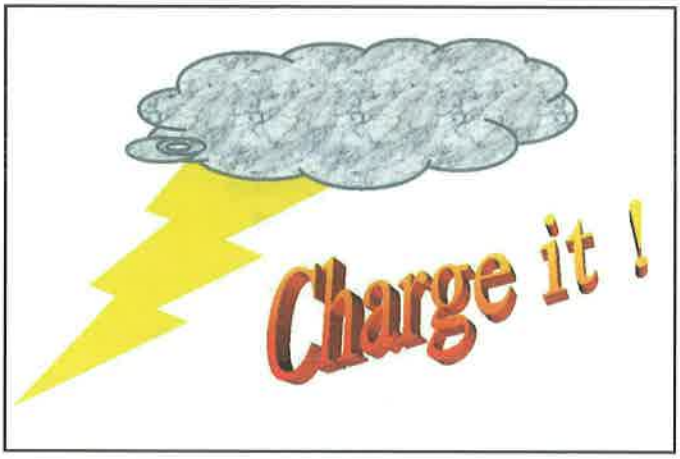
## Where is your bonus and your raise?

Do you want to know where your bonus is? Look and see how much your over 90 day accounts receivable are!

Do you want to know where your next pay raise is? Look and see how much your over 90 day accounts receivable are!

## Attention Staff:

**Do you want paid on a UCR basis?**




## Call VISA at:
## 1.800.VISA.311

for a free VISA sign for your reception area!

## American General Finance

## 1.800.597.5977

## How do I sign up for CareCredit?

## 1.800.300.3046

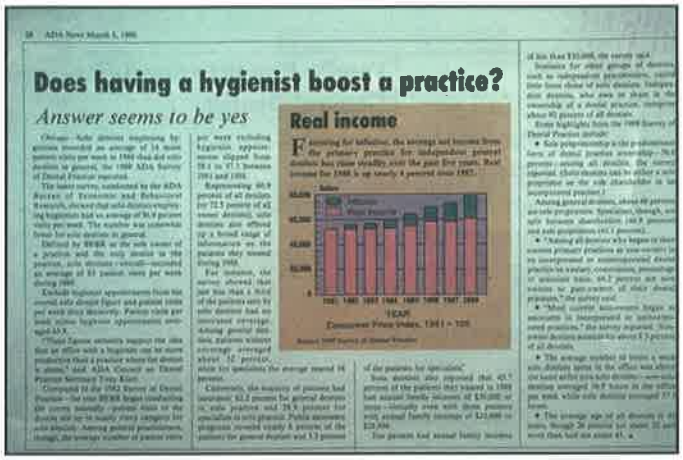
## Look up loans in your yellow pages to see who makes consumer loans in your area!

## Lower Overhead

- Eliminate costs of Billing
- Reduce time and expense of collections
- Decrease time and stress of calls

### Vilfredo Pareto ≡ The Pareto Rule

The 80 - 20 rule which states that 80% of all events can be attributed to only 20% of their causes. This is Mother Nature's mysterious empirical relationship between cause and effect!

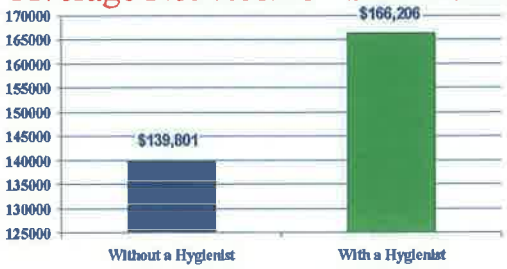


**Does having a hygienist boost a practice?**

*Answer seems to be yes*

**Real income**

## Average Net Income - Solo Dentists




Source: ADA Survey of Dental Practice Series, 1996

## The RDH after your hygienist name does not stand for Receptionist - Dentist - Harasser!

## Scheduling....Hygiene

If you are booked solid two weeks in advance, you cannot add a new hygiene patient unless a current hygiene patient leaves the practice!

Add capacity, increase your turnover speed, or raise your hygiene fees! You need the infrastructure to treat new patients!

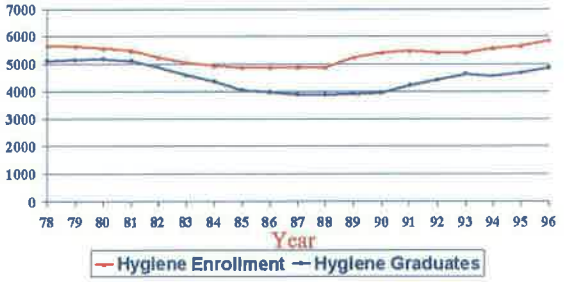
The top 2 reasons cited for not getting a 6 month cleaning when you have indemnity dental insurance that pays 100% for a cleaning exam & x ray are:

1) Difficulty in leaving work
2) Difficulty getting an appointment

## Scheduling....Hygiene
## 1998 U.S. Population = 276,000,000

1,828 people per dentist
5,093 people per hygienist

## The Macro View of Hygiene Enrollment VS. Graduation!



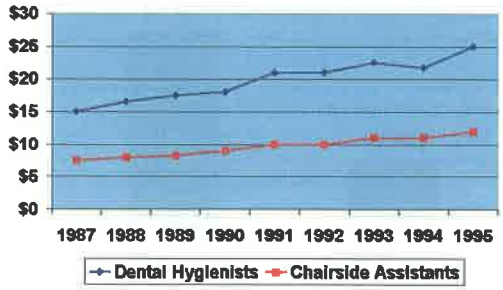

Source: American Dental Association, Survey Center

## Percent of Dentists who Employ Hygienists

| Solo | Group |
|---|---|
| 0 - 35% | 0 - 30% |
| 1 - 25% | 1 - 15% |
| 2 - 20% | 2 - 20% |
| 3 - 20% | 3 - 35% |
| Average DDS = 1.8 | Average DDS = 1.1 |
| Average Specialist = 2.1 | Average Specialist = 1.3 |
| Total Experience: 14 years | Current Experience: 6 years |
| Prior Experience : 8 years | Average Hourly: $23 -$25 |

Source: ADA Survey of Dental Practice, 1996, Employment of Dental Practice Personnel.

## Average hourly wages of dental hygienists and chairside assistants, 1987 – 1995




Source: American Dental Association

| | Family Practice General Dentist | Specialist |
|---|---|---|
| Average number of yearly visits | 3.5 | 6 |
| Average length of time per visit | 45 minutes | 35 minutes |
| Average number of patient visits per week with hygiene | 80 | 105 |

Source: ADA Survey of Dental Practice, 1996, *Characteristics of Dentists in Private Practice and Their Patients*

## Scheduling....Hygiene

| Hygiene Capacity | New Patients Per Month: 10 | 20 | 30 | 40 | 100 |
|---|---|---|---|---|---|
| 1000 | 100 Months | 50 Months | 33 Months | 25 Months | 10 Months |
| 1600 | 160 Months | 80 Months | 53 Months | 40 Months | 16 Months |

## Scheduling...Hygiene

| Weeks per year | x | Hours per week | x | No. of hygienists | ÷ | 6 month recall | = | Hygiene capacity (no. patients) |
|---|---|---|---|---|---|---|---|---|
| 50 | | 40 | | 1 | | 2 | | 1000 |
| 50 | | 32 | | 2 | | 2 | | 1600 |

Source: *A Consumerist's Road Map*
*By* Howard Farran DDS, MBA, MAGD, Copyright 1997

## Get Your Recall Going....

3 - 6 months recall for perio patients

1 year recall for all endo patients

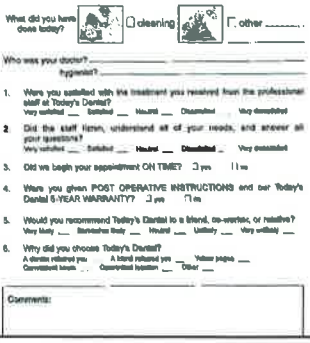
Patient tracking

| Check In | | Check Out | |
|---|---|---|---|
| Greet Patient | ___ | Verify Insurance / Address | ___ |
| Update Address | ___ | Verify Charts Complete | ___ |
| Update Insurance | ___ | Collect All Monies | ___ |
| Verify Financial Arrange. | ___ | Schedule Next Visits | ___ |
| Notify Clinical Staff | ___ | Check Recall Sch. | ___ |
| Let pt. know / Dr. behind | ___ | File Insurance | ___ |

Time to reorder? Call Farran Enterprises at (602) 596-0001

## Thanks for Visiting!

*We want to know how you would rate your dental experience*
*Any suggestions on how we could serve you better,*
*are always welcome.*



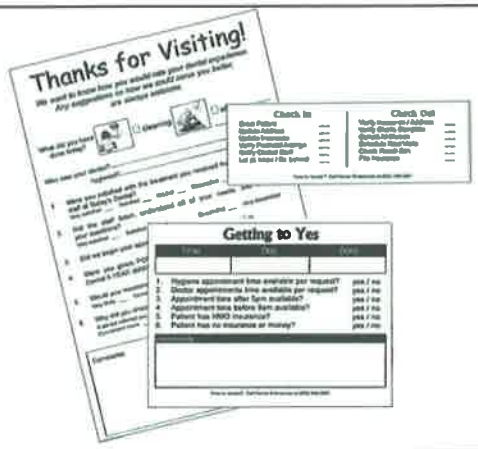
## Getting to Yes

| Time | Day | Date |
|---|---|---|
| | | |

| | | |
|---|---|---|
| 1. | Hygiene appointment time available per request? | yes / no |
| 2. | Doctor appointments time available per request? | yes / no |
| 3. | Appointment time after 5pm available? | yes / no |
| 4. | Appointment time before 9am available? | yes / no |
| 5. | Patient has HMO insurance? | yes / no |
| 6. | Patient has no insurance or money? | yes / no |

comments:

Time to reorder? Call Farran Enterprises at (902) 000-0001




# When the phone doesn't ring, you'll know it's me!

## The Key Measures of Consumerism:

1) Time on the phone necessary to make an appointment:

2) The number of days needed to wait for an appointment with:

| | |
|---|---|
| Hygienist | Cleaning |
| Dentist | Scheduled |
| Dentist | Emergency |

3) On time performance of seating each dental patient:

Howard Farran DDS, MRA, MAGD

## Preventive First

| Today's Dental Employee | Year of Last Cavity |
|---|---|
| Donna Moore | 1972 |
| Howard Farran DDS | 1980 |
| Chriss Hixon | 1972 |
| Jan Sweeney | 1983 |
| Ellen Gurevitz | 1987 |

**"We walk our talk when it comes to preventive dentistry"**

## Preventive First

**For the price of a root canal, build-up and crown your patient can get 12.35 cleanings that's 6 years worth of preventive dentistry!!**

| | |
|---|---|
| Root Canal, Build-up & Crown | $1,395 |
| Cleaning, Exam & Bitewing X-rays | $113 |

| | The Average General Dentist | The Average Specialist |
|---|---|---|
| The average number of days to wait for a "new" patient to get in for an appointment! | 8 | 7 |
| The average number of days to wait for an "existing" patient of record to get in for an appointment! | 8 | 7 |

ADA Survey Center, 1996

"Waiting for a dental appointment is a design choice from the initial process and capacity design!"

Howard Farran DDS, MBA, MAGD

Friday & Saturday night the plane flies home half empty!

100 seats filled at $800 each for a total revenue of $80,000

100 seats empty at $0.00 each

**Total Revenue**
**$80,000**

Sunday the plane flies home almost filled to the brim!

200 seats filled at $200 each for a total revenue of $40,000

**Total Revenue**
**$40,000**

There are people who will spend time to save money, and people who will spend money to save time. Those are two different markets!

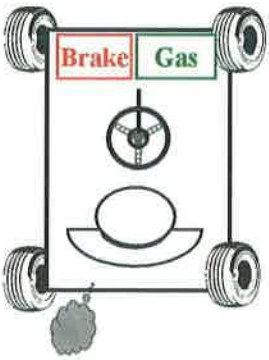
Arno Penzias, Nobel Laureate
Bell Labs Chief Scientist, 1998

$70 X $\frac{8}{8}$ = $560
100% Capacity
Bottleneck

$80 X $\frac{7}{8}$ = $560
.875% Capacity
No Bottleneck

Brake

1) Raise Your Prices




Gas

2) Increase Your Capacity

3) Increase Your Speed

Available: one that can be used and usable, can be reached and is very handy!

Accessible: easy to approach or enter, easily understood, obtainable and generally appreciated!

The top 2 reasons cited for not getting a 6 month cleaning when you have indemnity dental insurance that pays 100% for a cleaning exam & x ray are:

1) **Difficulty in leaving work**
2) **Difficulty getting an appointment**

# The Effect of FEES

Assuming an overhead of 71%:

A 10% fee decrease means you need to do 53% more dentistry for the same net profit.

A 20% fee decrease means you need to do 222% more dentistry for the same net profit.

In contrast...

A 10% fee increase means you can make the same profit doing only 74% of the dentistry you're doing now.

A 20% fee increase means you can make the same profit doing only 59% of the dentistry you're doing now.

## The effects of a fee increase on your overhead!

| Current Overhead Percent | Percent Fee Increase 5% | 10% | 15% | 20% | 25% |
|---|---|---|---|---|---|
| 90% | 50% | 100% | 150% | 200% | 250% |
| 85% | 33% | 67% | 100% | 133% | 167% |
| 80% | 25% | 50% | 75% | 100% | 125% |
| 75% | 20% | 40% | 60% | 80% | 100% |
| 70% | 17% | 33% | 50% | 67% | 83% |
| 65% | 14% | 29% | 43% | 57% | 71% |
| 60% | 12% | 25% | 37% | 50% | 62% |
| 55% | 11% | 22% | 33% | 44% | 56% |
| 50% | 10% | 20% | 30% | 40% | 50% |
| 45% | 9% | 18% | 27% | 36% | 45% |

The Numbers In Red Is The Percent Increase In Net Income Related To A Fee Increase!

## Where They Spend It.....

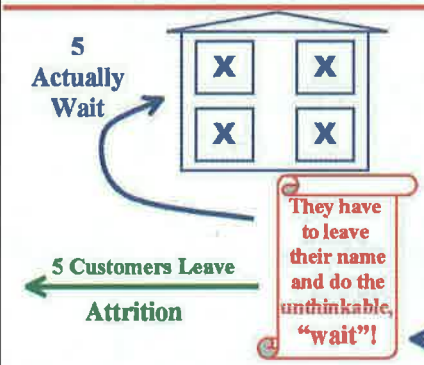
Consumers spend a lot of money every year... almost all on almost everything except dentistry!

| | |
|---|---|
| Tobacco Products | 1.23% |
| Personal Care | 1.60% |
| Transportation | 11.27% |
| Dentistry | .89% |

Consumers spend a lot of money — over $50 Billion on everything but Dentistry!

Source: The New York Times 1998 Almanac

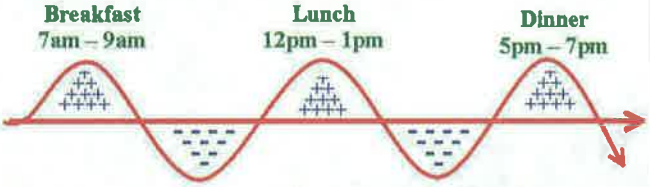
## What are the only 3 choices a restaurant can do when all of its tables are filled?



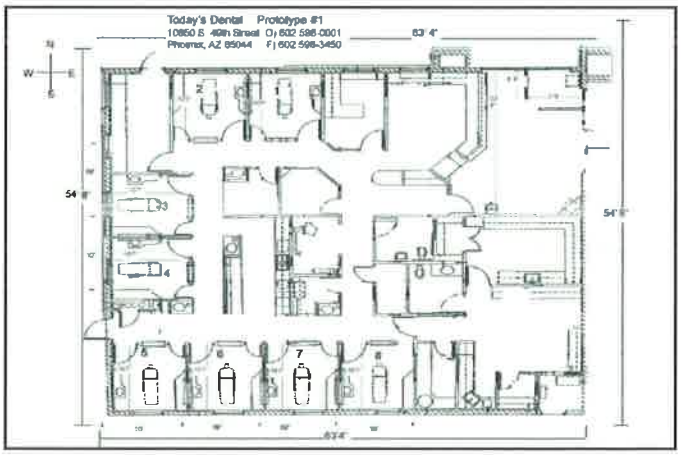

## The 3 components of operations and logistics management!

Sales Inventory Expenses

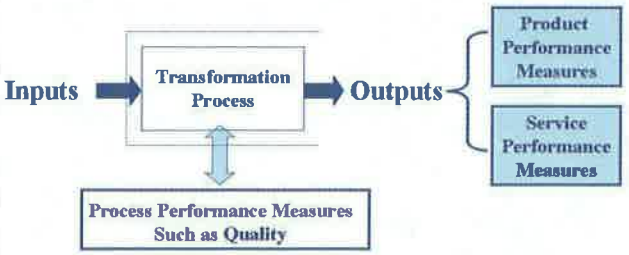
## Do restaurants, hotels, and airlines have cancellations, no shows, and broken appointments?




Do restaurants charge the same price for dinner on Friday & Saturday night as they do for lunch during the week?




## Operations is a Transformation Process




Arizona State University, OPM 502, Professor M. Rungtusanatham

## Fixed Costs vs. Variable Cost

Cost which are incurred on a monthly bases whether you are open and treating patients or closed.

Y F.C.

Fixed Costs:

Land
Building
Equipment
Insurance
Utilities
Professional Dues
Continuing Ed.
Computers
Tenant Improvements
Treatment Rooms
Marketing
Maintenance
Property Taxes

The Profit Zone

V.C.
Variable Cost:
Labor
Lab Bill
Sundries

X

Output of High Quality Dental Services During a Monthly Period.

## Successful Companies Who Achieve Goals

1. Support their employees with considerable training, to improve efficiency from their high cost labor investment.
2. Invest massively in technology to get more outputs from their expensive labor market.
3. Use gain-sharing systems that spread the created wealth and share the reward. What motivates the owners also motivates the entire team.
4. Have exquisitely crafted information management systems that assist in keeping "the score!"

## The 3 Legs of Managerial Economics!

What's the Reward?

What's the Score?

Who Makes What Decisions?

Source: Adapted from Managerial Economics and Organizational Architecture, Brickley, Smith & Zimmerman

## Patient Tracking How To

**Use Your Computer reports.**

**Assign each member of your team full responsibility of one report, including the authority and responsibility to improve the score.**

**Every week purge one letter of the alphabet (Using a separate calendar, track the purge).**

## Your Management Information System, (MIS), is only as good as your computer!

**Suggested Software:**

| | |
|---|---|
| SoftDent (Dentsply) | 800 443 2409 |
| Dentrix (Shein) | 800 472 4346 |
| Eaglesoft (Patterson) | 800 352 8101 |
| Practice Outlook | 800 247 6173 |

A strong management information system (MIS) or integrated technology (IT) system, like SoftDent, Eaglesoft, Dentrix, or Practice Outlook, is key to the renewal in productivity of the American family practice dental healthcare system!

Howard Farran DDS, MBA, MAGD

## Vilfredo Pareto ≡ The Pareto Rule

**The 80 - 20 rule which states that 80% of all events can be attributed to only 20% of their causes. This is Mother Nature's mysterious empirical relationship between cause and effect!**

**80% of the patients that came into your office last year were from 20% of your charts!**

**85% of the beer is consumed by 15% of the beer drinkers!**

**80% of your collection problems are from 20% of the patients you treated!**

**80% of the calories people eat are from 20% of the food items they eat!**

**80% of your staff problems arise from 20% of your staff!**

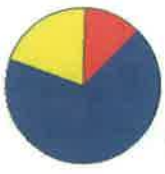
**80% of the clothes you wear are from 20% of your wardrobe!.**

**80% of your profit in dentistry comes from 20% of your procedures!**

## Distribution of Dentists in Private Practice

**20% Practicing with one other dentist**

12% Practicing with two or more other dentists



**68% Solo Practices**

Source: ADA 1995 Survey of Dental Practices

## The 8 Principles of Waiting!

1) Unoccupied Time Feels Longer than Occupied Time
2) Pre-Process Waits Feel Longer than In-Process Waits
3) Anxiety Makes Waits Seem Longer
4) Uncertain Waits are Longer than Known, Finite Waits
5) Unexplained Waits are Longer than Explained Waits
6) Unfair Waits are Longer than Equitable Waits
7) The more Valuable the Service, The Longer I Will Wait
8) Solo Waiting Feels Longer Than Group Waiting

**Source: Harvard Business School, The Psychology of Waiting Lines**

**In 1991 there were 704 million patient visits to the physician. If each patient had to wait 30 minutes for his or her scheduled appointment, then our economy would have lost 176,000 years of work.**

**Regina Herzlinger Ph.D.**
**Economist Harvard University**
**Author of *Market Driven Health Care***

## Most people major in minor things!

**Anthony Robbins**

**The percentage of edentulous people among those 65 to 74 years old decreased from 45.6% in the 1971 – 1974 period to 28.6% in the 1988 – 1994 period!**

**Source: JADA, Vol. 129, December 1998 p. 1686**

**Oral Health is the ultimate objective and product of dental care!**

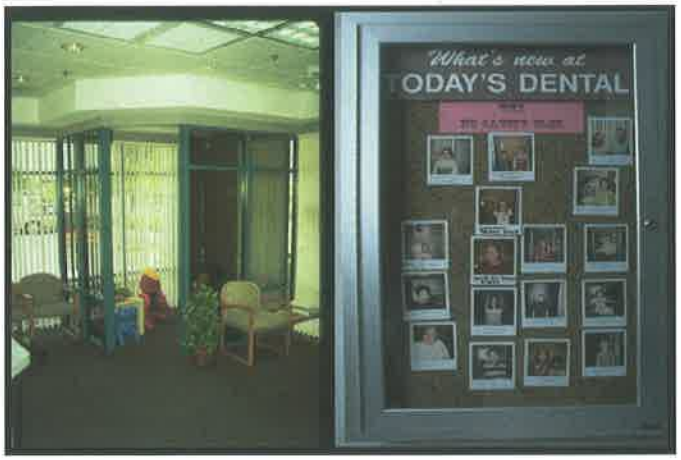
**The primary goal of dentistry is to produce good oral health as efficiently as possible!**

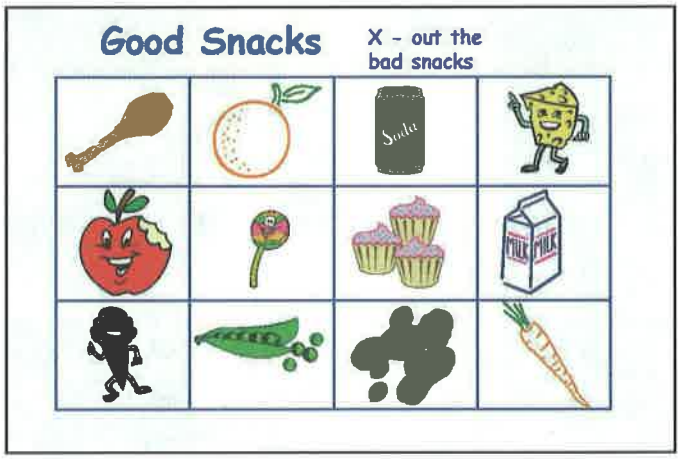
**Source: JADA, Vol. 129, December 1998 p. 1685**

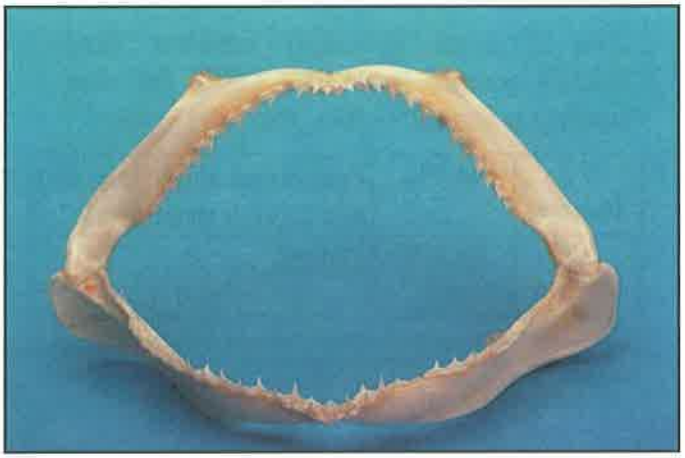
**From 1988 to 1994, the average number of DMFS among U.S. children aged five to 17 years was 2.5.!**

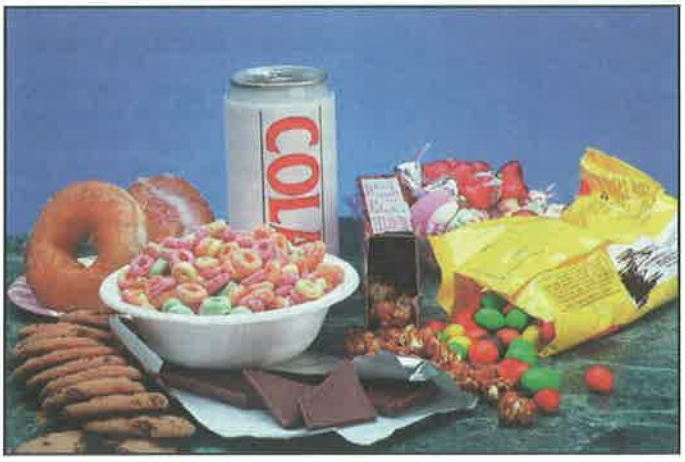
**This is a decrease of 64.8% from the average of 7.1 DMFS from 1971 to 1974!**

**Source: JADA, Vol. 129, December 1998 p. 1685**

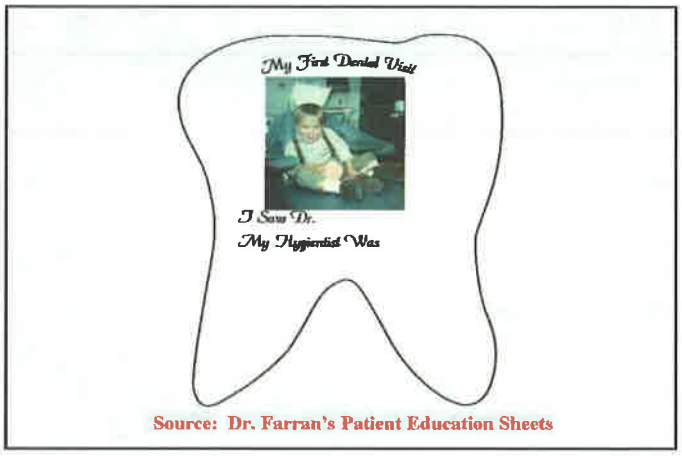




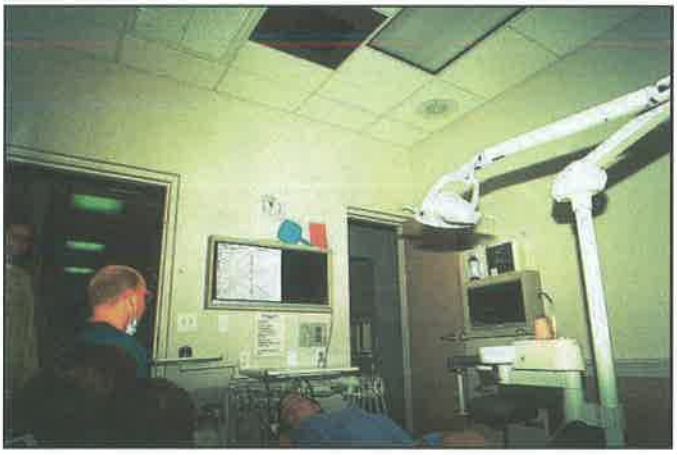






**Doctor (dök´ter)**
***noun* from Latin**
***doctor*, teacher from**
**Docére to teach**



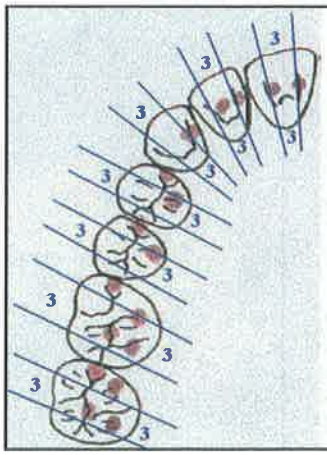

Source: Dr. Farran's Patient Education Sheets



**The 2 most common reasons that 56,399 people gave the CDC for not having a dental visit in the past year:**

| | | |
|---|---|---|
| # 1 Reason | 44.6% | Perceived that they did not have a problem! |
| #2 Reason | 26.6% | Cost! |

Source: Dental Service Use and Dental Insurance Coverage United States, Behavioral Risk Surveillance System 1995 Centers for Disease Control & Prevention Dec. 19th Morbidity & Mortality Weekly Report Survey of 56,399 Adults



## Healthy Brushing Gums

Notice that most Americans brush their teeth at least once, often twice a day! Especially those people who we see regularly attending the dentist! That is why everywhere the toothbrush can reach their gum tissue often looks very healthy! Also notice that everywhere the tooth brush goes there is also air present, which is 20.9% oxygen, which makes it very hard for anaerobic bacteria to live!

## Flossing Gum Disease

Notice that most Americans do not floss their teeth everyday! When patients tell you that they floss religiously, they are usually talking about Christmas, Easter, & Hanukah! When you visually point out that everywhere the floss "Doesn't Go" is where they have gum disease, it really makes an impact on what they can and should do about their gum disease! Floss carries in oxygen to the anaerobic bacteria and out plaque!

## Internal Marketing!

**Internal customer leverage methods to increase overall product and service value!**

- Private School
- Kumon
- At Home Bleaching
- Home Care Instructions

## If a patient sees and understands what's happening, they want treatment!

**If they can't see it, then the communication is all verbal and you haven't established rapport with them!**

Dr. Gordon Christensen

I WILL NOT TREAT A DENTAL PATIENT IN A WAY I MYSELF WOULD NOT WANT TO BE TREATED

The ethic that we should treat others as we ourselves want to be treated and not in a way we ourselves would not want to be treated is found in all the great religions of the world:

| Religion | When Founded | Membership | "Golden Rule" |
|---|---|---|---|
| Judaism | 2000 BC | 13,866,000 | "What is hateful to you, do not to your fellow man. That is the entire Law, all the rest is commentary."—The Talmud, Shab 31A |
| Hinduism | 1500 BC | 793,075,000 | "This is the sum of all true righteousness: deal with others as thou wouldst thyself be dealt by."—The Mahabharata |
| Buddhism | 500 BC | 325,275,000 | "Hurt not others in ways that you yourself would find hurtful."—Udanavarga:518 |
| Confucianism | 500 BC | 5,086,000 | "Surely it is the maxim of loving kindness: Do not unto others that you would not have them do unto you."—Analects |
| Christianity | 0 | 1,955,229,000 | "Do unto others as you would have done unto you."—Luke 6:31 |
| Islam | 600 AD | 1,126,325,000 | "No one of you is a believer until he desires for his brother that which he desires for himself."—Sunnah |

Source: The New York Times 1998 Almanac and *Children are Worth It!*, Barbara Coloroso, 1997

## Daily "We care calls" are the "Golden Rule" of Dentistry!

- Every single patient who receives an injection will receive a "We Care Call" from Today's Dental that night or the very next morning to make sure everything is going fine! Hopefully it will be the very same person who actually gave the injection!
- A week later, the dental assistant who assisted the procedure will call to make sure everything is going fine! This gives the patient a solid week to "Drive it around the block!"

## Practice What You Preach

Get your own mouth and all your staff's mouths to optimum dental health in a fashionable cosmetic way today. You can start practicing on all of your staff today!

Howard's mandibular left quadrant before

Howard's mandibular left quadrant after

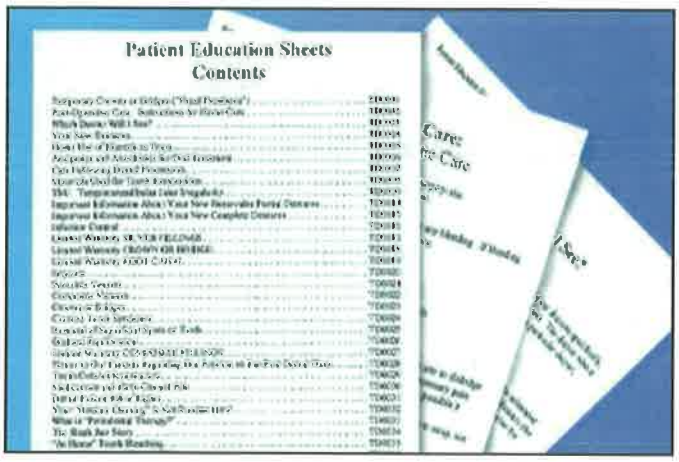
If I can do it, so can you!

Photos courtesy of David Hornbrook, DDS

DAILY O
Monday

| | ( 1) Room 1 Dr. Farran | | | | | ( 2) Room 2 Dr. |
|---|---|---|---|---|---|---|
| | Patient | | D/H | As | Nts | Patient |
| 6:00a+ | | BLOCKED OUT | | | + | |
| 6:10a | | BLOCKED OUT | | | | |
| 6:20a | | BLOCKED OUT | | | | |
| 6:30a | | BLOCKED OUT | | | | |
| 6:40a | | BLOCKED OUT | | | | |
| 6:50a | | BLOCKED OUT | | | | |
| 7:00a+ | Carol Chase | | 1 | A1 | + | Randy Unruh |
| 7:10a | PJC 8 | | 1 | # | | ortho |

| | Patient | | D/H | As | Nts | Patient |
|---|---|---|---|---|---|---|
| /a+ | | BLOCKED OUT | | | + | |
| 6:10a | | BLOCKED OUT | | | | |
| 6:20a | | BLOCKED OUT | | | | |
| 6:30a | | BLOCKED OUT | | | | |
| 6:40a | | BLOCKED OUT | | | | |
| 6:50a | | BLOCKED OUT | | | | |
| 7:00a+ | Carol Chase | | 1 | A1 | + | Randy Unruh |
| 7:10a | PJC 8 | | 1 | # | | ortho |
| 7:20a | BUILD 6 | CK - | 1 | # | | 496-8516 |
| 7:30a | PJC 3 | some sets | 1 | # | | |
| 7:40a | BUIL 9 | | 1 | # | | Tiffani Nels |
| 7:50a | PJ 7 | But doing | 1 | # | | ortho |
| 8:00a+ | PJC 10 | fine | 1 | # | + | 342-9744 |

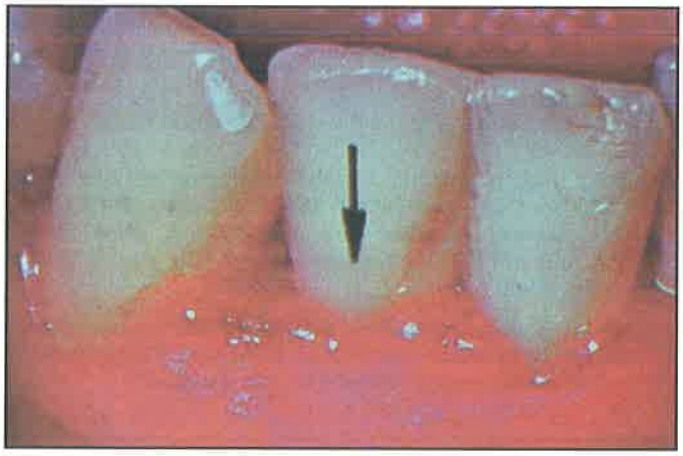


## Definition of Inflammation linked to Temperature

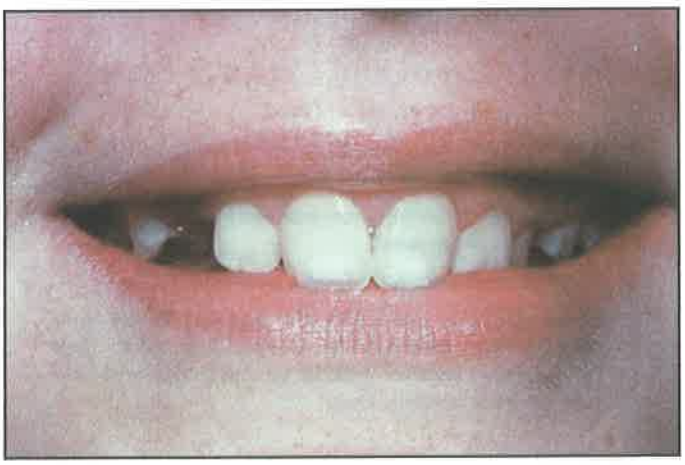
**Inflammation – General Symptoms**

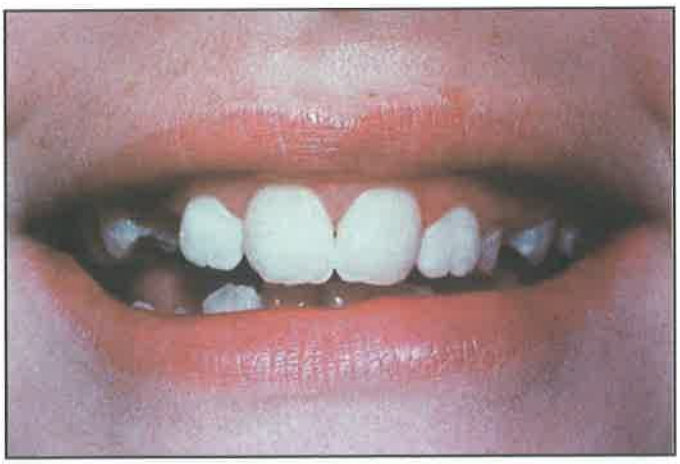
- Dolor (pain)
- Calor (heat)
- Rubor (redness)
- Tumor (swelling)

Temperature is the only symptom that can be objectively measured

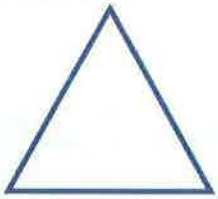


**Would you please Evolve!**





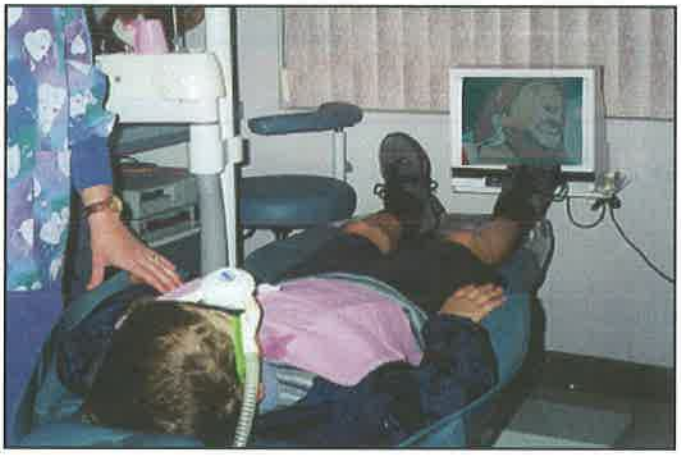
Train the customer to use your product or service!



Study how the customer actually uses the product or service!

Make the high quality product or service!

Source: Peter Drucker



**Dentists & Physicians speak in a dogmatic language rooted in Latin & Greek whose certainty of tone vastly exceeds their certainty of knowledge.**

## Do your Panos and Cephs in house

- This will add more patient value by being able to add in a panographic oral cancer screening.
- The monthly pano/ceph revenue more than pays for the monthly lease payment.
- Keep your radiographic dollars in house.
- This will keep your patients happy. When your patients are referred to a specialist with their radiographic records sent in advance, this will save your patients precious time.

Safety of dental amalgam—an update

When you find great articles that you feel your patients can benefit from reading, then cut them out, xerox them if it is legal, and then pass them out to your patients!

Be sure to check each article for permission to copyright!

**Fear is the foe of the faddist, but the friend of the fundamentalist!**

*The Essays of Warren Buffett: Lessons for Corporate America*, Warren Buffet
Selected, Arranged and Introduced by Lawrence A. Cunningham. 1998

"Fanaticism consists of redoubling your effort when you've forgotten your aim!"

**Santayana**

**Just because you know what dental sealants are do you think everyone knows what dental sealants are?**

**Do you think that all 265,000,000 Americans know what dental sealants are?**

**Do you think that all 6 billion Earthlings know what dental sealants are?**

**You can get patient education sheets like these free of charge at your local Office of Dental Health!**

# Implementation of Consumerism

- Instructional sheet with every procedure!
- Pre operative videotape, instruction sheet, signed legal consent form, home care instructions with every procedure!
- Always give out your entire "Walk-Out Statement" stating everything that was done and the costs incurred in your high quality, great service, family practice dental office!

# Warranties

- Warranty for five years.
- Provides patients with piece of mind.
- Reduces confrontation.
- Conditional-free repair or replace.
- The patient must return at least one time every year for a continuing care cleaning, X-rays & exam or the warranty is VOID.
- You cannot guarantee work, only warranty work

## Patient Education Sheet #TD5

### Home Use of Fluoride in Trays

Because of your high need to prevent or control dental decay (caries), or to reduce tooth sensitivity, it is recommended that you use specially custom-fitted trays containing fluoride each day. These trays will prevent new decay almost totally and will slow down currently present decay, as well as desensitize sensitive tooth root surfaces. *You must be consistent in carrying out the following procedure daily just before going to bed:*

1. **Cleaning Methods:**
   - ___A. Brush and floss your teeth well.
   - ___B. Use the described special cleaning methods we recommended: _____
2. Place about six drops of Hoyt Prevident into each tray, spacing the drops equally. This is a medication requiring a prescription. If you run out, please tell us so that we can give you a new prescription.
3. Place the tray(s) into your mouth, seating them completely.
4. Expectorate (spit out) the excess fluoride.
5. Let the trays and fluoride remain in your mouth for five (5) minutes.
6. Remove the trays, wash them out with water and place them upside down in a convenient place to let them drain out and dry before the next use.
7. **After fluoride use:**
   - ___A. If you are living in an area that has fluoride in the drinking water, rinse your mouth with water, expectorate, and go to bed without eating.
   - ___B. If you are living in an area that does not have fluoride in the drinking water, you do not need to wash the excess fluoride out of your mouth. Expectorate the excess and go to bed without eating anything.
8. You should continue this therapy for _____

## Patient Education Sheet #TD32

### Your "Routine Cleaning" is *Not* Routine Here!

We want you to feel that your recall (check-up and cleaning) visit is as important as your other dental treatment visits. Your continuing-care visit includes many services that are extremely important for your long-term oral health. We don't take these services for granted and we hope you don't either.

The examination (check-up) portion of your recall visit includes a health history update and a soft-tissue/oral cancer screening. Your dentist will: examine your bite and your TMJ (temporomandibular joint); examine your entire mouth and look for any signs of disease, particularly caries (decay) and periodontal (gum) disease; prescribe any necessary films so that we can see the 75% of your mouth that we can't see by looking directly in your mouth; and discuss these films with you before your visit is over. We encourage you to ask as many questions as you feel necessary.

The prophylaxis (cleaning) portion of your recall visit will be provided by your hygiene team members in conjunction with your dentist. Your team member may start with an "air polisher" (an air, water, and flavored baking soda spray) to remove stains and soften deposits. Your team member will, of course, polish and floss to remove any remaining stains and give you that "freshly polished" feeling. We use a 1.64% fluoride solution in our polishing paste for everyone, not only because it strengthens the teeth against decay but also because it has a proven anti-bacterial effect, which helps to prevent periodontal disease. So you see, not only children, but also adults get fluoride treatments in our practice. No matter what your age, you will be given personalized home care instructions and, at your discretion, a final mouthwash.

Your dentist will recommend the best recall interval for your dental needs - usually 3, 4, 6 or 12 months. Remember, the six-month interval is not ideal for many patients. We want your recall visit to be a pleasant, personally rewarding experience. As always, nitrous oxide (laughing gas) is available at no charge for your comfort and relaxation. Please help us by notifying us if we fail to meet your comfort expectations.

## Patient Education Sheet #TD33

### What is "Periodontal Therapy?"

Periodontal (gum) disease is not curable - but it is controllable.

A Periodontal Therapy is a "conservative" (non surgical) program consisting of a series of 2, 4, or 6 visits to control gum disease.

If you are diagnosed with periodontal disease; pockets (deeper or greater) than 3 mm with bleeding points upon non-traumatic toothpick probing; your dentist may recommend a periodontal therapy program to control your disease. The severity of the periodontal disease determines the length of your program. Our goal is to eliminate bleeding and mouth odor, as well as reduce pocket depths to eliminate bacterial re-infection. Remember: Healthy gums never bleed!

The therapy consists of ultrasonic scaling (a device utilized for the removal of calculus, stain, and bacterial toxins on teeth utilizing the principle of high frequency vibration), hand scaling, root planning (smoothes roots) and curettage (removes diseased tissue), and irrigation with antibiotics. Depending on the severity of disease, we may recommend oral antibiotics, fluoride treatment, and antibacterial rinses. Also, a home-care regimen of toothbrushing and flossing is instructed in conjunction with other home-care devices (specific electric toothbrushes) which may be required for continued health of your tissues.

We want your Periodontal Therapy to be a pleasant, comfortable, healthy and personally rewarding experience. For your comfort, topical anesthetic and local anesthetic are routinely used. As always, nitrous oxide, oral valium and tranquilizers are available for your relaxation.

After therapy, your hygienist will see you for a periodontal maintenance visit to evaluate the success of your Periodontal Therapy. Pocket depths and bleeding points will be remeasured, checked, and treated as needed.

It takes six months to one year before new gum attachment fibers become mature and more resistant to bacterial re-infection, therefore the doctor/hygienist recommends a three month recall/continuing care interval so that your level of periodontal health can be monitored and maintained. As your mouth continues healing, the interval between hygiene appointments will be evaluated according to your individual progress and the rate of calculus formation.

Your personal home care is the determining factor in the continued success of your treatment. We will do our best to assist you in anyway necessary to have healthy tissues surrounding your teeth for a lifetime.

## Patient Education Sheet #TD34

### The *Shark* Jaw Story

Did you know that the ocean covers 71% of our planet? There are more than 100 fish teeth in the ocean for every single animal tooth on land! Dolphins have 96 teeth and whales have more than 1,000. Barracudas have several rows of teeth, and so does a shark. Sharks eat all day long, they never brush, they never floss, and they never see the sharky hygienist!

There has never been a single cavity found in the ocean! In fact, on land we find only two groups of animals that experience tooth decay: human beings (and their domestic pets), and bears.

Have you figured out why so many people have needless cavities that require fillings? There are two reasons. First is our diet. Bears eat gallons of honey at a time. In over 22 countries, humans consume more than 120 pounds of sugar a year -- per person! This causes a lot of decay. Dogs and cats in the wild never get a cavity; but when you feed them human food, they can get cavities. In some countries, like China, most people eat such small quantities of sugar that entire cities are cavity free. In fact, guess which country has the most cavities per person. That's right: the United States of America. So, if you never want another cavity, quit consuming sugar!

The second reason that fish don't get decay is that the ocean is one part per million fluoride solution. Fluoride is the 13th most common element on the planet. Fish and their teeth are constantly soaking in a fluoride solution! This is why cities around the world adjust the fluoride in their drinking water to that of the ocean. Make sure that your children's growing teeth are not deprived of fluoride benefits. Reverse osmosis home water filters take all the fluoride out of the water, activated charcoal filters leave it in. (If you are not sure about the exact fluoride level in your water, bring a sample in to us and we will check it for you. You can also buy mineral water with fluoride in it, or obtain supplements, from your dentist or pediatrician.)

Once your teeth are formed, don't forget your fluoride treatments every six months at the time of your regular cleaning appointments, which will reduce decay significantly or get custom fluoride trays and an at-home fluoride solution from us. If used properly one time per week for four minutes, this will prevent nearly 100% of decay—provided you also quit consuming sugar.

Lastly, ask about dental sealants, which if applied to the chewing surfaces of the back teeth prevent decay on the chewing surfaces nearly 100% of the time. In these days of modern preventive dentistry, people who get cavities must really want them—because they're hard to get!

In conclusion, don't tell yourself or believe that your family has bad teeth. Instead, know that your family consumes so much sugar that their teeth are rotting. Do not think that just because you have your teeth fixed you can neglect them. Studies by the American Dental Association show that most crowns only last about eight and a half years.

The dentist can fix your tooth, but only you can change the behavior that led to the cavity in the first place: cut back on the sugary soft drinks, candy and gum; and try to eat more of what all the other animals that have perfect teeth eat.

| Code | DIAGNOSTIC | Fee |
|---|---|---|
| 100 | Toothache | |
| 100 | Suture Removal | |
| 100 | Premedication | |
| 100 | Broken Tooth | |
| 100 | Deliver Custom Trays | |
| 101 | Delivery | |
| 101 | Lost Filling | |
| 110 | Initial Oral Exam | $35 |
| 120 | Periodic Examination | $35 |
| 130 | Emergency Examination | $45 |
| 140 | Limited Examination | $45 |
| 150 | Complete Oral Examination | $50 |
| 160 | Detailed & Extensive Oral Exam | $95 |

| Code | DIAGNOSTIC | Fee |
|---|---|---|
| 210 | Intraoral Complete Series - FMX | $82 |
| 220 | Intraoral Periapical - Single First Film | $17 |
| 230 | Intraoral Periapical - Each Add. Film | $13 |
| 240 | Intraoral - Occlusal Film | $13 |
| 250 | Extraoral - First Film | $82 |
| 260 | Extraoral - Each Additional Film | $82 |
| 270 | Bitewing - One Film | $13 |
| 272 | Bitewing - Two Films | $25 |
| 290 | Post. / Ant. / Lateral Skull Survey | $82 |
| 274 | Bitewing - Four Films | $30 |

| Code | Diagnostic | Fee |
|---|---|---|
| 310 | Saliography | $995 |
| 320 | Temporal Mandibular Joint Arthrogram | $3300 |
| 321 | Other Temporal Mandibular Joint Films | $82 |
| 322 | Tomographic Survey | $82 |
| 330 | Panoramic Film | $63 |
| 340 | Cephalometric Film | $122 |

| Code | Diagnostic | Fee |
|---|---|---|
| 415 | Microbiological Sampling | $82 |
| 425 | Caries Susceptibility Test | $82 |
| 460 | Pulp Vitality Test | $82 |
| 470 | Study Models – Diagnostic Cast | $95 |
| 471 | Diagnostic Photographs | $75 |
| 500 | Deductible | |
| 501 | Histopathological | $82 |
| 502 | Other Oral Pathology Process By Report | $82 |
| 999 | Unspecified Diagnostic Procedure | $82 |
| 999.1 | AACD After Photos | |

| Code | Preventive | Fee |
|---|---|---|
| 1110 | Adult Cleaning (Prophylaxis) | $58 |
| 1111 | Specialist Referral Made | n/c |
| 1111.5 | Specialist Treatment Completed | n/c |
| 1119 | Bleaching | $330 |
| 1119.1 | Refill Box of Bleaching Tubes | $48 |
| 1120 | Child Cleaning Under 14 (Prophylaxis) | $48 |
| 1199 | Oxyfresh Products | $10 |
| 1200 | Patient Convenience Center Wall Products | |
| 1201 | Topical Fluoride w/Cleaning on a Child | $48 |
| 1203 | Topical Fluoride w/out Cleaning on a Child | $18 |
| 1204 | Topical Fluoride for Adult | $18 |

| Code | Preventive | Fee |
|---|---|---|
| 1205 | Adult Cleaning (Prophylaxis) w/Topical Fluoride | $58 |
| 1310 | Nutrition Counseling | $33 |
| 1320 | Tobacco Counseling on Oral Disease | $33 |
| 1330 | Oral Hygiene Instruction | $33 |
| 1340 | Plaque Control Instruction | $33 |
| 1351 | Sealants Per Tooth | $33 |
| 1510 | Fixed Unilateral Space Maintainer | $215 |
| 1515 | Fixed Bilateral Space Maintainer | $315 |
| 1520 | Removable Unilateral Space Maintainer | $215 |
| 1525 | Removable Bilateral Space Maintainer | $315 |
| 1550 | Recementation of Fixed Space Maintainer | $125 |

| Code | Restorative - Direct | Fee |
|---|---|---|
| 2110 | Amalgam – One Surface – Primary | $125 |
| 2120 | Amalgam – Two Surface – Primary | $135 |
| 2130 | Amalgam – Three Surface – Primary | $165 |
| 2131 | Amalgam Four Surface – Primary | $195 |
| 2140 | Amalgam – One Surface – Permanent | $125 |
| 2140.1 | P.R.R. – Preventive Resin or Amalgam Restoration | $125 |
| 2150 | Amalgam – Two Surface – Permanent | $135 |
| 2160 | Amalgam – Three Surface – Permanent | $165 |
| 2161 | Amalgam – Four Surface – Permanent | $195 |
| 2210 | Silicate Cement | $125 |

| Code | Restorative - Direct | Fee |
|---|---|---|
| 2330 | Composite Resin – One Surface – Anterior - Permanent | $125 |
| 2331 | Preventive Resin Restoration (P.R.R.) – Permanent | $125 |
| 2331 | Composite Resin – Two Surface – Anterior – Permanent | $135 |
| 2332 | Composite Resin – Three Surface – Anterior – Permanent | $165 |
| 2335 | Composite Resin – Four or more Surface – Anterior – Permanent | $195 |
| 2336 | Composite Resin Crown – Anterior – Primary | $195 |
| 2380 | Composite Resin – One Surface – Posterior – Primary | $125 |
| 2381 | Composite Resin – Two Surface – Posterior – Primary | $135 |
| 2382 | Composite Resin – Three Surface – Posterior – Primary | $165 |
| 2385 | Composite resin – One Surface – Posterior – Permanent | $195 |
| 2385.1 | P.R.R. – Preventive Resin Restoration | $195 |
| 2386 | Composite resin – Two Surface – Posterior – Permanent | $135 |
| 2387 | Composite Resin – Three or more Surfaces - Permanent | $165 |

| Code | Restorative – Indirect | Fee |
|---|---|---|
| 2410 | Gold Foil – One Surface | $210 |
| 2420 | Gold Foil – Two Surface | $310 |
| 2430 | Gold Foil – Three Surface | $410 |
| 2510 | Onlay – Metallic – Gold – One Surface | $585 |
| 2520 | Onlay – Metallic – Gold – Two Surface | $585 |
| 2530 | Onlay – Metallic – Gold – Three Surface | $585 |
| 2540 | Onlay – Metallic – Gold – Four Surface | $585 |
| 2610 | Inlay – Porcelain – Ceramic – One Surface | $585 |
| 2620 | Inlay – Porcelain – Ceramic – Two Surface | $585 |
| 2630 | Inlay – Porcelain – Ceramic – Three Surface | $585 |
| 2640 | Onlay – Porcelain – Ceramic – One Surface | $585 |
| 2642 | Onlay – Porcelain – Ceramic – Two Surface | $585 |
| 2643 | Onlay – Porcelain – Ceramic – Three Surface | $585 |
| 2644 | Onlay – Porcelain – Ceramic – Four Surface | $585 |
| 2650 | Inlay – Composite Resin – One Surface – Lab Fabricated | $585 |
| 2651 | Inlay – Composite Resin – Two Surface – Lab Fabricated | $585 |
| 2652 | Inlay – Composite Resin – Three Surface – Lab Fabricated | $585 |
| 2660 | Onlay – Composite Resin – One Surface – Lab Fabricated | $585 |
| 2661 | Seat Onlay | $585 |

| Code | Restorative – Indirect | Fee |
|---|---|---|
| 2662 | Onlay - Composite Resin – Two Surface – Lab Fabricated | $585 |
| 2663 | Onlay - Composite Resin – Three Surface – Lab Fabricated | $585 |
| 2664 | Onlay - Composite Resin – Four Surface – Lab Fabricated | $585 |
| 2710 | Crown – Resin – Lab Fabricated | $685 |
| 2720 | Crown Resin – w / High Noble Metal | $685 |
| 2740 | Crown – Porcelain / Ceramic | $685 |
| 2750 | Crown – Porcelain Fused To High Noble Metal | $685 |
| 2751 | Crown – Porcelain Fused To Predominately Base Metal | $685 |
| 2752 | Crown – Porcelain Fused To Noble Metal | $685 |
| 2752.1 | Porcelain Crown Over Implant | $785 |
| 2790 | Crown – Full Cast High Noble Metal | $685 |
| 2791 | Crown – Full Cast High Predominately Base Metal | $685 |
| 2792 | Crown – Full Cast Noble Metal | $685 |
| 2810 | Crown – ¾ Cast Noble Metal | $685 |
| 2910 | Recement Inlay | $105 |
| 2920 | Recement Crown | $105 |
| 2930 | Prefabricated Stainless Steel Crown Primary Tooth | $180 |
| 2931 | Prefabricated Stainless Steel Crown Permanent Tooth | $375 |

| Code | Restorative – Indirect | Fee |
|---|---|---|
| 2932 | Prefabricated Resin Tooth | $185 |
| 2933 | Prefabricated Stainless Steel Crown w/ Resin Window | $185 |
| 2940 | Sedative Filling | $185 |
| 2950 | Core Buildup Including Pins | $155 |
| 2951 | Pin Retention Per Tooth In Addition To The Restoration | $35 |
| 2952 | Cast Post & Core In Addition To The Crown | $195 |
| 2954 | Prefabricated Post & Core In Addition To The Crown | $155 |
| 2955 | Post Removal – Non Endodontic | $155 |
| 2960 | Composite Resin – Labial Veneer – Laminate – Chairside | $385 |
| 2961 | Composite Resin – Labial Veneer – Laminate – Lab Fabricated | $685 |
| 2962 | Porcelain Veneer – Labial – Laminate – Lab Fabricated | $685 |
| 2970 | Temporary Crown | $135 |
| 2971 | Re-Impress | |
| 2999 | Unspecified Restorative By Narrative | $125 |
| 2999.1 | Seat Crown | $125 |
| 2999.2 | Recement Temporary Crown | $125 |
| 2999.3 | Seat Veneer | |
| 2999.4 | Seat Onlay | |

| Code | Endodontics | Fee |
|---|---|---|
| 3110 | Pulp Cap – Direct | $110 |
| 3120 | Pulp Cap – Indirect | $110 |
| 3220 | Pulpotomy On A Primary Tooth | $110 |
| 3230 | Pulpal Therapy – Anterior Primary Tooth | $110 |
| 3240 | Pulpal Therapy – Posterior Primary Tooth | $110 |
| 3310 | Anterior Root Canal Excluding Final Restoration | $420 |
| 3320 | Bicuspid Root Canal Excluding Final Restoration | $520 |
| 3330 | Molar Root Canal Excluding Final Restoration | $635 |
| 3330.1 | Finish Root Canal – Complete Endodontic Therapy | |
| 3340 | Finish Root Canal | |
| 3346 | Retreatment of Ant. Root Canal Excl. Final Rest. | $445 |
| 3347 | Retreatment of Bicuspid Root Canal Excl. Fin.Rest | $550 |
| 3348 | Retreatment of Molar Root Canal Excl. Final Rest | $660 |

| Code | Endodontics | Fee |
|---|---|---|
| 3351 | Apexification – Recalcification on the Initial Visit | $195 |
| 3352 | Apexification – Recalcification – Interim Medication Replacement | $125 |
| 3353 | Apexification – Recalcification On The Final Visit | $195 |
| 3410 | Apicoectomy – Periradicular Surgery - Anterior | $425 |
| 3421 | Apicoectomy – Periradicular Surgery – Bicuspid | $475 |
| 3425 | Apicoectomy – Periradicular Surgery – Molar | $530 |
| 3426 | Apicoectomy – Periradicular Surgery – Each Additional Root | $105 |
| 3430 | Retrograde Filling – Per Tooth | $75 |
| 3450 | Root Amputation | $160 |
| 3460 | Endodontic Endosseous Implant | $995 |
| 3470 | Intentional Reimplantation – Incisal Splint | $425 |
| 3910 | Surgical Process – Isolation Of Tooth w/ Rubber Dam | $160 |
| 3920 | Hemisection | $475 |
| 3950 | Canal Preparation & Fitting Of Preformed Dowel Or Post | $155 |
| 3960 | Bleaching - Tooth | $95 |
| 3999 | Unspecified Endodontic Procedure By Report | $95 |
| 3999.1 | Final Fill Of Root Canal – Endodontic Procedure By Report | $95 |

| Code | Periodontics | Fee |
|---|---|---|
| 4110 | Periodontal Evaluation & Treatment Plan | $50 |
| 4210 | Gingivectomy Per Quadrant | $450 |
| 4211 | Gingivoplasty Per Tooth | $155 |
| 4220 | Gingival Curettage Per Tooth | $240 |
| 4230 | Distal / Proximal Wedge | $585 |
| 4240 | Soft Tissue Surgery | $585 |
| 4249 | Clinical Crown Lengthening | $505 |
| 4250 | Mucogingival Surgery Per Quadrant | $450 |
| 4260 | Osseous Surgery Per Quadrant | $725 |
| 4261 | Bone Replacement Graft – Single Site | $265 |
| 4262 | Bone Replacement Graft – Multiple Site | $495 |
| 4263 | Osseous Graft First Site | $495 |
| 4264 | Osseous Graft First Each Additional Site | $495 |
| 4266 | Guided Tissue Regeneration | $495 |
| 4267 | Guided Tissue Regeneration W/ Membrane | $495 |
| 4268 | Guided Tissue Regeneration | $495 |
| 4270 | Pedicle Soft Tissue Graft Procedure | $615 |
| 4271 | Free Gingival Graft | $665 |

| Code | Periodontics | Fee |
|---|---|---|
| 4273 | Subepithelial Connective Tissue Graft | $665 |
| 4274 | Distal / Proximal Wedge Procedure | $665 |
| 4320 | Provisional Splinting – Intracoronal | $170 |
| 4321 | Provisional Splinting – Extracoronal | $170 |
| 4341 | Root Planning Per Quadrant | $170 |
| 4345 | Difficult Prophy – Periodontal Scaling Performed | $110 |
| 4355 | Full Mouth Debridement For Evaluation By Periodontist | $115 |
| 4380 | Periodontal Re-Evaluation | $45 |
| 4381 | Local Delivery Of Chemotherapeutic Agent | n/c |
| 4444 | Dr. Next – Patient To See Dr. Next After Hygiene Appointment | n/c |
| 4445 | Hygienist Next – Patient To See Hygienist Next After Dr. Appt. | n/c |
| 4446 | Doctor 1st | n/c |
| 4447 | Hygienist 1st | n/c |
| 4448 | Working | n/c |
| 4910 | Periodontal Recall | $80 |
| 4920 | Unscheduled Dressing Change | $50 |
| 4935 | Consultation For Diagnosis & Treatment Planning | $95 |
| 4936 | Post Treatment Consultation | $50 |

| Code | Prosthodontics – Removable Dentures & Partials | Fee |
|---|---|---|
| 5110 | Complete Upper Denture | $1100 |
| 5120 | Complete Lower denture | $1100 |
| 5130 | Immediate Upper Denture | $1200 |
| 5140 | Immediate Lower Denture | $1200 |
| 5211 | Upper Partial Denture – Resin Base With Clasps | $825 |
| 5212 | Lower Partial Denture – Resin Base With Clasps | $825 |
| 5213 | Upper Partial Denture – Metal Base With Clasps | $1000 |
| 5214 | Lower Partial Denture – Metal Base With Clasps | $1000 |
| 5281 | Removable Unilateral Partial Denture | $825 |
| 5410 | Adjust Complete Upper Denture | $65 |
| 5411 | Adjust Complete Lower Denture | $65 |
| 5421 | Adjust Complete Upper Partial Denture | $65 |
| 5422 | Adjust Complete Lower Partial Denture | $65 |
| 5510 | Repair Broken Complete Denture Base | $160 |

| Code | Prosthodontics – Removable Dentures & Partials | Fee |
|---|---|---|
| 5520 | Replace Missing or Broken Teeth - Complete or Partial Denture | $110 |
| 5610 | Repair Resin Saddle or Base | $110 |
| 5620 | Repair Cast Framework | $175 |
| 5630 | Repair or Replace A Broken Clasp | $155 |
| 5640 | Replace Broken Teeth – Per Tooth | $110 |
| 5650 | Add Tooth To An Existing Partial Denture | $110 |
| 5660 | Rebase A Complete Upper Denture | $155 |
| 5710 | Rebase A Complete Lower Denture | $595 |
| 5711 | Rebase A Partial Upper Denture | $595 |
| 5720 | Rebase A Partial Lower Denture | $495 |
| 5721 | Reline Complete Maxillary Denture Chairside | $495 |
| 5730 | Reline Complete Mandibular Denture Chairside | $205 |
| 5731 | Reline Maxillary Partial Denture - Chairside | $205 |

| Code | Prosthodontics – Removable Dentures & Partials | Fee |
|---|---|---|
| 5741 | Reline Mandibular Partial Denture – Chairside | $205 |
| 5750 | Reline Complete Upper Denture With The Laboratory | $260 |
| 5751 | Reline Complete Lower Denture With The Laboratory | $260 |
| 5760 | Reline Partial Upper Denture With The Laboratory | $260 |
| 5761 | Reline Partial Lower Denture With The Laboratory | $260 |
| 5810 | Temporary Complete Upper Denture | $260 |
| 5811 | Temporary Complete Lower Denture | $260 |
| 5820 | Temporary Partial Denture – Upper – Maxillary | $260 |
| 5821 | Temporary Partial Denture – Lower – Mandibular | $260 |
| 5850 | Tissue Conditioning The Upper Denture | $55 |
| 5851 | Tissue Conditioning The Lower Denture | $55 |
| 5860 | Overdenture | $1200 |
| 5861 | Overdenture Partial | $1200 |
| 5862 | Precision Attachment | $195 |
| 5899 | Unspecified Removable Prosthodontic Procedure | $195 |

| Code | Prosthodontics – Removable Dentures & Partials | Fee |
|---|---|---|
| 5911 | Facial Moulage (Sectional) | $3200 |
| 5912 | Facial Moulage (Complete) | $3200 |
| 5913 | Nasal Prosthesis | $3200 |
| 5914 | Auricular Prosthesis | $3200 |
| 5915 | Orbital Prosthesis | $4950 |
| 5916 | Ocular Prosthesis | $4950 |
| 5919 | Facial Prosthesis | $4950 |
| 5922 | Nasal Septal Prosthesis | $4950 |
| 5923 | Ocular Prosthesis – Interim | $4950 |
| 5924 | Cranial Prosthesis | $4950 |
| 5925 | Facial Augmentation Implant Prosthesis | $4950 |
| 5926 | Nasal Prosthesis – Replacement | $4950 |
| 5927 | Auricular Prosthesis – Replacement | $4950 |
| 5928 | Orbital Prosthesis – Replacement | $4950 |

| Code | Prosthodontics – Removable Dentures & Partials | Fee |
|---|---|---|
| 5929 | Facial Prosthesis – Replacement | $4950 |
| 5931 | Obturator Prosthesis – Surgical | $4950 |
| 5932 | Obturator Prosthesis – Definitive | $4950 |
| 5933 | Obturator Prosthesis – Modification | $4950 |
| 5934 | Mandibular Resection Prosthesis W/ Guide Flange | $4950 |
| 5935 | Mandibular Resection Prosthesis W/ No Guide Flange | $4950 |
| 5936 | Obturator Prosthesis – Interim | $4950 |
| 5937 | Trismus Appliance Not Associated With TMD | $885 |
| 5951 | Feeding Aid | $885 |
| 5952 | Speech Aid Prosthesis – Pediatric | $885 |
| 5953 | Speech Aid Prosthesis – Adult | $885 |
| 5954 | Palatal Augmentation Prosthesis | $885 |
| 5955 | Palatal Lift Prosthesis – Definitive | $885 |
| 5958 | Palatal Lift Prosthesis - Interim | $885 |

| Code | Prosthodontics – Removable Dentures & Partials | Fee |
|---|---|---|
| 5959 | Palatal Lift Prosthesis – Modification | $885 |
| 5960 | Speech Aid Prosthesis – Modification | $885 |
| 5982 | Surgical Stint | $885 |
| 5983 | Radiation Carrier | $885 |
| 5984 | Radiation Shield | $885 |
| 5985 | Radiation Cone Locator | $885 |
| 5986 | Fluoride Gel Carrier | $455 |
| 5987 | Commisure Splint | $455 |
| 5988 | Surgical Splint | $455 |
| 5999 | Unspecified Maxillofacial Prosthesis By Report | $455 |
| 5999.1 | Try In | n/c |
| 5999.2 | Deliver Denture | n/c |
| 6010 | Surgical Placement Of Implant Body | $1100 |
| 6020 | Abutment Placement Or Substitution | $1100 |

| Code | Prosthodontics – Removable Dentures & Partials | Fee |
|---|---|---|
| 6030 | Endosseous Implant | $1100 |
| 6040 | Surgical Placement Of An Endosteal Implant | $1100 |
| 6050 | Surgical Placement Of A Transosteal Implant | $4950 |
| 6055 | Implant Connecting Bar | $1100 |
| 6080 | Implant Maintenance Procedures | N/c |
| 6090 | Implant Repair | $455 |
| 6095 | Repair Implant Abutment By Report | $455 |
| 6099.1 | Implant Consultation By Report | $50 |
| 6100 | Implant Removal By Report | $455 |
| 6199 | Unspecified Implant Procedure By Report | $455 |

| Code | Prosthodontics – Nonremovable Dentures & Partials | Fee |
|---|---|---|
| 6210 | Pontic – Cast High Noble Metal | $685 |
| 6211 | Pontic – Cast Predominately Base Metal | $685 |
| 6212 | Pontic – Cast Noble Metal | $685 |
| 6240 | Pontic – Porcelain Fused To High Noble Metal | $685 |
| 6241 | Pontic – Porcelain Fused To Predominately Base Metal | $685 |
| 6242 | Pontic – Porcelain Fused To Noble Metal | $685 |
| 6250 | Pontic – Resin With High Noble Metal | $685 |
| 6251 | Pontic – Porcelain Fused To Metal On An Implant | $685 |
| 6252 | Pontic – Resin With Noble Metal | $685 |
| 6520 | Inlay – Metallic – Two Surfaces | $630 |
| 6530 | Inlay – Metallic – Three Surfaces | $630 |
| 6543 | Onlay – Metallic – Three Surfaces | $630 |

| Code | Prosthodontics – Nonremovable Dentures & Partials | Fee |
|---|---|---|
| 6544 | Onlay – Metallic – Four Or More Surfaces | $630 |
| 6545 | Retainer – Cast Metal For Acid Etch Bridge | $685 |
| 6720 | Resin With High Noble Metal | $685 |
| 6721 | Resin With Predominately Base Metal | $685 |
| 6722 | Crown – Resin With Noble Metal | $685 |
| 6750 | Crown – Porcelain Fused To High Noble Metal | $685 |
| 6751 | Crown – Porcelain Fused To Predominately Base Metal | $685 |
| 6752 | Crown – Porcelain Fused To Noble Metal | $685 |
| 6780 | Crown – ¾ Cast High Noble Metal | $685 |
| 6790 | Crown – Full Cast High Noble Metal | $685 |
| 6791 | Crown – Full Cast Predominately Base Metal | $685 |
| 6792 | Crown – Full Cast Noble Metal | $685 |

| Code | Preventive | Fee |
|---|---|---|
| 1110 | Adult Cleaning (Prophylaxis) | $58 |
| 1111 | Specialist Referral Made | n/c |
| 1111.5 | Specialist Treatment Completed | n/c |
| 1119 | Bleaching | $330 |
| 1119.1 | Refill Box of Bleaching Tubes | $48 |
| 1120 | Child Cleaning Under 14 (Prophylaxis) | $48 |
| 1199 | Oxyfresh Products | $10 |
| 1200 | Patient Convenience Center Wall Products | |
| 1201 | Topical Fluoride w/Cleaning on a Child | $48 |
| 1203 | Topical Fluoride w/out Cleaning on a Child | $18 |
| 1204 | Topical Fluoride for Adult | $18 |

| Code | Prosthodontics – Nonremovable Fixes Bridges | Fee |
|---|---|---|
| 6920 | Connector Bar | $185 |
| 6930 | Recement Bridge | $185 |
| 6940 | Stress Breaker | $185 |
| 6950 | Precision Attachment | $185 |
| 6970 | Cast Post & Core in addition to bridge retainer | $185 |
| 6971 | Cast Post & Core as part of Fixed Partial Denture | $185 |
| 6972 | Prefabricated Post & Core in addition to bridge retainer | $155 |
| 6973 | Core Build Up for retainer including any pins | $155 |
| 6975 | Coping – Metal | $155 |
| 6980 | Fixed Partial Denture Repair – By Report | $395 |
| 6999 | Unspecified Fixed Prosthodontic Procedure | $395 |
| 6999.1 | Seat Bridge | $154 |

| Code | Oral Surgery | Fee |
|---|---|---|
| 7110 | Extraction, Single Tooth, Simple, Nonsurgical | $105 |
| 7120 | Extraction of Each Additional Tooth | $100 |
| 7130 | Root Removal – Exposed Root | $145 |
| 7210 | Extraction, Erupted Tooth, Surgical Removal requiring a flap | $170 |
| 7220 | Extraction, Impacted Tooth, Soft Tissue | $180 |
| 7230 | Extraction, Impacted Tooth, Partial Bony | $220 |
| 7240 | Extraction, Impacted Tooth, Full Bony | $250 |
| 7241 | Extraction, Impacted Tooth, Full Bony, w/complications | $310 |
| 7250 | Surgical Removal of Residual Tooth Roots | $180 |
| 7251 | Extraction Site Packing at time of surgery | $35 |
| 7260 | Oro Antral Fistula Closure | $520 |
| 7270 | Tooth Re-implantation and/or stabilization of avulsed tooth | $310 |
| 7272 | Tooth Transplantation | $310 |
| 7280 | Surgical Exposure of tooth for Orthodontic Reasons | $180 |

| Code | Oral Surgery | Fee |
|---|---|---|
| 7281 | Surgical Exposure of Impacted Tooth to Aid Eruption | $180 |
| 7285 | Biopsy of Hard Oral Tissue | $180 |
| 7286 | Biopsy of Soft Oral Tissue | $180 |
| 7290 | Surgical Repositioning of Teeth | $310 |
| 7291 | Transeptal Fiberotomy | $90 |
| 7310 | Alveoplasty With Extraction | $160 |
| 7320 | Alveoplasty Without Extraction | $300 |
| 7340 | Vistibuloplasty – Ridge Extension – Secondary Epithelialization | $1650 |
| 7350 | Vistibuloplasty – Ridge Extension – Complex – Revision | $3300 |
| 7360 | Distal Wedge Tuberosity Reduction | $310 |
| 7410 | Radical Excision – Lesion Diameter < 1.25 cm | $1650 |
| 7420 | Radical Excision – Lesion Diameter > 1.25 cm | $2650 |
| 7430 | Excision of Benign Tumor < 1.25 cm | $1650 |
| 7431 | Excision of Benign Tumor > 1.25 cm | $2650 |

| Code | Oral Surgery | Fee |
|---|---|---|
| 7440 | Excision of Malignant Tumor < 1.25 cm | $3290 |
| 7441 | Excision of Malignant Tumor > 1.25 cm | $4290 |
| 7450 | Removal of Odontogenic Cyst or Tumor < 1.25 cm | $1650 |
| 7451 | Removal of Odontogenic Cyst or Tumor > 1.25 cm | $2650 |
| 7460 | Removal of Nonodontogenic Cyst < 1.25 cm | $1650 |
| 7461 | Removal of Nonodontogenic Cyst > 1.25 cm | $2650 |
| 7465 | Destruction of Lesion – By Report | $1650 |
| 7470 | Removal of Exostosis – Maxillary / Mandibular | $560 |
| 7480 | Partial Ostectomy | $1650 |
| 7490 | Radical Resection of Mandible w/bone Graft | $2650 |
| 7510 | Incision & Drainage of Abscess – Intraoral | $560 |
| 7520 | Incision & Drainage of Abscess – Intraoral | $560 |
| 7530 | Surgical Removal of Foreign Body | $560 |
| 7540 | Surgical Removal of Reaction Producing Foreign Body | $560 |

| Code | Oral Surgery | Fee |
|---|---|---|
| 7550 | Sequestrectomy for Osteomyelitis | $560 |
| 7560 | Maxillary Sinusotomy – Tooth Fragmentation – Foreign Body | $560 |
| 7610 | Maxilla – Open Reduction – Teeth Immobilized If Present | $2650 |
| 7620 | Maxilla – Closed Reduction – Teeth Immobilized If Present | $3300 |
| 7630 | Mandible – Open Reduction – Teeth Immobilized If Present | $2650 |
| 7640 | Mandible – Closed Reduction – Teeth Immobilized If Present | $3650 |
| 7650 | Malar / Zygomatic Arch – Open Reduction | $2650 |
| 7660 | Malar / Zygomatic Arch – Closed Reduction | $3650 |
| 7670 | Alveolus – Stabilization of the Open Reduction | $2650 |
| 7780 | Facial Bones Complicated Reduction | $3650 |
| 7810 | Open Reduction of Dislocation | $2650 |
| 7820 | Closed Reduction of Dislocation | $3650 |
| 7830 | Manipulation Under Anesthesia | $1650 |
| 7840 | Condylectomy | $3650 |

| Code | Oral Surgery | Fee |
|---|---|---|
| 7850 | Surgical Discotomy With or Without an Implant | $3650 |
| 7852 | Disc Repair | $3650 |
| 7854 | Synovectomy | $3650 |
| 7856 | Myotomy | $3650 |
| 7858 | Joint Reconstruction | $3650 |
| 7860 | Arthrotomy | $3650 |
| 7865 | Arthroplasty | $3650 |
| 7870 | Arthrocentesis | $3650 |
| 7872 | Arthroscopy – Diagnosis With or Without A Biopsy | $3650 |
| 7873 | Arthroscopy – Surgical | $3650 |
| 7874 | Arthroscopy – Surgical Disc Repositioning | $3650 |
| 7875 | Arthroscopy – Surgical Synovectomy | $3650 |
| 7875 | Arthroscopy – Surgical: Discotomy | $3650 |
| 7877 | Arthroscopy – Surgical: Debridement | $3650 |

| Code | Oral Surgery | Fee |
|---|---|---|
| 7880 | Occlusal Orthotic appliance | $560 |
| 7899 | Unspecified TMD Therapy – By Report | $560 |
| 7910 | Suture Of Recent Small Wound < 5 cm | $560 |
| 7911 | Complicated Suture < 5 cm | $675 |
| 7912 | Complicated Suture > 5 cm | $775 |
| 7920 | Skin Graft | $3650 |
| 7940 | Osteoplasty for Orthognathic Deformities | $3650 |
| 7941 | Osteotomy – Ramus – Closed | $3650 |
| 7942 | Osteotomy – Ramus – Open With Bone Graft | $3650 |
| 7944 | Osteotomy – Segmented Per Sextant or Quadrant | $3650 |
| 7945 | Osteotomy – Body of Mandible | $3650 |
| 7946 | Lefort I – Maxilla – Total | $3650 |
| 7947 | Lefort I – Maxilla – Segmented | $3650 |
| 7948 | Lefort II / Lefort III Without Bone Graft | $3650 |

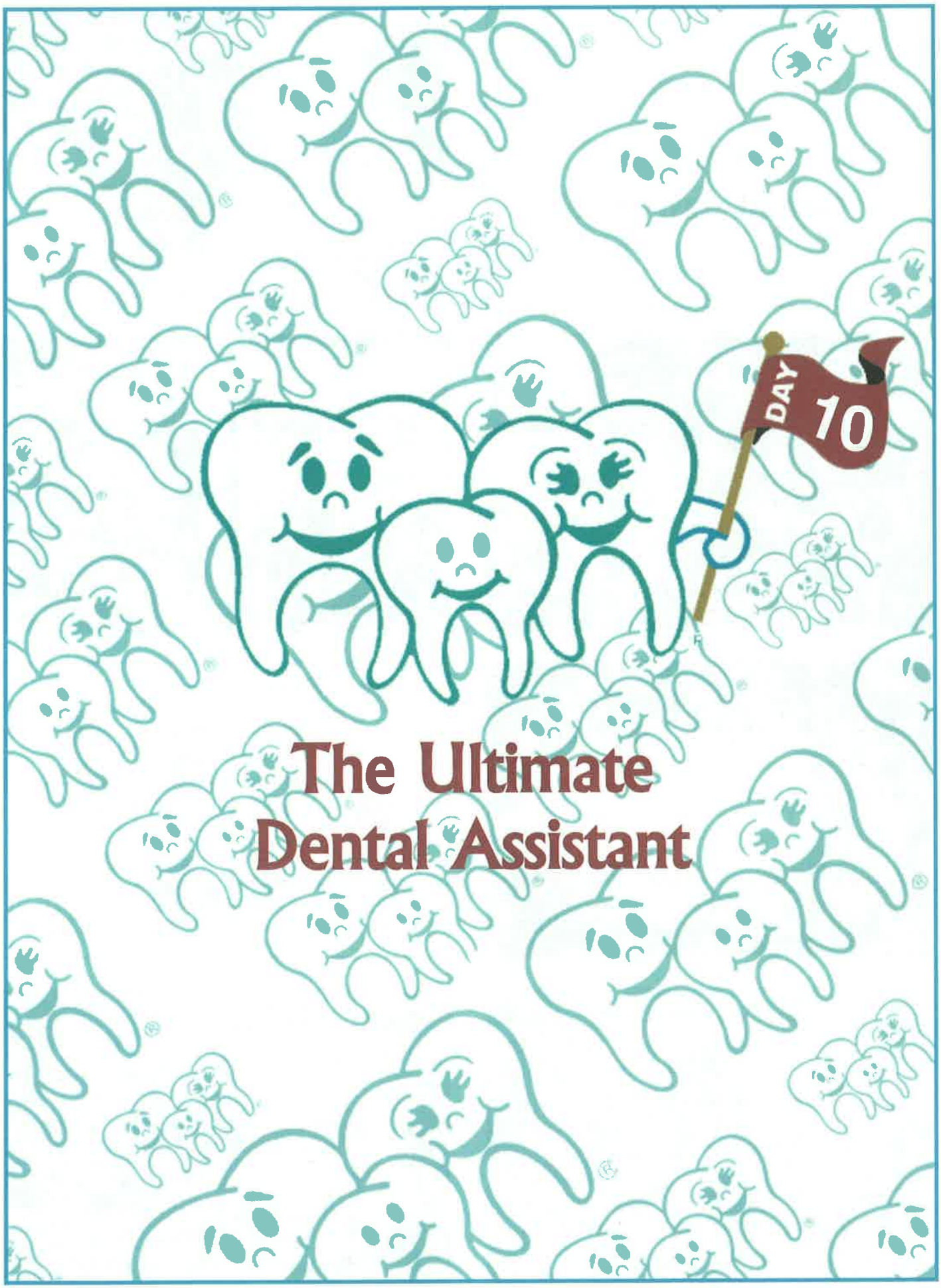
| Code | Oral Surgery | Fee |
|---|---|---|
| 7949 | Lefort II / Lefort III With Bone Graft | $4650 |
| 7950 | Osseous – Osteoperiosteal – Or Cartil | $3650 |
| 7655 | Repair Maxillofacial Soft / Hard Tissue | $1650 |
| 7960 | Frenectomy | $295 |
| 7970 | Excision of Hyperplastic Tissue Per Arch | $745 |
| 7971 | Excision of Pericoronal Gingiva | $90 |
| 7980 | Sialolithotomy | $1650 |
| 7981 | Excision Of Salivary Gland – By Report | $1650 |
| 7982 | Sialodochoplasty | $1650 |
| 7983 | Closure of Salivary Fistula | $1650 |
| 7990 | Emergency Tracheotomy | $1650 |
| 7991 | Coronoidectomy | $1650 |
| 7995 | Synthetic Graft – Mandible – Maxilla – Or Facial Bone | $1650 |
| 7996 | Implant – Mandible For Augmentation Purposes | $1650 |
| 7999 | Unspecified Oral Surgery Procedure – By Report | $860 |

| Code | Orthodontics | Fee |
|---|---|---|
| 8010 | Limited Orthodontic Treatment of Primary | $855 |
| 8020 | Limited Orthodontic Treatment of Transitionary | $855 |
| 8030 | Limited Orthodontic Treatment of Adolescent | $855 |
| 8040 | Limited Orthodontic Treatment of Adult | $855 |
| 8050 | Interceptive Treatment of Primary Dentition | $855 |
| 8060 | Interceptive Treatment of Transitional Dentition | $855 |
| 8070 | Comprehensive Treatment of Transitional Dentition | $855 |
| 8080 | Comprehensive Treatment of Adolescent Dentition | $855 |
| 8090 | Comprehensive Treatment of Adult Dentition | $855 |
| 8110 | Removable Appliance Therapy for Minor Tooth Guidance | $855 |
| 8110.5 | Removable Appliance – Replacement Appliance | $855 |
| 8120 | Fixed Appliance Therapy for Minor Tooth Guidance | $855 |
| 8210 | Removable Appliance Therapy | $855 |
| 8220 | Fixed Appliance Therapy | $855 |
| 8360 | Removable Appliance Therapy for Interceptive Ortho. Trmt. | $855 |

| Code | Adjunctive General Services | Fee |
|---|---|---|
| 9110 | Palliative Treatment of Emergency Pain | $95 |
| 9201 | Office Visit New Patient – Class I | $195 |
| 9202 | Office Visit New Patient – Class II | $95 |
| 9203 | Office Visit New Patient – Class III | $95 |
| 9204 | Office Visit New Patient – Class IV | $95 |
| 9205 | Office Visit New Patient – Class V | $95 |
| 9210 | Local Anesthesia – Not in Conjunction | $95 |
| 9211 | Office Visit Established Patient – Class I | $95 |
| 9212 | Office Visit Established Patient – Class II | $95 |
| 9213 | Office Visit Established Patient – Class III | $95 |
| 9214 | Office Visit Established Patient – Class IV | $95 |
| 9215 | Office Visit Established Patient – Class V | $95 |
| 9220 | General Anesthesia – For First 30 minutes | $225 |
| 9221 | General Anesthesia – for Each Additional 15 Minutes | $95 |

| Code | Adjunctive General Services | Fee |
|---|---|---|
| 9230 | Nitrous Oxide Analgesia per half hour | $35 |
| 9231 | Nitrous Nose Piece | $15 |
| 9240 | Intravenous Sedation | $225 |
| 9241 | Office Consultation – Class I | $50 |
| 9242 | Office Consultation – Class II | $50 |
| 9243 | Office Consultation – Class III | $50 |
| 9310 | Initial Periodontal Evaluation | $50 |
| 9410 | House Call | $145 |
| 9420 | Hospital Call | $145 |
| 9430 | Office Visit, Suture Removal Post-op Check | $75 |
| 9440 | Emergency Office Visit After Hours | $95 |
| 9610 | Therapeutic Drug Injection – By Report | $95 |
| 9611 | Subgingival Irrigation | $45 |
| 9612 | Local Delivery of Chemotherapeutic Agent | $45 |

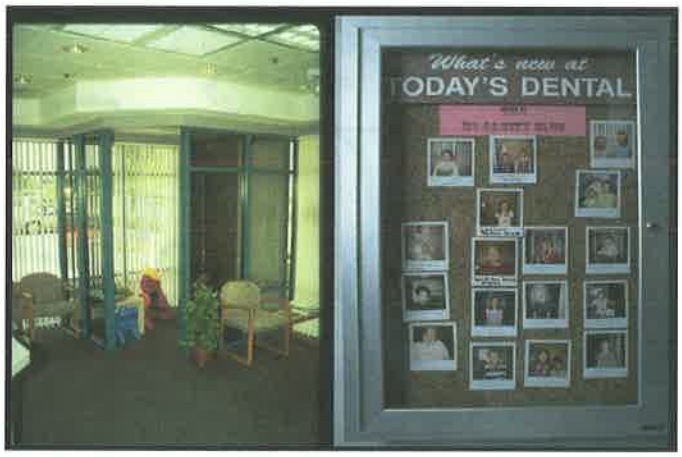
| Code | Adjunctive General Services | Fee |
|---|---|---|
| 9630 | Fluoride Treatment for Home | $10 |
| 9700 | Missed Appointment | $45 |
| 9910 | Desensitize | $45 |
| 9920 | Behavior Management – By Report | $45 |
| 9930 | Treatment of Dry Socket | $45 |
| 9940 | Occlusal Guard – Soft | $345 |
| 9941 | Occlusal Guard – Hard – Athletic | $345 |
| 9950 | Occlusal Guard | $345 |
| 9951 | Occlusal Adjustment –Limited | $40 |
| 9952 | Occlusal Adjustment – Complete | $50 |
| 9970 | Enamel Micro-air-abrasion | $50 |
| 9999 | Dental Services – Unspecified | $50 |
| 9999.1 | Resent Insurance | N/C |
| 9999.2 | Rebilled for B-Up | N/C |

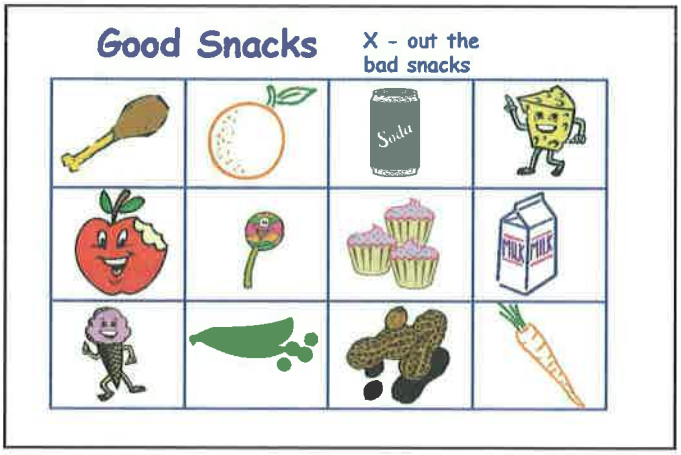


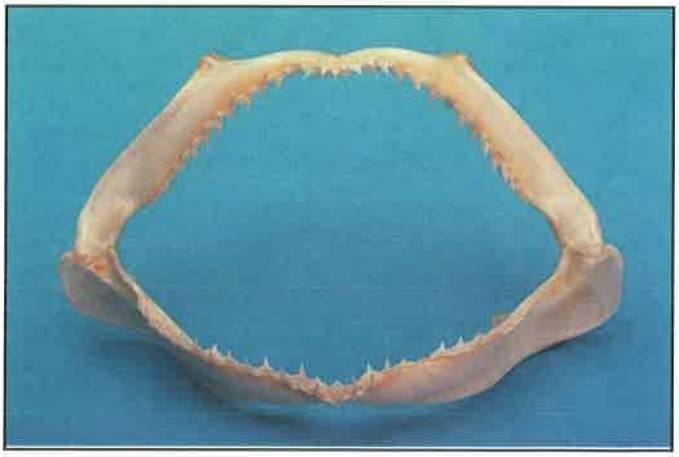

# The Ultimate Dental Assistant

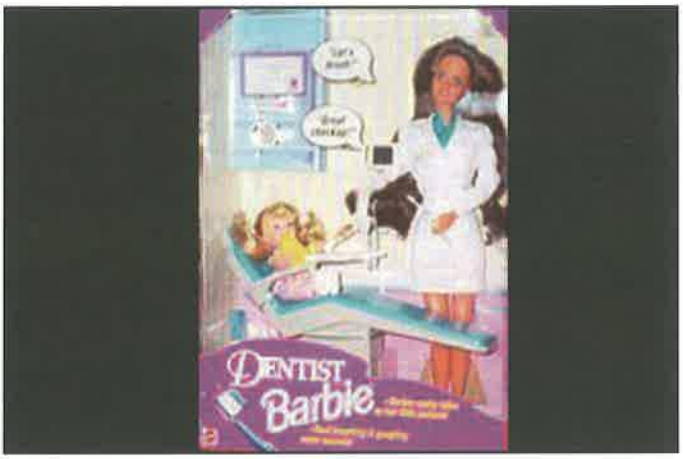
Your 30 Day Dental MBA
Day 10

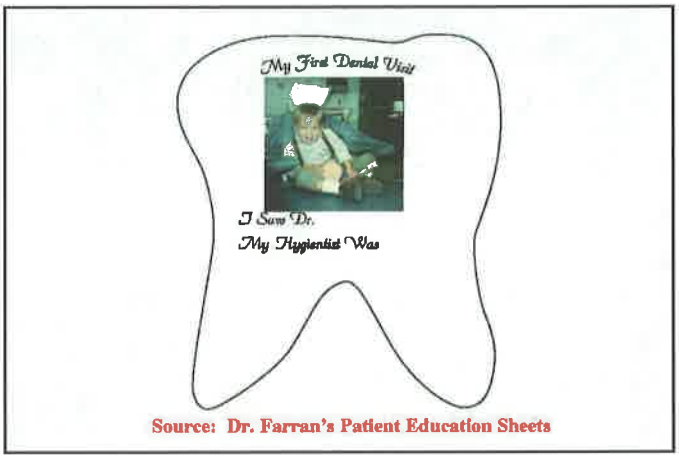
# The Ultimate Dental Assistant



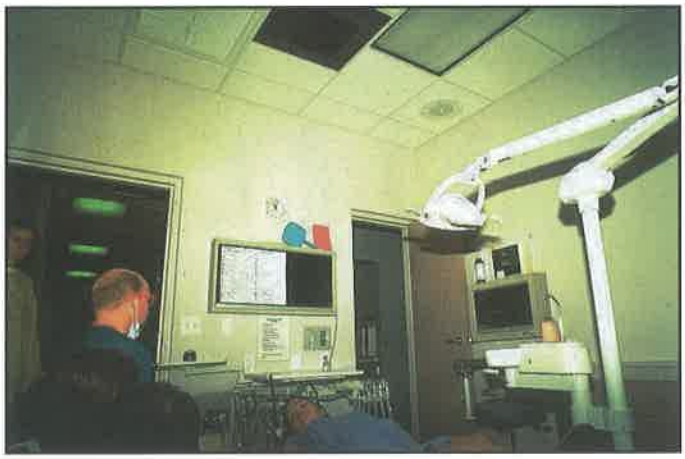





Source: Dr. Farran's Patient Education Sheets



The 2 most common reasons that 56,399 people gave the CDC for not having a dental visit in the past year:

| | | |
|---|---|---|
| # 1 Reason | 44.6% | Perceived that they did not have a problem! |
| #2 Reason | 26.6% | Cost! |

Source: Dental Service Use and Dental Insurance Coverage United States, Behavioral Risk Surveillance System 1995 Centers for Disease Control & Prevention Dec. 19th Morbidity & Mortality Weekly Report Survey of 56,399 Adults

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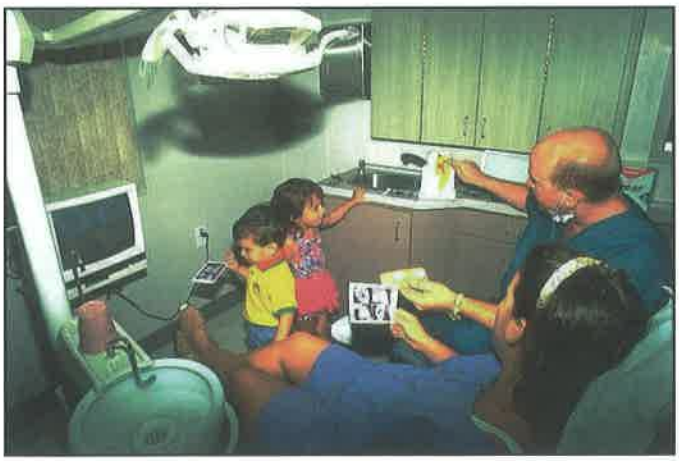
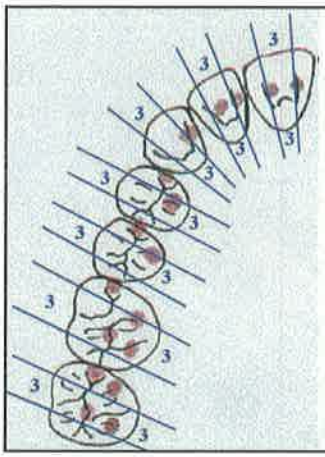
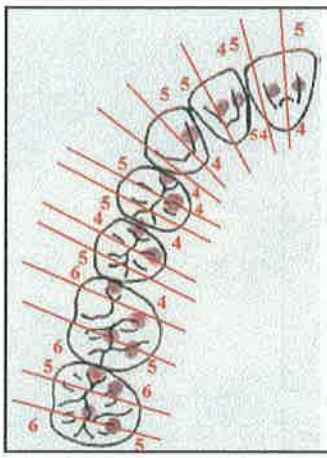




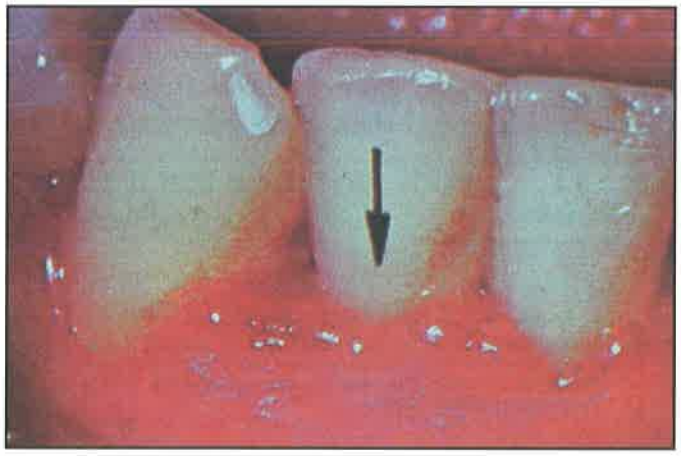
## Healthy Brushing Gums

Notice that most Americans brush their teeth at least once, often twice a day! Especially those people who we see regularly attending the dentist! That is why everywhere the toothbrush can reach their gum tissue often looks very healthy! Also notice that everywhere the tooth brush goes there is also air present, which is 20.9% oxygen, which makes it very hard for anaerobic bacteria to live!



## Flossing Gum Disease

Notice that most Americans do not floss their teeth everyday! When patients tell you that they floss religiously, they are usually talking about Christmas, Easter, & Hanukah! When you visually point out that everywhere the floss "Doesn't Go" is where they have gum disease, it really makes an impact on what they can and should do about their gum disease! Floss carries in oxygen to the anaerobic bacteria and out plaque!



## Periodontal Disease, Inflammation & Halitosis!

- **"The presence of Inflammation or hemorrhage within the oral cavity will accentuate the putrefaction process and the resultant intensity and quality of the odor!"**

**Halitosis: Knowing when "Bad Breath" signals systemic disease" Geriatrics, Vol. 48, #8, 8/93**

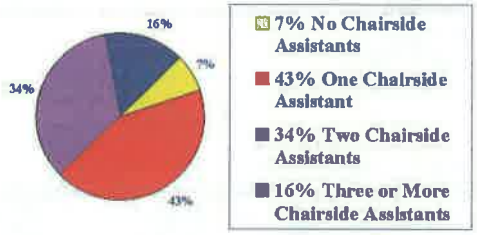
## Periodontal Disease, Inflammation & Halitosis!

- "Saliva from individuals with periodontitis putrefies more rapidly and odor is more disagreeable in comparison to saliva in healthy individuals!"

Oral Malodor & Periodontitis
Journal of Perio. 1/94-Vol. 65, #1

## Market Segmentation

## The highest percentage of solo dentists had one full or part time chairside assistant in 1995




Source: ADA Survey Center, 1996 Survey of Dental Practice.

## Chairside Dental Assistants

| Percent of dentists | Number of Assistants |
|---|---|
| 60% | 3 |
| 30% | 2 |
| 10% | 1 |
| 0% | 0 |

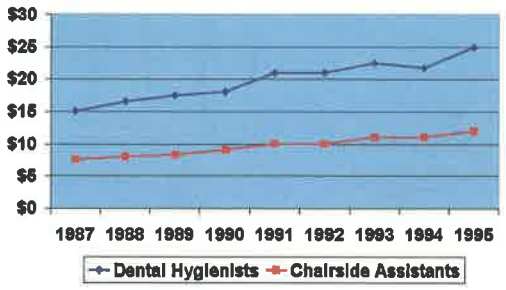
Average dentist has 1.3 assistants
Average specialist has 2.0 assistants

Average assistant has:
- Total experience of: 11 years
- Current experience of: 6 years
- Prior Experience of: 5 years

Average dental assistant works 36 hours/week @ $11.50/hr

Source: ADA 1996 Survey of Dental Practice, Employment of Dental Practice Personnel.

## Average hourly wages of dental hygienists and chairside assistants, 1987 – 1995




Source: American Dental Association

## Hot towels by Practicon 800.959.9505

If they pass out hot towels in first class seating in airlines, then your treatment chair should be second to none!

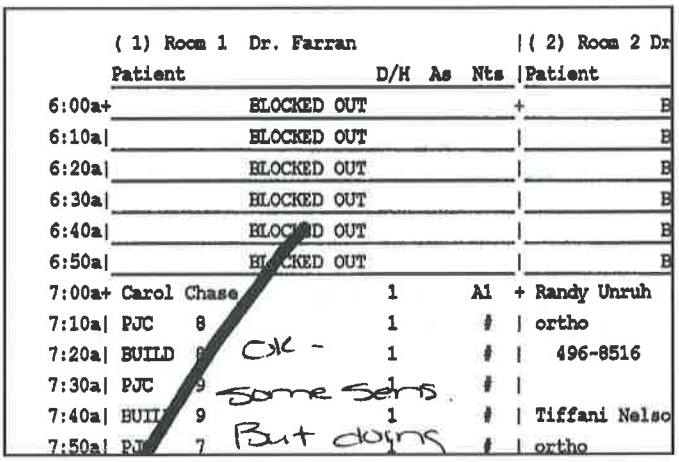
## We will take such good care of our patients that they will fear leaving our office and facing a harsher world!

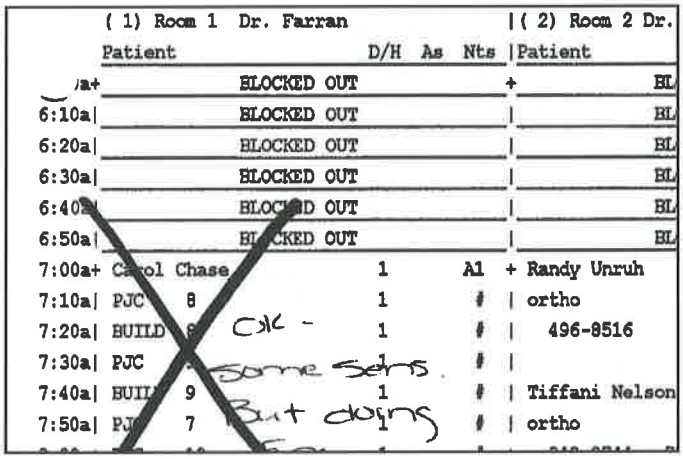
Rick Mercer

# Consumerism

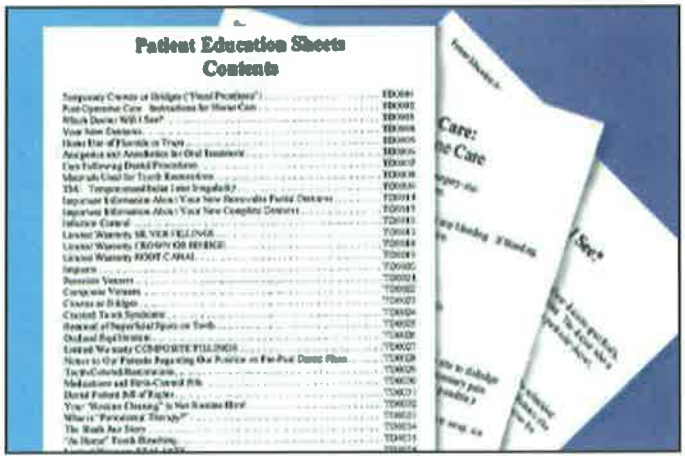
## "We care" calls

- The same night any patient gets an injection, the person who gave the injection will call the patient that night or the next morning to make sure everything is going fine!
- Then a week later, the dental assistant who assisted the procedure will call to make sure everything is going fine after the patient has had a week to "drive it around the block!"




# Doctor (dök´ter) *noun* from Latin *doctor*, teacher from Docére to teach



## Internal Marketing!

**Internal customer leverage methods to increase overall product and service value!**

- Private School
- Kumon
- At Home Bleaching
- Home Care Instructions

## Practice What You Preach

Get your own mouth and all your staff's mouths to optimum dental health in a fashionable cosmetic way today. You can start practicing on all of your staff today!

Howard's mandibular left quadrant before

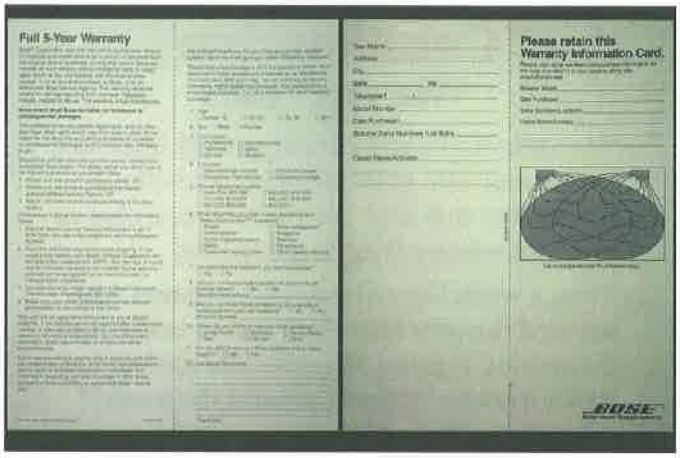
Howard's mandibular left quadrant after

If I can do it, so can you!

**Photos courtesy of David Hornbrook, DDS**

## Implementation of Consumerism

- Instructional sheet with every procedure!
- Pre operative videotape, instruction sheet, signed legal consent form, home care instructions with every procedure!
- Always give out your entire "Walk-Out Statement" stating everything that was done and the costs incurred in your high quality, great service, family practice dental office!



When you find great articles that you feel your patients can benefit from reading, then cut them out, xerox them if it is legal, and then pass them out to your patients!

Be sure to check each article for permission to copyright!

**Just because you know what dental sealants are do you think everyone knows what dental sealants are?**

**Do you think that all 265,000,000 Americans know what dental sealants are?**

**Do you think that all 6 billion Earthlings know what dental sealants are?**

**You can get patient education sheets like these free of charge at your local Office of Dental Health!**

**"But do I *really* need a dental x ray?"**

**If you think you can't afford x rays this time around, just think about whether you can afford to skip them...**

- **In the United States, 29,600 people will be diagnosed with oral cancer in 1994 and 7,925 will die from it!**
- **In Arizona, 350 people will be diagnosed with oral cancer in 1994 and 100 will die from it!**
- **Besides tobacco consumption, drinking more than 3 oz. of alcohol a day (2 beers per week) puts you at an increased risk for oral cancer!**
- **About 1 of 2 people diagnosed with oral cancer will survive 5 years!**
- **In the early stages, oral cancer is usually not painful. This is the ideal time for your dentist to identify in the mouth or by x ray! Without regular dental x rays, it's no surprise that by the time it's detected, the cancer has grown, perhaps spread and survival rates drop!**
- **The American Cancer Society recommends getting a dental examination every six months! Also, according to the American Cancer Society: "Most medical and dental x rays are adjusted to deliver the lowest dose possible without sacrificing image quality!"**

DENTAL X RAYS ARE THE ONLY WAY YOUR DENTIST CAN SEE IF TUMORS ARE GROWING IN YOUR JAWS AND BENEATH THE SURFACE OF YOUR GUMS.

**Explain to patients that panos are the best way to detect oral cancer**

## Do your Panos and Cephs in house

- **This will add more patient value by being able to add in a panographic oral cancer screening.**
- **The monthly pano/ceph revenue more than pays for the monthly lease payment.**
- **Keep your radiographic dollars in house.**
- **This will keep your patients happy. When your patients are referred to a specialist with their radiographic records sent in advance, this will save your patients precious time.**

**If your specialist refers to themselves as a specialist and is too proud to admit that they are a dentist, then they will not co-diagnose each patient and create a two way referral road!**

## Warranties

- **Warranty for five years.**
- **Provides patients with piece of mind.**
- **Reduces confrontation.**
- **Conditional-free repair or replace.**
- **The patient must return at least one time every year for a continuing care cleaning, X-rays & exam or the warranty is VOID.**
- **You cannot guarantee work, only warranty work**

## McDonald's is a system long before it is a restaurant!

1) Take Order
2) Take Money
3) Give Food

## Dr. Numbnuts

1) Does Exam
2) Fixes Tooth
3) Begs For Money

## Financing Options

**Offer Financing Options That Don't Burden You:**

Post Dated Checks
Visa, MasterCard,
American Express, Discover
Norwest 1 800-247-8102
Care Credit (800) 300-3046 x519
American General (800) 373-4967

These sorts of options satisfy the customer without leaving you holding the bag.

## "You are the most expensive dentist!"

When patients say, "You're the highest priced dentist I've called!" Respond, "Thank You!" I know how hard the dentists in this practice try to be the best! I'll pass on the good news! I know how much money they have spent on everything from lasers to continuing education!"

## If you are looking for discounted dentistry and medicine look for the HMO nearest you!

If you want a preferred provider ask what it takes to become preferred! Is it from passing an exam? Is it from delivering dentistry with airbags, antilock brakes, 4 wheel drive, AM-FM cassette stereo and power windows? Or does preferred provider really mean that you're a discount dentist!

At Today's Dental we never discount the dentistry. We deliver dentistry unto you as all of our staff would want done unto us! It's our promise!

## How do you become a preferred provider?

Do you have to pass a written exam? Do you take 500 hours of continuing education and get your FAGD, and then take 600 more hours and get your MAGD? Do you spend years building the most exceptional dental office team?

The answer is NO! None of the above! Just cut your fees by a third!

## UCR stands for Unusually Crummy Repair not Usual and Customary Rate

## Dental benefits companies speak unilaterally when they say our fees are too high yet fail to say their benefits are too low!

## Where is your bonus and your raise?

Do you want to know where your bonus is? Look and see how much your over 90 day accounts receivable are!

Do you want to know where your next pay raise is? Look and see how much your over 90 day accounts receivable are!

## Attention Staff:

## Do you want paid on a UCR basis?

## Call VISA at: 1.800.VISA.311

for a free VISA sign for your reception area!

## American General Finance

## 1.800.597.5977

## How do I sign up for CareCredit?

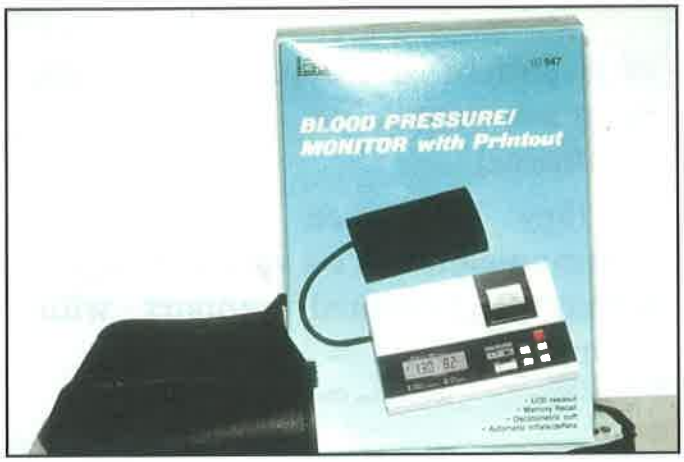
## 1.800.300.3046

## Look up loans in your yellow pages to see who makes consumer loans in your area!

### Blood Pressure Monitor: $181

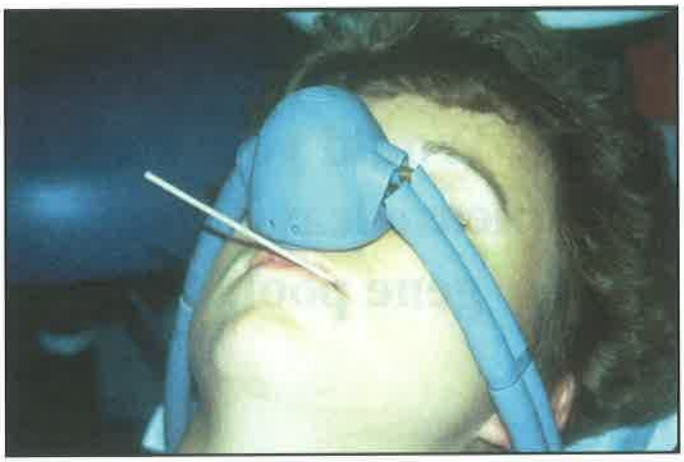
**Smart Practice**
**1-800-522-0800**

Taking a patient's blood pressure at every appointment is a great value added service. Bundle it into your current fee. It is medically necessary before you use any vasoconstricter epinephrine containing anesthetic and patients over 40 love it!




## Wahl's Observation!

If the patient is found standing against the wall instead of sitting in the chair, they have a greater than average fear level!



It is not what you <u>can do</u> in life,

It is what you <u>will do</u>!

Anthony Robbins

The 2 most common reasons that 56,399 people gave the CDC for not having a dental visit in the past year:

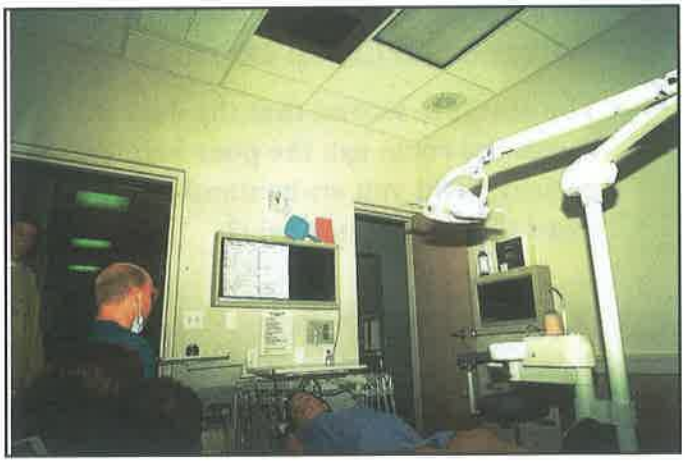
| | | |
|---|---|---|
| # 1 Reason | 44.6% | Perceived that they did not have a problem! |
| #2 Reason | 26.6% | Cost! |

Source: Dental Service Use and Dental Insurance Coverage United States, Behavioral Risk Surveillance System 1995 Centers for Disease Control & Prevention Dec. 19th Morbidity & Mortality Weekly Report Survey of 56,399 Adults

2 Most Common Reasons Edentate Adults (no teeth) cited for not having a past year dental visit

| | | |
|---|---|---|
| # 1 Reason | 89.5 % | Perceived that they did not have a problem! |
| #2 Reason | 2.5 % | Cost! |

Source: Dental Service Use and Dental Insurance Coverage - United States, Behavioral Risk Surveillance System, 1995 Centers for Disease Control & Prevention Dec. 19th Morbidity & Mortality Weekly Report. Survey of 56,399 Adults



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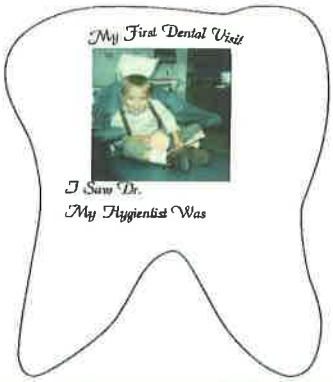
If a patient sees and understands what's happening, they want treatment!

If they can't see it, then the communication is all verbal and you haven't established rapport with them!

Dr. Gordon Christensen

Would you please leave the gene pool!




Source: Dr. Farran's Patient Education Sheets

Dentists & Physicians speak in a dogmatic language rooted in Latin & Greek whose certainty of tone vastly exceeds their certainty of knowledge.

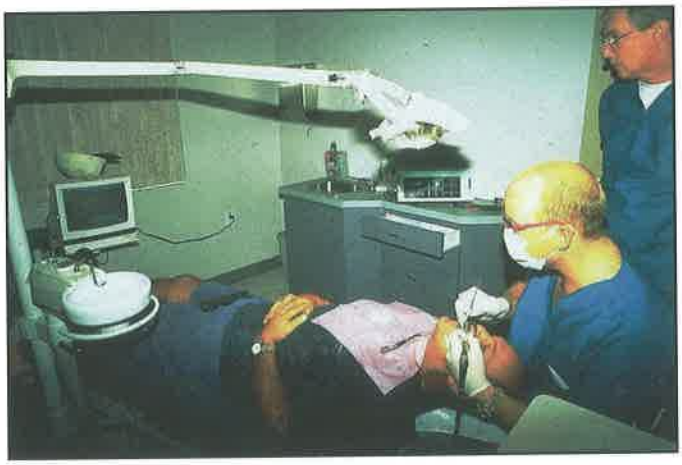
Attention all dental assistants!!!

- The absolute second that the doctor leaves the room ask the poor helpless patient, "Did you understand a single word that the doctor said?
- If they say, "Yes!" Reply, "Wow!! I didn't and I have been working here for over ten years!!

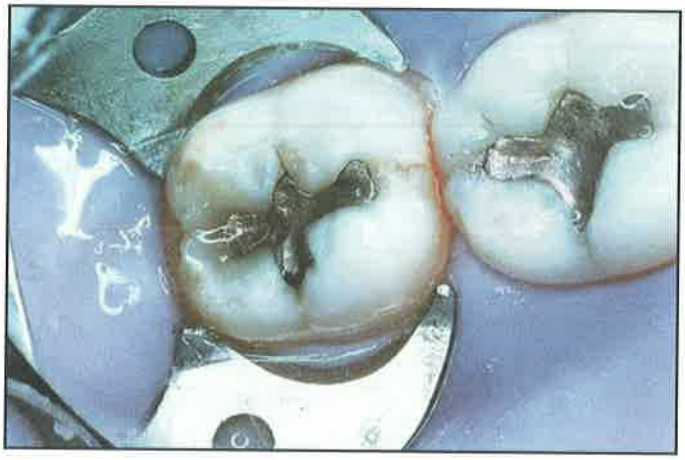
**Procrastination is the silent killer!**

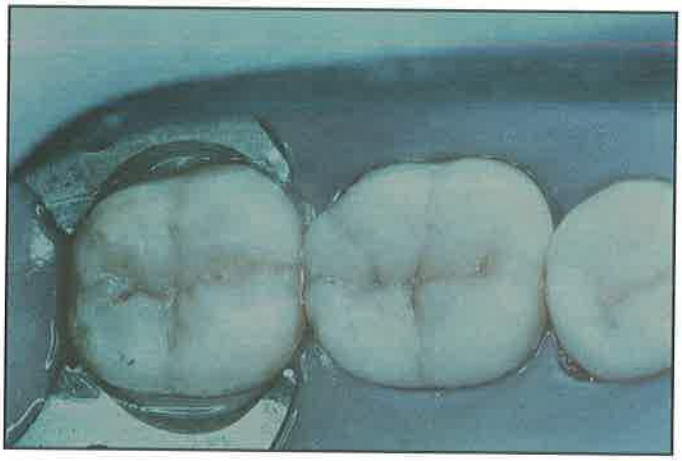
**Procrastination is the result of avoiding pain, the fear of failure or the fear of success.**

**Anthony Robbins**



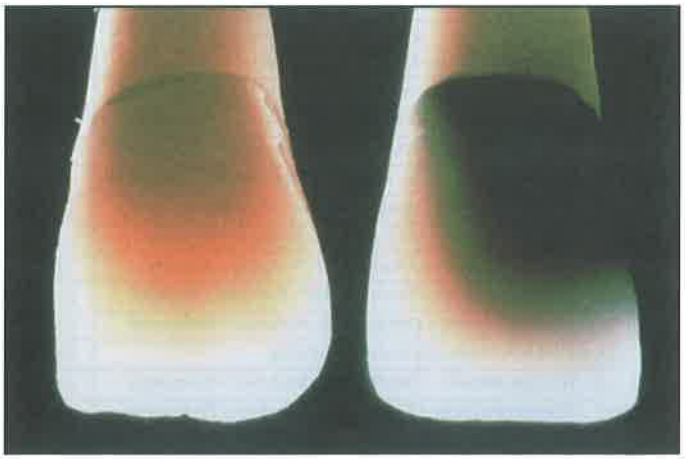
Would you rather smile...
With This???
Before
OR
This???
After
Today's Dental
893-CARE
48th Street & Elliot in the Safeway Plaza!





**To become successful takes more than learning, more than knowledge, it takes decisive decision making.**

Anthony Robbins



Patient Education Sheet #TD1

## Temporary Crowns or Bridges
("Fixed Prosthesis")

You have just received a temporary crown. This temporary crown is meant only to serve your needs while a permanent crown is being made for you. Color: The color of the plastic temporary crown does not resemble the final (permanent) crown in any way. Shape and Size: Temporary crowns are custom-made for each patient, but they will not, in any way, resemble the final crown which is being made especially for you. Tooth Sensitivity: Your temporary crown will help protect the sensitivity of the prepared tooth. However, it does not fit your mouth like the permanent crown will, so you may notice sensitivity to heat, cold, or sweets—sensations you won't feel when your specially made crown is in place.

Here are some other things you need to know about your temporary crown:

1. The temporary cement requires about 30 minutes (one half-hour) to set. *Please do not chew during that period of time.*
2. Certain foods will stick to the temporary crown. *Please refrain from chewing gum, candies, or foods that might stick to the crown or even pull it out.*
3. Temporary crowns are not strong they may occasionally break or come off. If this should happen to you, please contact our office immediately, bring your crown with you and we will replace it. Should you be unable to contact us, simply go to a pharmacy and get some Fixodent. Replace the temporary crown on your tooth using the Fixodent to hold it in place until you can contact us.
4. Please do not leave the temporary crown out of your mouth. *Without the temporary crown, your teeth may move and then the permanent crown may not fit!*
5. Do not brush or floss too vigorously around your temporary crown. Remember that it is important to keep the area clean but use caution.
5. It is imperative that you return to our office at the appointed time for your permanent crown. Failure to do so may result in the need to re-prepare the tooth and re-make the crown at your cost.

| Code | DIAGNOSTIC | Fee |
|---|---|---|
| 100 | Toothache | |
| 100 | Suture Removal | |
| 100 | Premedication | |
| 100 | Broken Tooth | |
| 100 | Deliver Custom Trays | |
| 101 | Delivery | |
| 101 | Lost Filling | |
| 110 | Initial Oral Exam | $35 |
| 120 | Periodic Examination | $35 |
| 130 | Emergency Examination | $45 |
| 140 | Limited Examination | $45 |
| 150 | Complete Oral Examination | $50 |
| 160 | Detailed & Extensive Oral Exam | $95 |

| Code | DIAGNOSTIC | Fee |
|---|---|---|
| 210 | Intraoral Complete Series - FMX | $82 |
| 220 | Intraoral Periapical - Single First Film | $17 |
| 230 | Intraoral Periapical - Each Add. Film | $13 |
| 240 | Intraoral - Occlusal Film | $13 |
| 250 | Extraoral - First Film | $82 |
| 260 | Extraoral - Each Additional Film | $82 |
| 270 | Bitewing - One Film | $13 |
| 272 | Bitewing - Two Films | $25 |
| 290 | Post. / Ant. / Lateral Skull Survey | $82 |
| 274 | Bitewing - Four Films | $30 |

| Code | Diagnostic | Fee |
|---|---|---|
| 310 | Sialography | $995 |
| 320 | Temporal Mandibular Joint Arthrogram | $3300 |
| 321 | Other Temporal Mandibular Joint Films | $82 |
| 322 | Tomographic Survey | $82 |
| 330 | Panoramic Film | $63 |
| 340 | Cephalometric Film | $122 |

| Code | Diagnostic | Fee |
|---|---|---|
| 415 | Microbiological Sampling | $82 |
| 425 | Caries Susceptibility Test | $82 |
| 460 | Pulp Vitality Test | $82 |
| 470 | Study Models – Diagnostic Cast | $95 |
| 471 | Diagnostic Photographs | $75 |
| 500 | Deductible | |
| 501 | Histopathological | $82 |
| 502 | Other Oral Pathology Process By Report | $82 |
| 999 | Unspecified Diagnostic Procedure | $82 |
| 999.1 | AACD After Photos | |

| Code | Preventive | Fee |
|---|---|---|
| 1110 | Adult Cleaning (Prophylaxis) | $58 |
| 1111 | Specialist Referral Made | n/c |
| 1111.5 | Specialist Treatment Completed | n/c |
| 1119 | Bleaching | $330 |
| 1119.1 | Refill Box of Bleaching Tubes | $48 |
| 1120 | Child Cleaning Under 14 (Prophylaxis) | $48 |
| 1199 | Oxyfresh Products | $10 |
| 1200 | Patient Convenience Center Wall Products | |
| 1201 | Topical Fluoride w/Cleaning on a Child | $48 |
| 1203 | Topical Fluoride w/out Cleaning on a Child | $18 |
| 1204 | Topical Fluoride for Adult | $18 |

| Code | Preventive | Fee |
|---|---|---|
| 1205 | Adult Cleaning (Prophylaxis) w/Topical Fluoride | $58 |
| 1310 | Nutrition Counseling | $33 |
| 1320 | Tobacco Counseling on Oral Disease | $33 |
| 1330 | Oral Hygiene Instruction | $33 |
| 1340 | Plaque Control Instruction | $33 |
| 1351 | Sealants Per Tooth | $33 |
| 1510 | Fixed Unilateral Space Maintainer | $215 |
| 1515 | Fixed Bilateral Space Maintainer | $315 |
| 1520 | Removable Unilateral Space Maintainer | $215 |
| 1525 | Removable Bilateral Space Maintainer | $315 |
| 1550 | Recementation of Fixed Space Maintainer | $125 |

| Code | Restorative - Direct | Fee |
|---|---|---|
| 2110 | Amalgam – One Surface – Primary | $125 |
| 2120 | Amalgam – Two Surface – Primary | $135 |
| 2130 | Amalgam – Three Surface – Primary | $165 |
| 2131 | Amalgam Four Surface – Primary | $195 |
| 2140 | Amalgam – One Surface – Permanent | $125 |
| 2140.1 | P.R.R. – Preventive Resin or Amalgam Restoration | $125 |
| 2150 | Amalgam – Two Surface – Permanent | $135 |
| 2160 | Amalgam – Three Surface – Permanent | $165 |
| 2161 | Amalgam – Four Surface – Permanent | $195 |
| 2210 | Silicate Cement | $125 |

| Code | Restorative - Direct | Fee |
|---|---|---|
| 2330 | Composite Resin – One Surface – Anterior - Permanent | $125 |
| 2331 | Preventive Resin Restoration (P.R.R.) – Permanent | $125 |
| 2331 | Composite Resin – Two Surface – Anterior – Permanent | $135 |
| 2332 | Composite Resin – Three Surface – Anterior – Permanent | $165 |
| 2335 | Composite Resin – Four or more Surface – Anterior – Permanent | $195 |
| 2336 | Composite Resin Crown – Anterior – Primary | $195 |
| 2380 | Composite Resin – One Surface – Posterior – Primary | $125 |
| 2381 | Composite Resin – Two Surface – Posterior – Primary | $135 |
| 2382 | Composite Resin – Three Surface – Posterior – Primary | $165 |
| 2385 | Composite resin – One Surface – Posterior – Permanent | $195 |
| 2385.1 | P.R.R. – Preventive Resin Restoration | $195 |
| 2386 | Composite resin – Two Surface – Posterior – Permanent | $135 |
| 2387 | Composite Resin – Three or more Surfaces - Permanent | $165 |

| Code | Restorative – Indirect | Fee |
|---|---|---|
| 2410 | Gold Foil – One Surface | $210 |
| 2420 | Gold Foil – Two Surface | $310 |
| 2430 | Gold Foil – Three Surface | $410 |
| 2510 | Onlay – Metallic – Gold – One Surface | $585 |
| 2520 | Onlay – Metallic – Gold – Two Surface | $585 |
| 2530 | Onlay – Metallic – Gold – Three Surface | $585 |
| 2540 | Onlay – Metallic – Gold – Four Surface | $585 |
| 2610 | Inlay – Porcelain – Ceramic – One Surface | $585 |
| 2620 | Inlay – Porcelain – Ceramic – Two Surface | $585 |
| 2630 | Inlay – Porcelain – Ceramic – Three Surface | $585 |
| 2640 | Onlay – Porcelain – Ceramic – One Surface | $585 |
| 2642 | Onlay – Porcelain – Ceramic – Two Surface | $585 |
| 2643 | Onlay – Porcelain – Ceramic – Three Surface | $585 |
| 2644 | Onlay – Porcelain – Ceramic – Four Surface | $585 |
| 2650 | Inlay – Composite Resin – One Surface – Lab Fabricated | $585 |
| 2651 | Inlay – Composite Resin – Two Surface – Lab Fabricated | $585 |
| 2652 | Inlay – Composite Resin – Three Surface – Lab Fabricated | $585 |
| 2660 | Onlay – Composite Resin – One Surface – Lab Fabricated | $585 |
| 2661 | Seat Onlay | $585 |

| Code | Restorative – Indirect | Fee |
|---|---|---|
| 2662 | Onlay - Composite Resin – Two Surface – Lab Fabricated | $585 |
| 2663 | Onlay - Composite Resin – Three Surface – Lab Fabricated | $585 |
| 2664 | Onlay - Composite Resin – Four Surface – Lab Fabricated | $585 |
| 2710 | Crown – Resin – Lab Fabricated | $685 |
| 2720 | Crown Resin – w / High Noble Metal | $685 |
| 2740 | Crown – Porcelain / Ceramic | $685 |
| 2750 | Crown – Porcelain Fused To High Noble Metal | $685 |
| 2751 | Crown – Porcelain Fused To Predominately Base Metal | $685 |
| 2752 | Crown – Porcelain Fused To Noble Metal | $685 |
| 2752.1 | Porcelain Crown Over Implant | $785 |
| 2790 | Crown – Full Cast High Noble Metal | $685 |
| 2791 | Crown – Full Cast High Predominately Base Metal | $685 |
| 2792 | Crown – Full Cast Noble Metal | $685 |
| 2810 | Crown – ¾ Cast Noble Metal | $685 |
| 2910 | Recement Inlay | $105 |
| 2920 | Recement Crown | $105 |
| 2930 | Prefabricated Stainless Steel Crown Primary Tooth | $180 |
| 2931 | Prefabricated Stainless Steel Crown Permanent Tooth | $375 |

| Code | Restorative – Indirect | Fee |
|---|---|---|
| 2932 | Prefabricated Resin Tooth | $185 |
| 2933 | Prefabricated Stainless Steel Crown w/ Resin Window | $185 |
| 2940 | Sedative Filling | $185 |
| 2950 | Core Buildup Including Pins | $155 |
| 2951 | Pin Retention Per Tooth In Addition To The Restoration | $35 |
| 2952 | Cast Post & Core In Addition To The Crown | $195 |
| 2954 | Prefabricated Post & Core In Addition To The Crown | $155 |
| 2955 | Post Removal – Non Endodontic | $155 |
| 2960 | Composite Resin – Labial Veneer – Laminate – Chairside | $385 |
| 2961 | Composite Resin – Labial Veneer – Laminate – Lab Fabricated | $685 |
| 2962 | Porcelain Veneer – Labial – Laminate – Lab Fabricated | $685 |
| 2970 | Temporary Crown | $135 |
| 2971 | Re-Impress | |
| 2999 | Unspecified Restorative By Narrative | $125 |
| 2999.1 | Seat Crown | $125 |
| 2999.2 | Recement Temporary Crown | $125 |
| 2999.3 | Seat Veneer | |
| 2999.4 | Seat Onlay | |

| Code | Endodontics | Fee |
|---|---|---|
| 3110 | Pulp Cap – Direct | $110 |
| 3120 | Pulp Cap – Indirect | $110 |
| 3220 | Pulpotomy On A Primary Tooth | $110 |
| 3230 | Pulpal Therapy – Anterior Primary Tooth | $110 |
| 3240 | Pulpal Therapy – Posterior Primary Tooth | $110 |
| 3310 | Anterior Root Canal Excluding Final Restoration | $420 |
| 3320 | Bicuspid Root Canal Excluding Final Restoration | $520 |
| 3330 | Molar Root Canal Excluding Final Restoration | $635 |
| 3330.1 | Finish Root Canal – Complete Endodontic Therapy | |
| 3340 | Finish Root Canal | |
| 3346 | Retreatment of Ant. Root Canal Excl. Final Rest. | $445 |
| 3347 | Retreatment of Bicuspid Root Canal Excl. Fin.Rest | $550 |
| 3348 | Retreatment of Molar Root Canal Excl. Final Rest | $660 |

| Code | Endodontics | Fee |
|---|---|---|
| 3351 | Apexification – Recalcification on the Initial Visit | $195 |
| 3352 | Apexification – Recalcification – Interim Medication Replacement | $125 |
| 3353 | Apexification – Recalcification On The Final Visit | $195 |
| 3410 | Apicoectomy – Periradicular Surgery - Anterior | $425 |
| 3421 | Apicoectomy – Periradicular Surgery – Bicuspid | $475 |
| 3425 | Apicoectomy – Periradicular Surgery – Molar | $530 |
| 3426 | Apicoectomy – Periradicular Surgery – Each Additional Root | $105 |
| 3430 | Retrograde Filling – Per Tooth | $75 |
| 3450 | Root Amputation | $160 |
| 3460 | Endodontic Endosseous Implant | $995 |
| 3470 | Intentional Reimplantation – Incisal Splint | $425 |
| 3910 | Surgical Process – Isolation Of Tooth w/ Rubber Dam | $160 |
| 3920 | Hemisection | $475 |
| 3950 | Canal Preparation & Fitting Of Preformed Dowel Or Post | $155 |
| 3960 | Bleaching - Tooth | $95 |
| 3999 | Unspecified Endodontic Procedure By Report | $95 |
| 3999.1 | Final Fill Of Root Canal – Endodontic Procedure By Report | $95 |

| Code | Periodontics | Fee |
|---|---|---|
| 4110 | Periodontal Evaluation & Treatment Plan | $50 |
| 4210 | Gingivectomy Per Quadrant | $450 |
| 4211 | Gingivoplasty Per Tooth | $155 |
| 4220 | Gingival Curettage Per Tooth | $240 |
| 4230 | Distal / Proximal Wedge | $585 |
| 4240 | Soft Tissue Surgery | $585 |
| 4249 | Clinical Crown Lengthening | $505 |
| 4250 | Mucogingival Surgery Per Quadrant | $450 |
| 4260 | Osseous Surgery Per Quadrant | $725 |
| 4261 | Bone Replacement Graft – Single Site | $265 |
| 4262 | Bone Replacement Graft – Multiple Site | $495 |
| 4263 | Osseous Graft First Site | $495 |
| 4264 | Osseous Graft First Each Additional Site | $495 |
| 4266 | Guided Tissue Regeneration | $495 |
| 4267 | Guided Tissue Regeneration W/ Membrane | $495 |
| 4268 | Guided Tissue Regeneration | $495 |
| 4270 | Pedicle Soft Tissue Graft Procedure | $615 |
| 4271 | Free Gingival Graft | $665 |

| Code | Periodontics | Fee |
|---|---|---|
| 4273 | Subepithelial Connective Tissue Graft | $665 |
| 4274 | Distal / Proximal Wedge Procedure | $665 |
| 4320 | Provisional Splinting – Intracoronal | $170 |
| 4321 | Provisional Splinting – Extracoronal | $170 |
| 4341 | Root Planning Per Quadrant | $170 |
| 4345 | Difficult Prophy – Periodontal Scaling Performed | $110 |
| 4355 | Full Mouth Debridement For Evaluation By Periodontist | $115 |
| 4380 | Periodontal Re-Evaluation | $45 |
| 4381 | Local Delivery Of Chemotherapeutic Agent | n/c |
| 4444 | Dr. Next – Patient To See Dr. Next After Hygiene Appointment | n/c |
| 4445 | Hygienist Next – Patient To See Hygienist Next After Dr. Appt. | n/c |
| 4446 | Doctor 1st | n/c |
| 4447 | Hygienist 1st | n/c |
| 4448 | Working | n/c |
| 4910 | Periodontal Recall | $80 |
| 4920 | Unscheduled Dressing Change | $50 |
| 4935 | Consultation For Diagnosis & Treatment Planning | $95 |
| 4936 | Post Treatment Consultation | $50 |

| Code | Prosthodontics – Removable Dentures & Partials | Fee |
|---|---|---|
| 5110 | Complete Upper Denture | $1100 |
| 5120 | Complete Lower denture | $1100 |
| 5130 | Immediate Upper Denture | $1200 |
| 5140 | Immediate Lower Denture | $1200 |
| 5211 | Upper Partial Denture – Resin Base With Clasps | $825 |
| 5212 | Lower Partial Denture – Resin Base With Clasps | $825 |
| 5213 | Upper Partial Denture – Metal Base With Clasps | $1000 |
| 5214 | Lower Partial Denture – Metal Base With Clasps | $1000 |
| 5281 | Removable Unilateral Partial Denture | $825 |
| 5410 | Adjust Complete Upper Denture | $65 |
| 5411 | Adjust Complete Lower Denture | $65 |
| 5421 | Adjust Complete Upper Partial Denture | $65 |
| 5422 | Adjust Complete Lower Partial Denture | $65 |
| 5510 | Repair Broken Complete Denture Base | $160 |

| Code | Prosthodontics – Removable Dentures & Partials | Fee |
|---|---|---|
| 5520 | Replace Missing or Broken Teeth - Complete or Partial Denture | $110 |
| 5610 | Repair Resin Saddle or Base | $110 |
| 5620 | Repair Cast Framework | $175 |
| 5630 | Repair or Replace A Broken Clasp | $155 |
| 5640 | Replace Broken Teeth – Per Tooth | $110 |
| 5650 | Add Tooth To An Existing Partial Denture | $110 |
| 5660 | Rebase A Complete Upper Denture | $155 |
| 5710 | Rebase A Complete Lower Denture | $595 |
| 5711 | Rebase A Partial Upper Denture | $595 |
| 5720 | Rebase A Partial Lower Denture | $495 |
| 5721 | Reline Complete Maxillary Denture Chairside | $495 |
| 5730 | Reline Complete Mandibular Denture Chairside | $205 |
| 5731 | Reline Maxillary Partial Denture - Chairside | $205 |

| Code | Prosthodontics – Removable Dentures & Partials | Fee |
|---|---|---|
| 5741 | Reline Mandibular Partial Denture – Chairside | $205 |
| 5750 | Reline Complete Upper Denture With The Laboratory | $260 |
| 5751 | Reline Complete Lower Denture With The Laboratory | $260 |
| 5760 | Reline Partial Upper Denture With The Laboratory | $260 |
| 5761 | Reline Partial Lower Denture With The Laboratory | $260 |
| 5810 | Temporary Complete Upper Denture | $260 |
| 5811 | Temporary Complete Lower Denture | $260 |
| 5820 | Temporary Partial Denture – Upper – Maxillary | $260 |
| 5821 | Temporary Partial Denture – Lower – Mandibular | $260 |
| 5850 | Tissue Conditioning The Upper Denture | $55 |
| 5851 | Tissue Conditioning The Lower Denture | $55 |
| 5860 | Overdenture | $1200 |
| 5861 | Overdenture Partial | $1200 |
| 5862 | Precision Attachment | $195 |
| 5899 | Unspecified Removable Prosthodontic Procedure | $195 |

| Code | Prosthodontics – Removable Dentures & Partials | Fee |
|---|---|---|
| 5911 | Facial Moulage (Sectional) | $3200 |
| 5912 | Facial Moulage (Complete) | $3200 |
| 5913 | Nasal Prosthesis | $3200 |
| 5914 | Auricular Prosthesis | $3200 |
| 5915 | Orbital Prosthesis | $4950 |
| 5916 | Ocular Prosthesis | $4950 |
| 5919 | Facial Prosthesis | $4950 |
| 5922 | Nasal Septal Prosthesis | $4950 |
| 5923 | Ocular Prosthesis – Interim | $4950 |
| 5924 | Cranial Prosthesis | $4950 |
| 5925 | Facial Augmentation Implant Prosthesis | $4950 |
| 5926 | Nasal Prosthesis – Replacement | $4950 |
| 5927 | Auricular Prosthesis – Replacement | $4950 |
| 5928 | Orbital Prosthesis – Replacement | $4950 |

| Code | Prosthodontics – Removable Dentures & Partials | Fee |
|---|---|---|
| 5929 | Facial Prosthesis – Replacement | $4950 |
| 5931 | Obturator Prosthesis – Surgical | $4950 |
| 5932 | Obturator Prosthesis – Definitive | $4950 |
| 5933 | Obturator Prosthesis – Modification | $4950 |
| 5934 | Mandibular Resection Prosthesis W/ Guide Flange | $4950 |
| 5935 | Mandibular Resection Prosthesis W/ No Guide Flange | $4950 |
| 5936 | Obturator Prosthesis – Interim | $4950 |
| 5937 | Trismus Appliance Not Associated With TMD | $885 |
| 5951 | Feeding Aid | $885 |
| 5952 | Speech Aid Prosthesis – Pediatric | $885 |
| 5953 | Speech Aid Prosthesis – Adult | $885 |
| 5954 | Palatal Augmentation Prosthesis | $885 |
| 5955 | Palatal Lift Prosthesis – Definitive | $885 |
| 5958 | Palatal Lift Prosthesis - Interim | $885 |

| Code | Prosthodontics – Removable Dentures & Partials | Fee |
|---|---|---|
| 5959 | Palatal Lift Prosthesis – Modification | $885 |
| 5960 | Speech Aid Prosthesis – Modification | $885 |
| 5982 | Surgical Stint | $885 |
| 5983 | Radiation Carrier | $885 |
| 5984 | Radiation Shield | $885 |
| 5985 | Radiation Cone Locator | $885 |
| 5986 | Fluoride Gel Carrier | $455 |
| 5987 | Commisure Splint | $455 |
| 5988 | Surgical Splint | $455 |
| 5999 | Unspecified Maxillofacial Prosthesis By Report | $455 |
| 5999.1 | Try In | n/c |
| 5999.2 | Deliver Denture | n/c |
| 6010 | Surgical Placement Of Implant Body | $1100 |
| 6020 | Abutment Placement Or Substitution | $1100 |

| Code | Prosthodontics – Removable Dentures & Partials | Fee |
|---|---|---|
| 6030 | Endosseous Implant | $1100 |
| 6040 | Surgical Placement Of An Endosteal Implant | $1100 |
| 6050 | Surgical Placement Of A Transosteal Implant | $4950 |
| 6055 | Implant Connecting Bar | $1100 |
| 6080 | Implant Maintenance Procedures | N/c |
| 6090 | Implant Repair | $455 |
| 6095 | Repair Implant Abutment By Report | $455 |
| 6099.1 | Implant Consultation By Report | $50 |
| 6100 | Implant Removal By Report | $455 |
| 6199 | Unspecified Implant Procedure By Report | $455 |

| Code | Prosthodontics – Nonremovable Dentures & Partials | Fee |
|---|---|---|
| 6210 | Pontic – Cast High Noble Metal | $685 |
| 6211 | Pontic – Cast Predominately Base Metal | $685 |
| 6212 | Pontic – Cast Noble Metal | $685 |
| 6240 | Pontic – Porcelain Fused To High Noble Metal | $685 |
| 6241 | Pontic – Porcelain Fused To Predominately Base Metal | $685 |
| 6242 | Pontic – Porcelain Fused To Noble Metal | $685 |
| 6250 | Pontic – Resin With High Noble Metal | $685 |
| 6251 | Pontic – Porcelain Fused To Metal On An Implant | $685 |
| 6252 | Pontic – Resin With Noble Metal | $685 |
| 6520 | Inlay – Metallic – Two Surfaces | $630 |
| 6530 | Inlay – Metallic – Three Surfaces | $630 |
| 6543 | Onlay – Metallic – Three Surfaces | $630 |

| Code | Prosthodontics – Nonremovable Dentures & Partials | Fee |
|---|---|---|
| 6544 | Onlay – Metallic – Four Or More Surfaces | $630 |
| 6545 | Retainer – Cast Metal For Acid Etch Bridge | $685 |
| 6720 | Resin With High Noble Metal | $685 |
| 6721 | Resin With Predominately Base Metal | $685 |
| 6722 | Crown – Resin With Noble Metal | $685 |
| 6750 | Crown – Porcelain Fused To High Noble Metal | $685 |
| 6751 | Crown – Porcelain Fused To Predominately Base Metal | $685 |
| 6752 | Crown – Porcelain Fused To Noble Metal | $685 |
| 6780 | Crown – ¾ Cast High Noble Metal | $685 |
| 6790 | Crown – Full Cast High Noble Metal | $685 |
| 6791 | Crown – Full Cast Predominately Base Metal | $685 |
| 6792 | Crown – Full Cast Noble Metal | $685 |

| Code | Preventive | Fee |
|---|---|---|
| 1110 | Adult Cleaning (Prophylaxis) | $58 |
| 1111 | Specialist Referral Made | n/c |
| 1111.5 | Specialist Treatment Completed | n/c |
| 1119 | Bleaching | $330 |
| 1119.1 | Refill Box of Bleaching Tubes | $48 |
| 1120 | Child Cleaning Under 14 (Prophylaxis) | $48 |
| 1199 | Oxyfresh Products | $10 |
| 1200 | Patient Convenience Center Wall Products | |
| 1201 | Topical Fluoride w/Cleaning on a Child | $48 |
| 1203 | Topical Fluoride w/out Cleaning on a Child | $18 |
| 1204 | Topical Fluoride for Adult | $18 |

| Code | Prosthodontics – Nonremovable Fixes Bridges | Fee |
|---|---|---|
| 6920 | Connector Bar | $185 |
| 6930 | Recement Bridge | $185 |
| 6940 | Stress Breaker | $185 |
| 6950 | Precision Attachment | $185 |
| 6970 | Cast Post & Core in addition to bridge retainer | $185 |
| 6971 | Cast Post & Core as part of Fixed Partial Denture | $185 |
| 6972 | Prefabricated Post & Core in addition to bridge retainer | $155 |
| 6973 | Core Build Up for retainer including any pins | $155 |
| 6975 | Coping – Metal | $155 |
| 6980 | Fixed Partial Denture Repair – By Report | $395 |
| 6999 | Unspecified Fixed Prosthodontic Procedure | $395 |
| 6999.1 | Seat Bridge | $154 |

| Code | Oral Surgery | Fee |
|---|---|---|
| 7110 | Extraction, Single Tooth, Simple, Nonsurgical | $105 |
| 7120 | Extraction of Each Additional Tooth | $100 |
| 7130 | Root Removal – Exposed Root | $145 |
| 7210 | Extraction, Erupted Tooth, Surgical Removal requiring a flap | $170 |
| 7220 | Extraction, Impacted Tooth, Soft Tissue | $180 |
| 7230 | Extraction, Impacted Tooth, Partial Bony | $220 |
| 7240 | Extraction, Impacted Tooth, Full Bony | $250 |
| 7241 | Extraction, Impacted Tooth, Full Bony, w/complications | $310 |
| 7250 | Surgical Removal of Residual Tooth Roots | $180 |
| 7251 | Extraction Site Packing at time of surgery | $35 |
| 7260 | Oro Antral Fistula Closure | $520 |
| 7270 | Tooth Re-implantation and/or stabilization of avulsed tooth | $310 |
| 7272 | Tooth Transplantation | $310 |
| 7280 | Surgical Exposure of tooth for Orthodontic Reasons | $180 |

| Code | Oral Surgery | Fee |
|---|---|---|
| 7281 | Surgical Exposure of Impacted Tooth to Aid Eruption | $180 |
| 7285 | Biopsy of Hard Oral Tissue | $180 |
| 7286 | Biopsy of Soft Oral Tissue | $180 |
| 7290 | Surgical Repositioning of Teeth | $310 |
| 7291 | Transeptal Fiberotomy | $90 |
| 7310 | Alveoplasty With Extraction | $160 |
| 7320 | Alveoplasty Without Extraction | $300 |
| 7340 | Vistibuloplasty – Ridge Extension – Secondary Epithelialization | $1650 |
| 7350 | Vistibuloplasty – Ridge Extension – Complex – Revision | $3300 |
| 7360 | Distal Wedge Tuberosity Reduction | $310 |
| 7410 | Radical Excision – Lesion Diameter < 1.25 cm | $1650 |
| 7420 | Radical Excision – Lesion Diameter > 1.25 cm | $2650 |
| 7430 | Excision of Benign Tumor < 1.25 cm | $1650 |
| 7431 | Excision of Benign Tumor > 1.25 cm | $2650 |

| Code | Oral Surgery | Fee |
|---|---|---|
| 7440 | Excision of Malignant Tumor < 1.25 cm | $3290 |
| 7441 | Excision of Malignant Tumor > 1.25 cm | $4290 |
| 7450 | Removal of Odontogenic Cyst or Tumor < 1.25 cm | $1650 |
| 7451 | Removal of Odontogenic Cyst or Tumor > 1.25 cm | $2650 |
| 7460 | Removal of Nonodontogenic Cyst < 1.25 cm | $1650 |
| 7461 | Removal of Nonodontogenic Cyst > 1.25 cm | $2650 |
| 7465 | Destruction of Lesion – By Report | $1650 |
| 7470 | Removal of Exostosis – Maxillary / Mandibular | $560 |
| 7480 | Partial Ostectomy | $1650 |
| 7490 | Radical Resection of Mandible w/bone Graft | $2650 |
| 7510 | Incision & Drainage of Abscess – Intraoral | $560 |
| 7520 | Incision & Drainage of Abscess – Intraoral | $560 |
| 7530 | Surgical Removal of Foreign Body | $560 |
| 7540 | Surgical Removal of Reaction Producing Foreign Body | $560 |

| Code | Oral Surgery | Fee |
|---|---|---|
| 7550 | Sequestrectomy for Osteomyelitis | $560 |
| 7560 | Maxillary Sinusotomy – Tooth Fragmentation – Foreign Body | $560 |
| 7610 | Maxilla – Open Reduction – Teeth Immobilized If Present | $2650 |
| 7620 | Maxilla – Closed Reduction – Teeth Immobilized If Present | $3300 |
| 7630 | Mandible – Open Reduction – Teeth Immobilized If Present | $2650 |
| 7640 | Mandible – Closed Reduction – Teeth Immobilized If Present | $3650 |
| 7650 | Malar / Zygomatic Arch – Open Reduction | $2650 |
| 7660 | Malar / Zygomatic Arch – Closed Reduction | $3650 |
| 7670 | Alveolus – Stabilization of the Open Reduction | $2650 |
| 7780 | Facial Bones Complicated Reduction | $3650 |
| 7810 | Open Reduction of Dislocation | $2650 |
| 7820 | Closed Reduction of Dislocation | $3650 |
| 7830 | Manipulation Under Anesthesia | $1650 |
| 7840 | Condylectomy | $3650 |

| Code | Oral Surgery | Fee |
|---|---|---|
| 7850 | Surgical Disectomy With or Without an Implant | $3650 |
| 7852 | Disc Repair | $3650 |
| 7854 | Synovectomy | $3650 |
| 7856 | Myotomy | $3650 |
| 7858 | Joint Reconstruction | $3650 |
| 7860 | Arthrotomy | $3650 |
| 7865 | Arthroplasty | $3650 |
| 7870 | Arthrocentesis | $3650 |
| 7872 | Arthroscopy – Diagnosis With or Without A Biopsy | $3650 |
| 7873 | Arthroscopy – Surgical | $3650 |
| 7874 | Arthroscopy – Surgical Disc Repositioning | $3650 |
| 7875 | Arthroscopy – Surgical Synovectomy | $3650 |
| 7875 | Arthroscopy – Surgical: Disectomy | $3650 |
| 7877 | Arthroscopy – Surgical: Debridement | $3650 |

| Code | Oral Surgery | Fee |
|---|---|---|
| 7880 | Occlusal Orthotic appliance | $560 |
| 7899 | Unspecified TMD Therapy – By Report | $560 |
| 7910 | Suture Of Recent Small Wound < 5 cm | $560 |
| 7911 | Complicated Suture < 5 cm | $675 |
| 7912 | Complicated Suture > 5 cm | $775 |
| 7920 | Skin Graft | $3650 |
| 7940 | Osteoplasty for Orthognathic Deformities | $3650 |
| 7941 | Osteotomy – Ramus – Closed | $3650 |
| 7942 | Osteotomy – Ramus – Open With Bone Graft | $3650 |
| 7944 | Osteotomy – Segmented Per Sextant or Quadrant | $3650 |
| 7945 | Osteotomy – Body of Mandible | $3650 |
| 7946 | Lefort I – Maxilla – Total | $3650 |
| 7947 | Lefort I – Maxilla – Segmented | $3650 |
| 7948 | Lefort II / Lefort III Without Bone Graft | $3650 |

| Code | Oral Surgery | Fee |
|---|---|---|
| 7949 | Lefort II / Lefort III With Bone Graft | $4650 |
| 7950 | Osseous – Osteoperiosteal – Or Cartil | $3650 |
| 7655 | Repair Maxillofaciaol Soft / Hard Tissue | $1650 |
| 7960 | Frenectomy | $295 |
| 7970 | Excision of Hyperphastic Tissue Per Arch | $745 |
| 7971 | Excision of Pericoronal Gingiva | $90 |
| 7980 | Sialolithotomy | $1650 |
| 7981 | Excision Of Salivary Gland – By Report | $1650 |
| 7982 | Sialodochoplasty | $1650 |
| 7983 | Closure of Salivary Fistula | $1650 |
| 7990 | Emergency Tracheotomy | $1650 |
| 7991 | Coronoidectomy | $1650 |
| 7995 | Synthetic Graft – Mandible – Maxilla – Or Facial Bone | $1650 |
| 7996 | Implant – Mandible For Augmentation Purposes | $1650 |
| 7999 | Unspecified Oral Surgery Procedure – By Report | $960 |

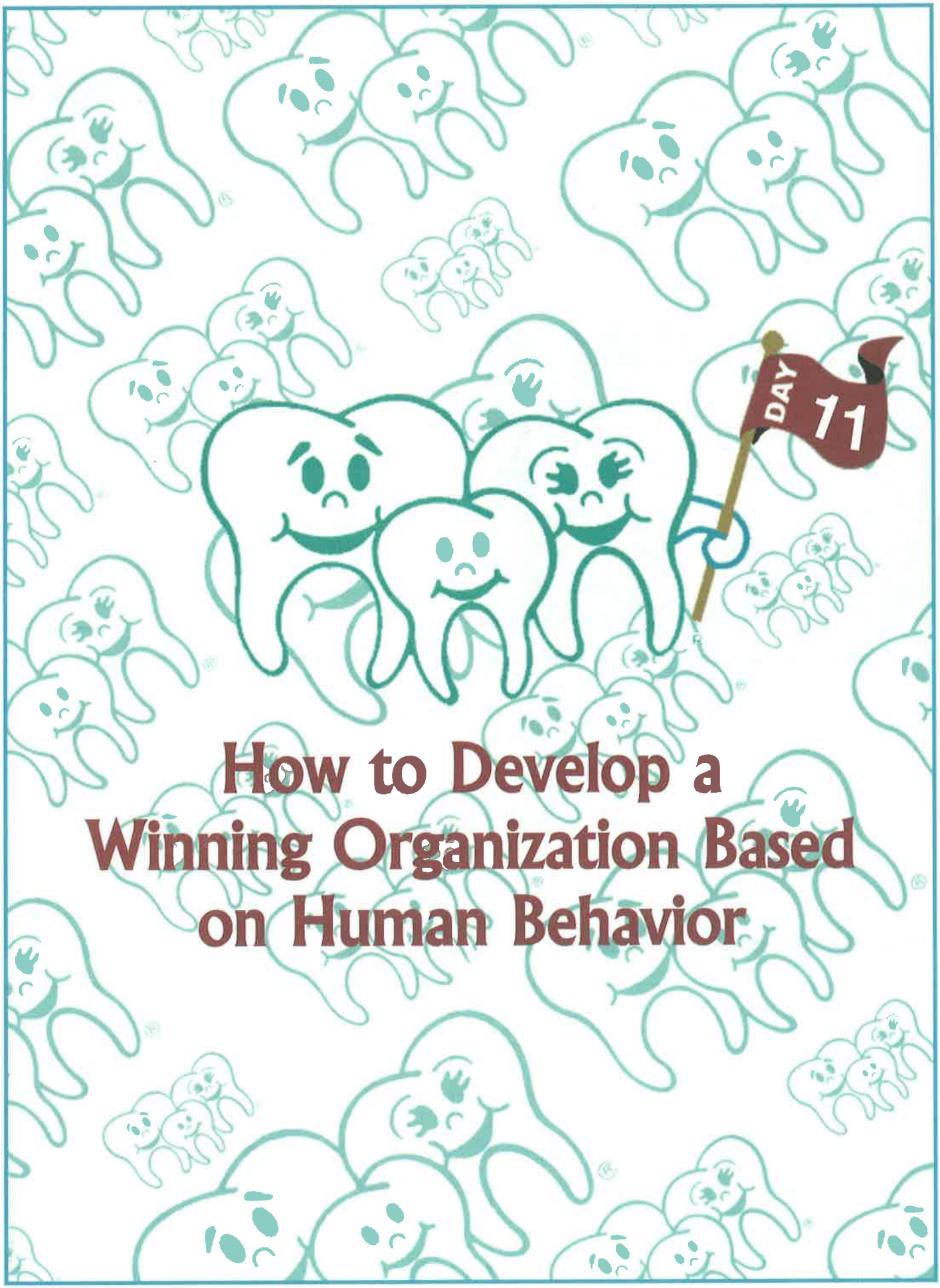
| Code | Orthodontics | Fee |
|---|---|---|
| 8010 | Limited Orthodontic Treatment of Primary | $855 |
| 8020 | Limited Orthodontic Treatment of Transitionary | $855 |
| 8030 | Limited Orthodontic Treatment of Adolescent | $855 |
| 8040 | Limited Orthodontic Treatment of Adult | $855 |
| 8050 | Interceptive Treatment of Primary Dentition | $855 |
| 8060 | Interceptive Treatment of Transitional Dentition | $855 |
| 8070 | Comprehensive Treatment of Transitional Dentition | $855 |
| 8080 | Comprehensive Treatment of Adolescent Dentition | $855 |
| 8090 | Comprehensive Treatment of Adult Dentition | $855 |
| 8110 | Removable Appliance Therapy for Minor Tooth Guidance | $855 |
| 8110.5 | Removable Appliance – Replacement Appliance | $855 |
| 8120 | Fixed Appliance Therapy for Minor Tooth Guidance | $855 |
| 8210 | Removable Appliance Therapy | $855 |
| 8220 | Fixed Appliance Therapy | $855 |
| 8360 | Removable Appliance Therapy for Interceptive Ortho. Trmt. | $855 |

| Code | Orthodontics | Fee |
|---|---|---|
| 8370 | Fixed Appliance Therapy For Interceptive Ortho Trmt | $855 |
| 8460 | Class I Malocclusion – Transitional Dentition – Complete Ortho | $4130 |
| 8470 | Class II Malocclusion – Transitional Dentition – Complete Ortho | $4240 |
| 8480 | Class III Malocclusion – Transitional Dentition – Complete Ortho | $4350 |
| 8560 | Class I Malocclusion – Permanent Dentition – Complete Ortho | $4130 |
| 8570 | Class II Malocclusion – Permanent Dentition – Complete Ortho | $4240 |
| 8580 | Class III Malocclusion – Permanent Dentition – Complete Ortho | $4350 |
| 8650 | Treatment of the Atypical or Extended Skeletal Case | $4450 |
| 8660 | Pre-Orthodontic Treatment Visit | $95 |
| 8670 | Periodic Orthodontic Treatment Visit | |
| 8671 | Orthodontic Retention | |
| 8680 | Orthodontic Treatment – Contract Fee | |
| 8690 | Orthodontic Treatment – Contract Fee | |
| 8999 | Unspecified Orthodontic Treatment – By Report | |

| Code | Adjunctive General Services | Fee |
|---|---|---|
| 9110 | Palliative Treatment of Emergency Pain | $95 |
| 9201 | Office Visit New Patient – Class I | $195 |
| 9202 | Office Visit New Patient – Class II | $95 |
| 9203 | Office Visit New Patient – Class III | $95 |
| 9204 | Office Visit New Patient – Class IV | $95 |
| 9205 | Office Visit New Patient – Class V | $95 |
| 9210 | Local Anesthesia – Not in Conjunction | $95 |
| 9211 | Office Visit Established Patient – Class I | $95 |
| 9212 | Office Visit Established Patient – Class II | $95 |
| 9213 | Office Visit Established Patient – Class III | $95 |
| 9214 | Office Visit Established Patient – Class IV | $95 |
| 9215 | Office Visit Established Patient – Class V | $95 |
| 9220 | General Anesthesia – For First 30 minutes | $225 |
| 9221 | General Anesthesia – for Each Additional 15 Minutes | $95 |

| Code | Adjunctive General Services | Fee |
|---|---|---|
| 9230 | Nitrous Oxide Analgesia per half hour | $35 |
| 9231 | Nitrous Nose Piece | $15 |
| 9240 | Intravenous Sedation | $225 |
| 9241 | Office Consultation – Class I | $50 |
| 9242 | Office Consultation – Class II | $50 |
| 9243 | Office Consultation – Class III | $50 |
| 9310 | Initial Periodontal Evaluation | $50 |
| 9410 | House Call | $145 |
| 9420 | Hospital Call | $145 |
| 9430 | Office Visit, Suture Removal Post-op Check | $75 |
| 9440 | Emergency Office Visit After Hours | $95 |
| 9610 | Therapeutic Drug Injection – By Report | $95 |
| 9611 | Subgingival Irrigation | $45 |
| 9612 | Local Delivery of Chemotherapeutic Agent | $45 |

| Code | Adjunctive General Services | Fee |
|---|---|---|
| 9630 | Fluoride Treatment for Home | $10 |
| 9700 | Missed Appointment | $45 |
| 9910 | Desensitize | $45 |
| 9920 | Behavior Management – By Report | $45 |
| 9930 | Treatment of Dry Socket | $45 |
| 9940 | Occlusal Guard – Soft | $345 |
| 9941 | Occlusal Guard – Hard – Athletic | $345 |
| 9950 | Occlusal Guard | $345 |
| 9951 | Occlusal Adjustment –Limited | $40 |
| 9952 | Occlusal Adjustment – Complete | $50 |
| 9970 | Enamel Micro-air-abrasion | $50 |
| 9999 | Dental Services – Unspecified | $50 |
| 9999.1 | Resent Insurance | N/C |
| 9999.2 | Rebilled for B-Up | N/C |




# How to Develop a Winning Organization Based on Human Behavior

Your 30 Day Dental MBA
Day 11

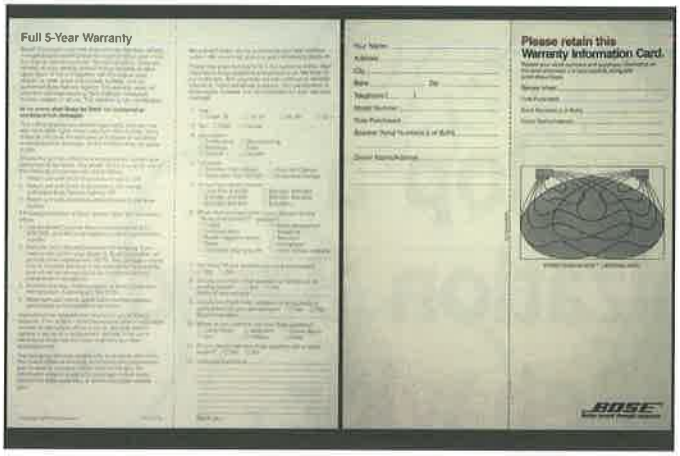
# How to Develop A Winning Organization Based on Human Behavior

## Patient Education Sheets

- Inform
- Educate
- Include your name, logo, office phone number and an emergency home number, cellular phone number, and/or beeper number
- Hand to every patient as they walk out

## Implementation of Consumerism

- Instructional sheet with every procedure!
- Pre operative videotape, instruction sheet, signed legal consent form, home care instructions with every procedure!
- Always give out your entire "Walk-Out Statement" stating everything that was done and the costs incurred in your high quality, great service, family practice dental office!



When you find great articles that you feel your patients can benefit from reading, then cut them out, xerox them if it is legal, and then pass them out to your patients!

Be sure to check each article for permission to copyright!

Just because you know what dental sealants are do you think everyone knows what dental sealants are?

Do you think that all 265,000,000 Americans know what dental sealants are?

Do you think that all 6 billion Earthlings know what dental sealants are?

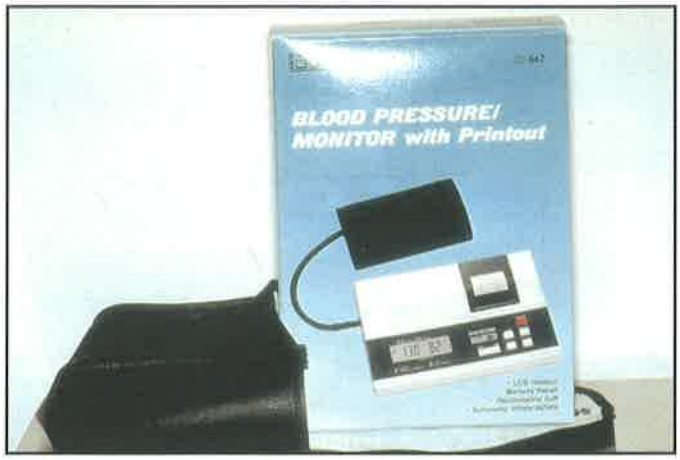
You can get patient education sheets like these free of charge at your local Office of Dental Health!

**If your specialist refers to themselves as a specialist and is too proud to admit that they are a dentist, then they will not co-diagnose each patient and create a two way referral road!**

## Blood Pressure Monitor: $181

### Smart Practice
### 1-800-522-0800

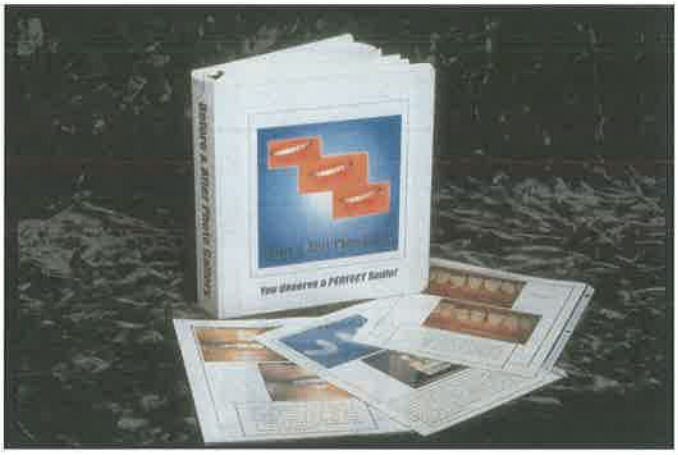
**Taking a patient's blood pressure at every appointment is a great value added service. Bundle it into your current fee. It is medically necessary before you use any vasoconstricter epinephrine containing anesthetic and patients over 40 love it!**




**The 2 most common reasons that 56,399 people gave the CDC for not having a dental visit in the past year:**

| | | |
|---|---|---|
| # 1 Reason | 44.6% | Perceived that they did not have a problem! |
| #2 Reason | 26.6% | Cost! |

Source: Dental Service Use and Dental Insurance Coverage United States, Behavioral Risk Surveillance System 1995 Centers for Disease Control & Prevention Dec. 19th Morbidity & Mortality Weekly Report Survey of 56,399 Adults



**Behavioral psychology** has a simple premise: a series of predictable rewards and punishments could be used as incentives to induce a subject to alter its behavior! A laboratory rat that went the wrong way in a maze would receive an electric shock! If the rat discovered the correct path, the route the psychologist wanted it to take, it would be rewarded with a food pellet!

Source: *Secrets of the Temple, How the Federal Reserve Runs the Country*, William Greider, 1987

## Women in the Labor Force

% of women in the labor force

| 1960 | 1993 |
|---|---|
| 38% | 57% |

% of married women with children under 18 in the labor force

| 1960 | 1993 |
|---|---|
| 28% | 68% |

*Market Driven Health Care*, Regina Herzlinger, Copyright 1997

## Employees

- 7% of employees care for an elderly loved one.
- 6% of employees have more than one job.
- Full time workers spend 138 hours more per year working in 1989 than 1969.

*Market Driven Health Care*, Regina Herzlinger, Copyright 1997

## The top 10 most important criteria that employees look for:

1. Competitive Salaries
2. An enjoyable work environment
3. Fun is a core value
4. Where work is not a four letter word
5. A fun and enjoyable customer base
6. How much the organization cares for them
7. Intelligent and nice people to work with
8. Variety in the work
9. Ease in moving back and forth from management to individual contribution
10. Latest and most up to date equipment

Organizations must learn how to manage and sustain change as part of a continuous process of improvement, renewal, and transformation.

Disintegrate = Dis integrate

Integrity is wholeness

Disintegrate is to undo

It means mind, body, family, spirit and community.

## The 3 rules of managing a family business

- Family members do not work in the business unless they are at least as able as any non family member and work at least as hard.
- One top job is always filled by an outsider who is not a member of the family. The Mafia called this person their conciliar and this person was not even Sicilian.
- All non family professionals have to be treated as equals with "full citizenship in the firm".

## The Bipolar continuum of life and death says everything is growing or dying.

You need to be growing continually.

Anthony Robins

SOURCE: Abraham H. Maslow, "A Theory of Human Motivation"
*Psychological Review*, Vol.. 50, 1943, p. 374

## Physiological Needs

Physiological needs include the needs for food, sex and air!

SOURCE: Abraham H. Maslow, "A Theory of Human Motivation"
*Psychological Review*, Vol. 50, 1943, p. 374

## People go to the psychologist to find out they are manic depressant or obsessive-compulsive!

But why do they need to be manic depressant or obsessive-compulsive?

Anthony Robins

## Security Needs

Security needs offer safety and security, as in adequate housing, clothing and freedom from worry and anxiety!

SOURCE: Abraham H. Maslow, "A Theory of Human Motivation"
*Psychological Review*, Vol. 50, 1943, p. 374

# Belongingness Needs

**Belongingness needs are the social needs that include the need for love and affection and the need to be accepted by peers!**

SOURCE: Abraham H. Maslow, "A Theory of Human Motivation"
*Psychological Review*, Vol. 50, 1943, p. 374

## We all need:

- **Predictability yet we need variety!**
- **Private space Yet we need recognition!**
- **No matter what humans do they do it for a reason of need!**

- **To be significant you have to be unique!**
- **To be unique causes you to be different than your peers!**
- **Yet you have strong belongingness needs!**
- **This causes an inner emotional needs conflict!**
- **Thus the saying that he has thick skin!**

**Tony Robins**

# Esteem Needs

**Esteem needs encompass both the need for a positive self-image and the need to be respected by others!**

SOURCE: Abraham H. Maslow, "A Theory of Human Motivation"
*Psychological Review*, Vol. 50, 1943, p. 374

# Self Actualization

**Self Actualization needs involve realizing our full potential, becoming all that we can be!**

SOURCE: Abraham H. Maslow, "A Theory of Human Motivation"
*Psychological Review*, Vol. 50, 1943, p. 374

# A coward dies a 1000 deaths!

# A courageous man dies once!

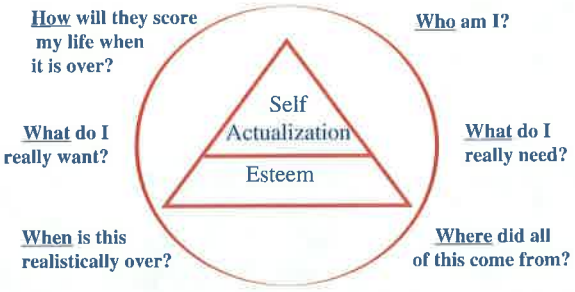
| | | | | |
|---|---|---|---|---|
| | 2% | Are | Compulsive & Focused | These people love their vocation and see no boundaries between personal life and their vocation. |
| | 8% | Are | Narrow Minded & Very Well Off | These people love their vocation and try to place some boundaries between their personal life and their vocation. |
| Above the line | 36% | Are | Well Rounded &Well To Do | These people love their vacation for the most part and do place some well defined boundaries between personal life and their vocation |
| Below the line | 54% | Are | Worried About the Future | These people consider dentistry as an occupation. They cannot wait to get off so they can start to live, play and have fun. |

Source: Howard Farran DDS, MBA, MAGD

| | | | | |
|---|---|---|---|---|
| | 2% Are | Compulsive & Focused | These people love their vocation and see no boundaries between personal life and their vocation. |
| | 8% Are | Narrow Minded & Very Well Off | These people love their vocation and try to place some boundaries between their personal life and their vocation. |
| Above the line | 836 % Are | Well Rounded & Well To Do | These people love their vacation for the most part and do place some well defined boundaries between personal life and their vocation |
| Below the line | 54% Are | Worried About the Future | These people consider dentistry as an occupation. They cannot wait to get off so they can start to live, play and have fun. |

Source: Howard Farran DDS, MBA, MAGD

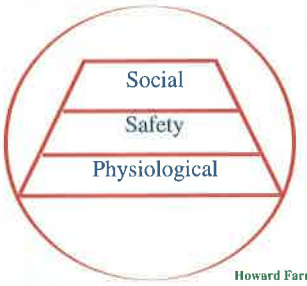
## The 6 Circular Parameter Questions Which Determine Your Own Internal Esteem and Self Actualization Needs




Howard Farran DDS, MAGD

## The 1 Circular Parameter Question Which Determines Your Own External Psychological Safety And Social Needs

**How can I survive long enough to reproduce and have offspring so that my species will survive?**




Howard Farran DDS, MAGD, MBA

## Positive Reinforcement

| Stimulus | Desirable Behavior | Presentation of Attractive Consequence | Repetition of Desirable Behavior |
|---|---|---|---|
| Example: Possibility of Pay Raise | High Performance | Pay Raise Awarded | Continued High Performance |

## Avoidance

| Stimulus | Desirable Behavior | Removal of Aversive Consequence | Repetition of Desirable Behavior |
|---|---|---|---|
| Example: Threat of Reprimand for tardiness | Punctual Behavior | No Reprimand Given | Continued Punctuality |

Source: Organizational Behavior, 4th Edition, Moorhead/Griffin

## Extinction

| Stimulus | Undesirable Behavior | No Consequence Presented | Decrease in Undesirable Behavior |
|---|---|---|---|
| Example: Possibility of recognition for Boasting | Frequent boasting | No recognition given | Less frequent boasting |

## Punishment

| Stimulus | Undesirable Behavior | Presentation of Aversive Consequence | Decrease in Undesirable Behavior |
|---|---|---|---|
| Example: Threat of reprimand for smoking in office | Smoking in office | Reprimand given | Less smoking in office |

Source: Organizational Behavior, 4th Edition, Moorhead/Griffin

**Whatever response you already have linked to a stimulus is your anchor. Alter your anchors for success.**

Anthony Robbins

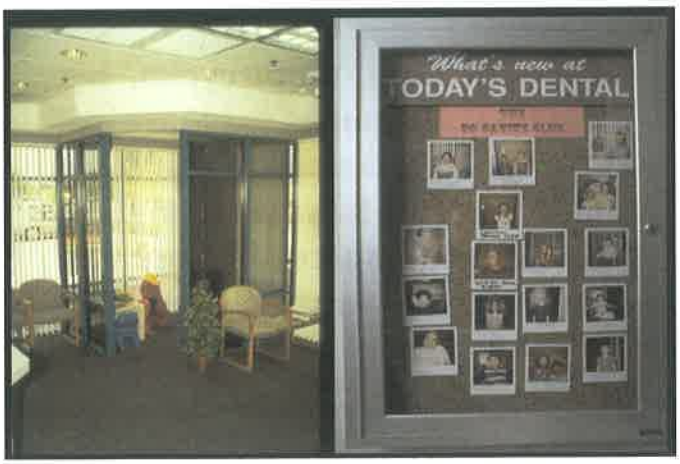
**Did your first drink of beer taste good?**

**Do you associate alcohol with the pleasure after the drink, or the pain of the morning after?**

Anthony Robbins

**In success people party. In failure people ponder.**

Anthony Robbins



**A gun shoots death and a penis shoots life!**

**Male tattooing, motorcycles, big houses and sports cars are all different expressions of the same cultural drive for males to show that they are successful and can protect their females and their families.**

Source: *The Human Sexes*, Desmond Morris, 1997

**The cultural desire for tanned skin became popular in the 1920's when cars became able to take you south for a vacation. The suntan was the only proof of your vacation that you could take back home.**

**Prior to 1920's tanned skin was associated with a low social class that required working outside in the sun.**

Source: *The Human Sexes*, Desmond Morris, 1997

In Tahiti a flower tucked behind a woman's right ear means that she is available.

Above the left ear (close to her heart) means she is taken.

Source: *The Human Sexes*, Desmond Morris, 1997

Why do women have to cover their hair in ancient churches, mosques and synagogues, when men don't?

The universally appealing sexual characteristics across all cultures are:

Youth
Health

Source: *The Human Sexes*, Desmond Morris, 1997

Men shave their face simply to look younger.

If a man spends 10 minutes a day from age 18 – 60 shaving this adds up to 2556 hours or 106 days!

Source: *The Human Sexes*, Desmond Morris, 1997

Dancing is symbolic locomotion without going anywhere!

Dancing used to be war dancing and it is now sexual dancing.

It shows your level of health for reproduction.

Source: *The Human Sexes*, Desmond Morris, 1997

By age 30, men are 15 times more likely to die from an accident than females.

Throughout evolution, men have always been expendable!

Source: *The Human Sexes*, Desmond Morris, 1997

The Goal

"If your goal of a company is to make money then something can only be efficient if it makes more money!"

The Goal by Eliyahu M. Goldratt

The Delphi Method of survey is when you independently survey experts in the profession to see what their expert opinions are!

NGT Nominal Group Technique everyone gets a turn in a group setting which is very structured and non-confrontational!

Brainstorming is a very unstructured "free for all!"

## The Five "P's"

- Processes
- Plants
- Planning & Control
- Parts
- People

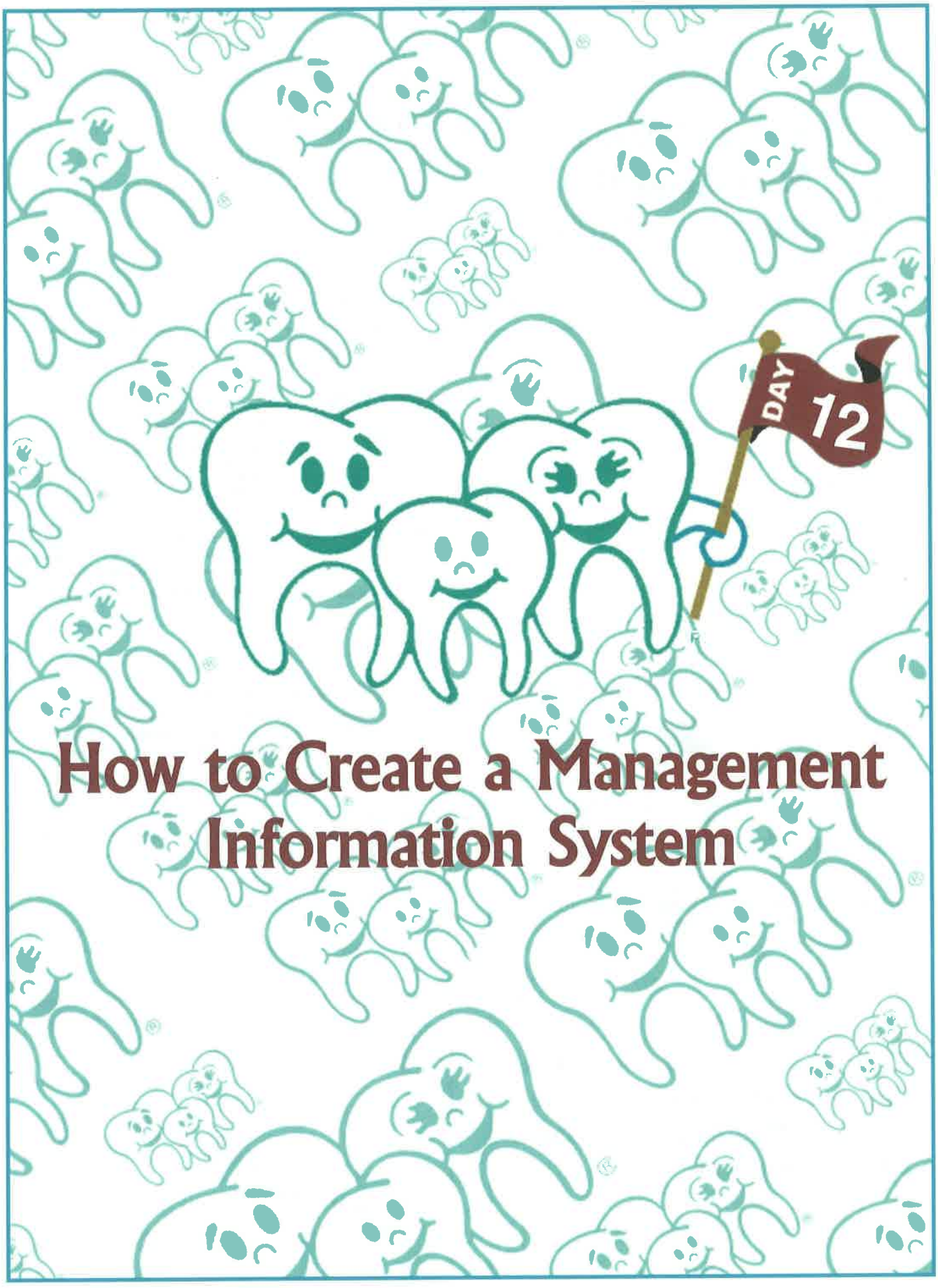
Arizona State University, OPM 502, Professor M. Rungtusanatham

**Success is when you can create continuous pleasure in your life while you continue to grow.**

Anthony Robbins

**Emotion is created by motion. How you move your physical body determines how you feel.**

Anthony Robbins




# How to Create a Management Information System

Your 30 Day Dental MBA
Day 12

# How to Create a Management Information System

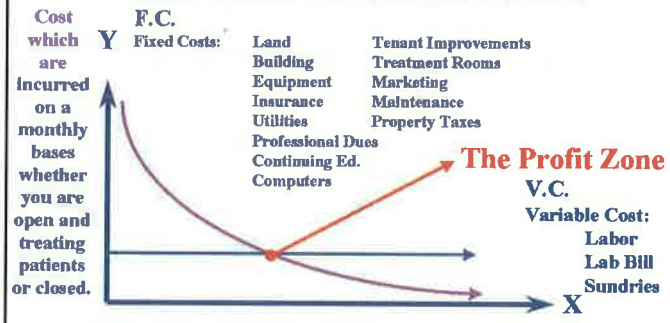
A strong management information system (MIS) or integrated technology (IT) system, like SoftDent, Eaglesoft, Dentrix, or Practice Outlook, is key to the renewal in productivity of the American family practice dental healthcare system!

**Howard Farran DDS, MBA, MAGD**

## The Major Banks & Their Asset Values as of January 1, 1999

| | |
|---|---|
| $780 Billion | Citicorp & Travelers |
| $600 Billion | Bank of America & Nations Bank |
| $400 Billion | Chase |
| $260 Billion | J.P. Morgan |
| $260 Billion | First Union & The Money Store |
| $220 Billion | Bank One & 1st Chicago |
| $190 Billion | Wells Fargo & Norwest |

## Fixed Costs vs. Variable Cost




**Output of High Quality Dental Services During a Monthly Period.**

## The 3 Legs of Managerial Economics!

**What's the Reward?**

**Who Makes What Decisions?**

**What's the Score?**

**Source: Adapted from Managerial Economics and Organizational Architecture, Brinckley, Smith & Zimmerman.**

## Successful Companies Who Achieve Goals

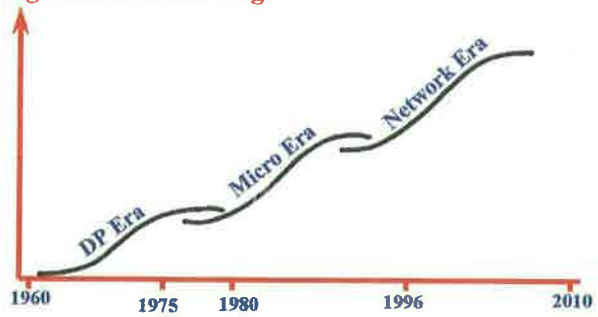
1. Support their employees with considerable training, to improve efficiency from their high cost labor investment.
2. Invest massively in technology to get more outputs from their expensive labor market.
3. Use gain-sharing systems that spread the created wealth and share the reward. What motivates the owners also motivates the entire team.
4. Have exquisitely crafted information management systems that assist in keeping "the score!"

## Fact:

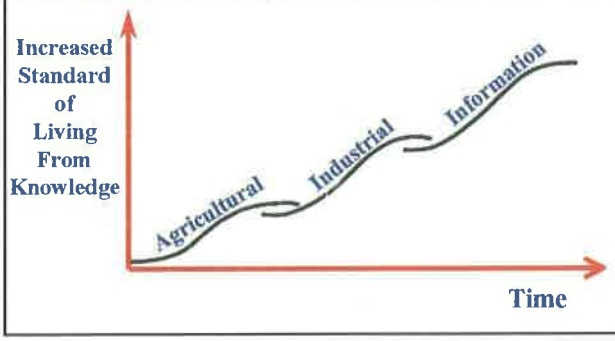
**Consulting evaluations show that overhead can be reduced by 5—10% merely through efficient protocol!**

**Source: Sally McKensie, McKensie Management, 1998**

**By the mid-80's Information Technologies. IT, had reached critical mass both in installed base and organizational learning!**



The 3 major era's of humanity that drastically increased their standard of living!




## The Economics of Computers

| Year | Cost | Power'60 | Power'80 | Power'95 |
|---|---|---|---|---|
| 1962 | $10,000,000 | 1 | | |
| 1963 | $6,660,000 | 2 | | |
| 1964 | $4,435,560 | 2 | | |
| 1965 | $2,954,083 | 3 | | |
| 1966 | $1,967,419 | 5 | | |
| 1967 | $1,310,301 | 8 | | |
| 1968 | $872,661 | 11 | | |
| 1969 | $581,192 | 17 | | |
| 1982 | $2,948 | 3,392 | 1 | |
| 1983 | $1,963 | 5,094 | 2 | |
| 1984 | $1,307 | 7,648 | 2 | |
| 1985 | $871 | 11,484 | 3 | |
| 1986 | $580 | 17,243 | 5 | |
| 1987 | $386 | 25,891 | 8 | |
| 1988 | $257 | 38,875 | 11 | |
| 1989 | $171 | 58,371 | 17 | |
| 1990 | $114 | 87,644 | 26 | |
| 1991 | $76 | 131,597 | 39 | |
| 1992 | $51 | 197,594 | 58 | |
| 1993 | $34 | 296,687 | 87 | |
| 1994 | $22 | 445,476 | 131 | |
| 1995 | $15 | 668,885 | 197 | |
| 1996 | $10 | 1,004,520 | 296 | |
| 1997 | $7 | 1,508,002 | 445 | 1 |
| 2002 | $0.87 | 11,508,821 | 3,392 | 8 |
| 2012 | $0.01 | 670,329,823 | 197,594 | 445 |

# In God we trust
# All others must use data!

**W. Edwards Deming**

American Physicist from MIT.
Subject of "The Deming Management Method"
The genius who revitalized Japanese industry

**Microsoft**

- Word
- Excel
- Powerpoint
- Publisher/Layout
- Exchange/E-Mail
- Network
- Money

# A computer allows you to make more mistakes faster than any other invention except for handguns and whisky!

## Dentists with computers in their primary practice

Source: ADA Survey Center, Quarterly Survey of Dental Practice
Special Topics, 4th Quarter 1994: Computers in Dental Practice

## The E Myth by Michael Gerber

- Why are over 90% of all franchises still in businesses in 10 years?

PROCESS

PRODUCT

- Why are most Mom & Pop businesses closed in 10 years?

The might of your brand name, the attributes of your services, and the strength of your distribution systems gives you an enormous competitive advantage, setting up a protective moat around your economic castle!

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997
Selected, Arranged and Introduced by Lawrence A. Cunningham

## You cannot steal creativity!

**All one can steal is a product, a by-product of creativeness or of good management policy. One cannot steal the creativeness or the good management policy!**

Source: Maslow on Management, Abraham Maslow, 1998

## The Top 10 Restaurant Chains

| | 1996 sales (millions) | 1996 Sales Per Unit | Total Units | % of Units Franchised |
|---|---|---|---|---|
| McDonald's | $16,370 | $1,420,000 | 12,094 | 84.6 |
| Burger King | $7,548 | $1,090,000 | 6,925 | 92.5 |
| Wendy's | $4,237 | $991,000 | 4,419 | 70.7 |
| Taco Bell | $4,750 | $905,000 | 6,830 | 57.2 |
| Hardee's | $4,127 | $890,000 | 3,345 | 74.8 |
| KFC | $4,000 | $800,000 | 5,120 | 60.9 |
| Pizza Hut | $5,400 | $635,000 | 8,880 | 46.2 |
| Little Caesar's | $2,075 | $500,000 | 4,805 | 66.1 |
| Domino's Pizza | $2,115 | $480,000 | 4,400 | 84.1 |
| Subway | $2,700 | $260,000 | 10,848 | 100.0 |

Source: Franchise Finance Corporation of America

Each day 7% of all Americans eat at McDonald's. Worldwide they have nearly 20,000 stores, with average 1995 revenues of $1.8 million each, with 55 items on the menu.

*Market Driven Health Care*, Regina Herzlinger, Copyright 1997

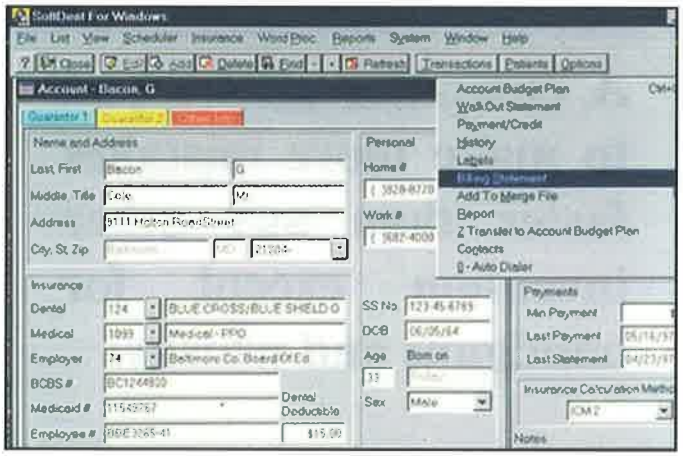
**McDonald's has 332 service auditors for 11,400 stores in the United States. That is about one service auditor for every 34 stores**

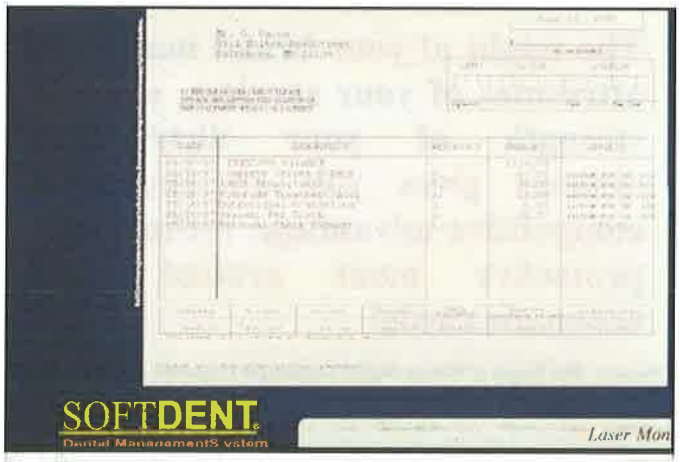
*Market Driven Health Care*, Regina Herzlinger, Copyright 1997

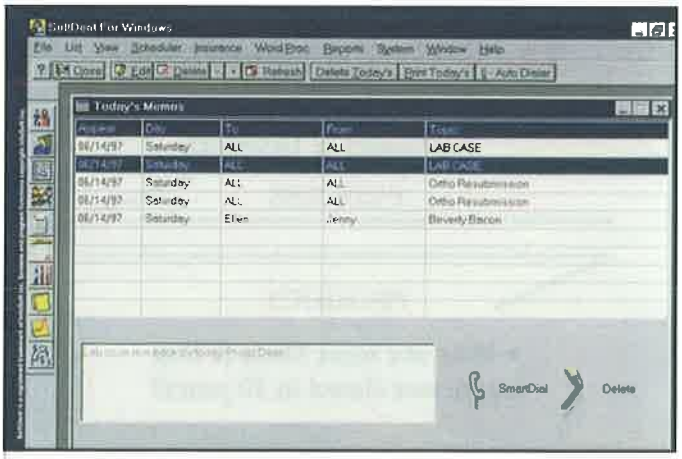
## Franchises: Facts

- 540,000 Franchise Units
- Employ 8 Million People
- $758,000,000,000 in 1997 Sales
- 40% of All Retail Sales

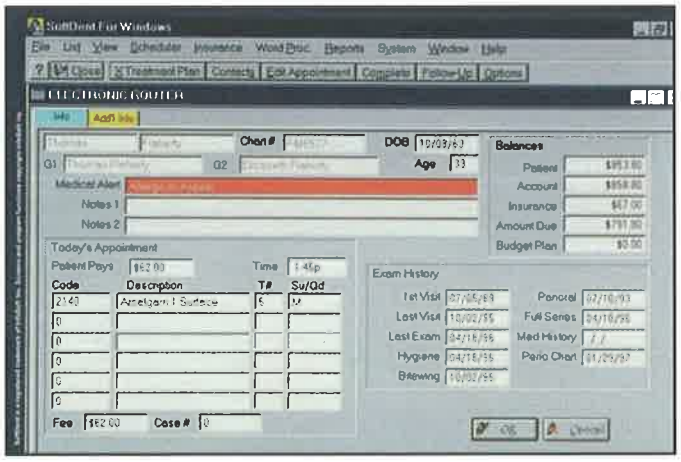
Source: The New York Times 1998 Almanac



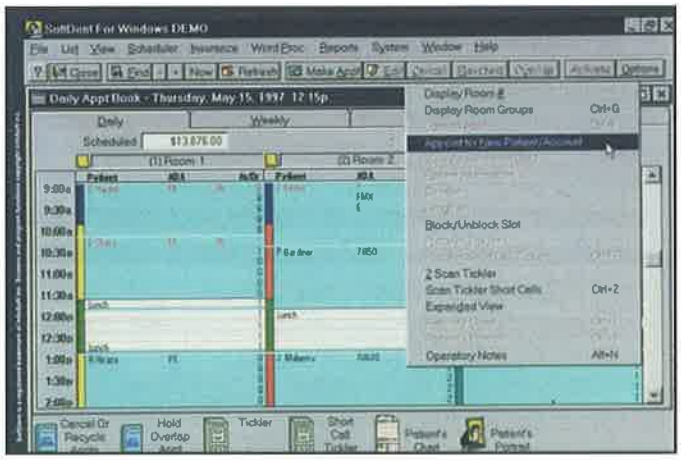



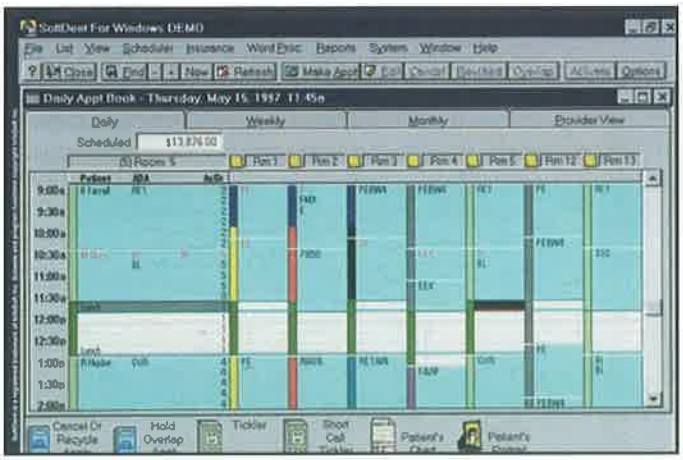



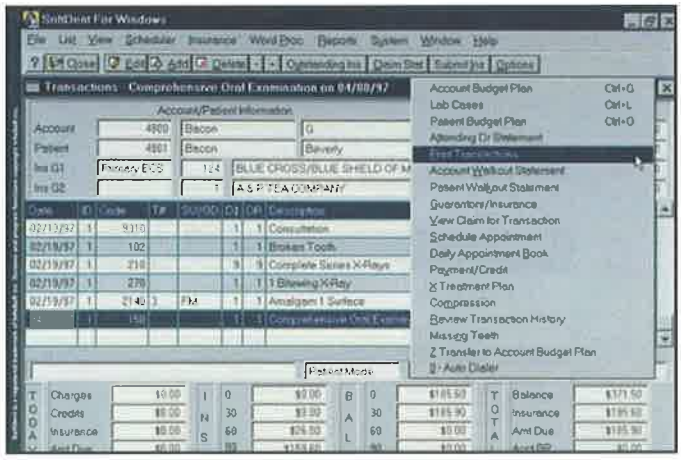
SoftDent For Windows DEMO
InOffice - Linda Fried
Remove
Clear InOffice
Change Location
Update Time
Daily Appointment Book
View Appointment Card
Treatment Plan
Electronic Router
Chart
Portrait
Patient's Chart
Check Out
Change Location
Patient's Portrait

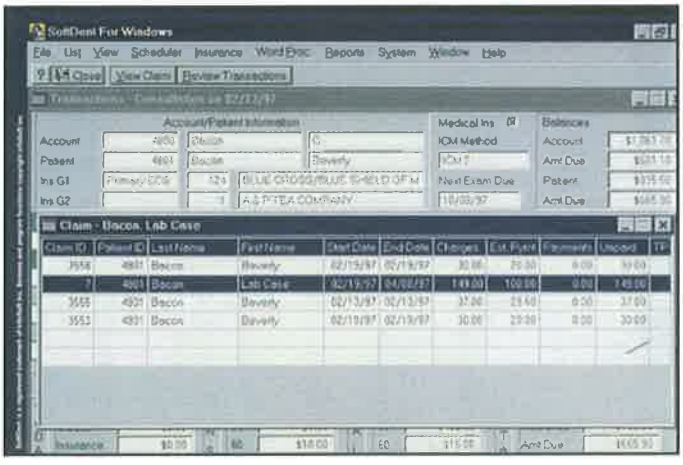

SoftDent For Windows
ELECTRONIC ROUTER
Chart #
DOB
Age
Balances
Patient
Account
Insurance
Amount Due
Budget Plan
Medical Alert
Notes 1
Notes 2
Today's Appointment
Patient Pays
Time
Code
Description
T#
Su/Qd
Exam History
1st Visit
Last Visit
Last Exam
Hygiene
Bitewing
Periocel
Full Series
Med History
Perio Chart
Fee
Case #

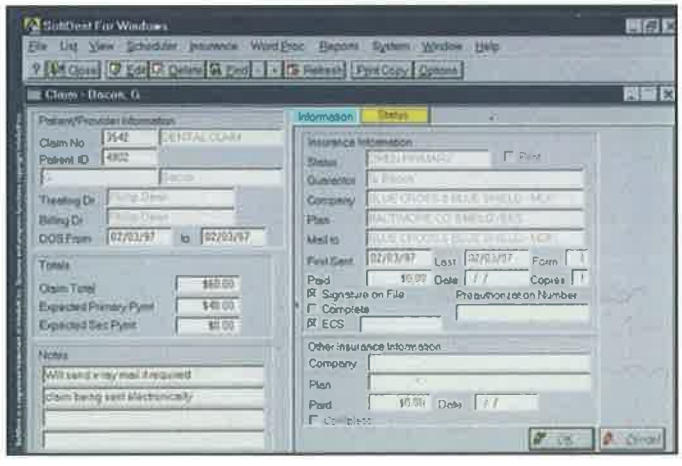
SoftDent For Windows
Patient - Bacon, Beverly LC [Penicillin Pre-med]
Auto Schedule
Instant Recall
Go To Recall Day
Place in Tickler
Place in Short Call Tickler
Treatment Plan
Make Referral
Print Appointments
Print Reminder Card
Auto Dialer
Notes / Alerts

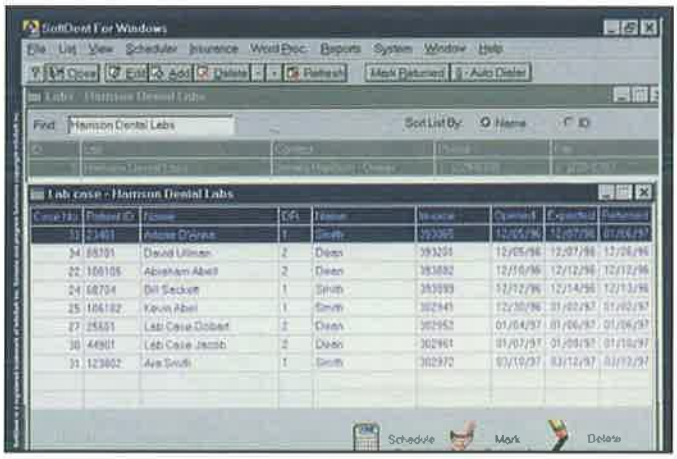

SoftDent For Windows DEMO
Daily Appt Book - Thursday, May 15, 1997 12:15p
Display Room #
Display Room Groups
Block/Unblock Slot
Scan Tickler
Scan Tickler Short Calls
Expanded View
Operatory Notes
Cancel Or Recycle
Hold Overlap
Tickler
Short Call Tickler
Patient's Chart
Patient's Portrait

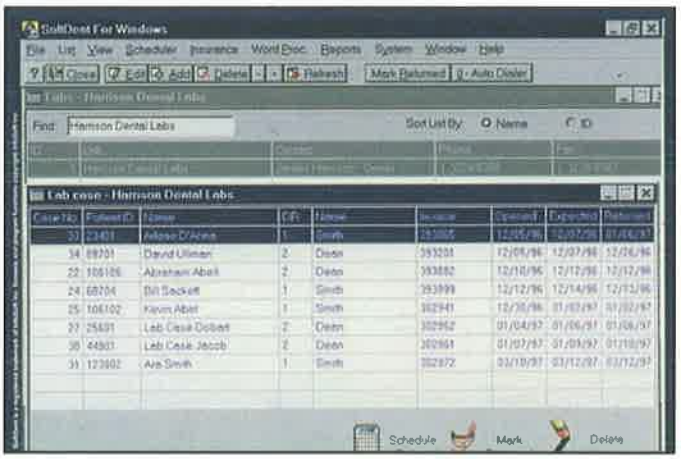

SoftDent For Windows DEMO
Daily Appt Book - Thursday, May 15, 1997 11:45a
Daily
Weekly
Monthly
Provider View
Scheduled
Cancel Or Recycle
Hold Overlap
Tickler
Short Call Tickler
Patient's Chart
Patient's Portrait

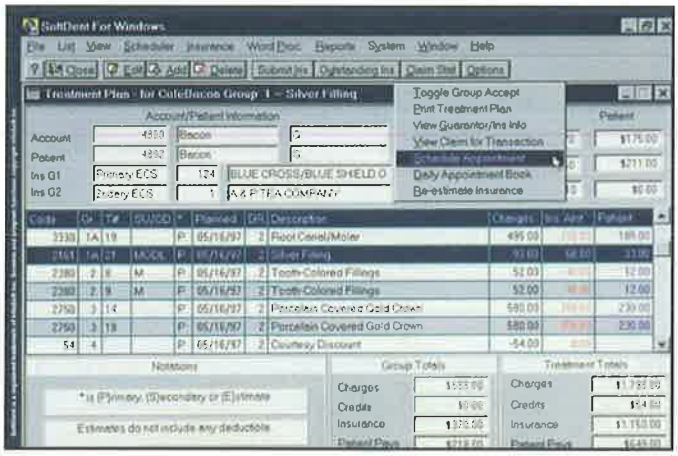

SoftDent For Windows
Transactions - Comprehensive Oral Examination on 04/08/97
Account Budget Plan
Lab Cases
Patient Budget Plan
Attending Dr Statement
Post Transactions
Account Walkout Statement
Patient Walkout Statement
Guarantors/Insurance
View Claim for Transaction
Schedule Appointment
Daily Appointment Book
Payment/Credit
Treatment Plan
Compression
Review Transaction History
Missing Teeth
Transfer to Account Budget Plan
Auto Dialer
Charges
Credits
Insurance
Balance
Amt Due

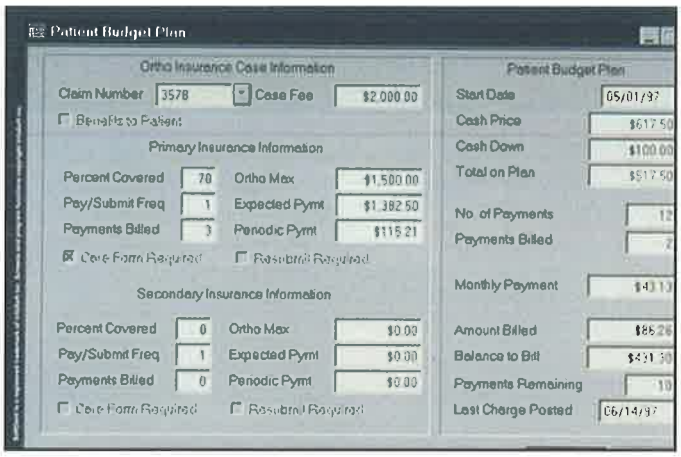

SoftDent For Windows
Claim - Bacon, Lab Case
Claim ID
Patient ID
Last Name
First Name
Start Date
End Date
Charges
Est. Pymt
Payments
Unpaid
Insurance
Amt Due

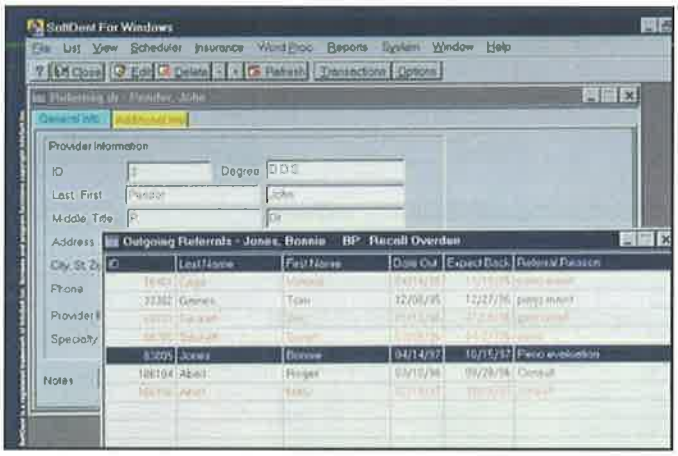

SoftDent For Windows
Claim - Bacon, G
Information
Status
Claim No
Patient ID
Treating Dr
Billing Dr
DOS From
Totals
Claim Total
Expected Primary Pymt
Expected Sec Pymt
Notes
Will send x-ray mail if required
claim being sent electronically
Insurance Information
Company
Plan
Other Insurance Information


SoftDent For Windows
Lab case - Harrison Dental Labs
Schedule
Mark
Delete


SoftDent For Windows
Lab case - Harrison Dental Labs
Schedule
Mark
Delete

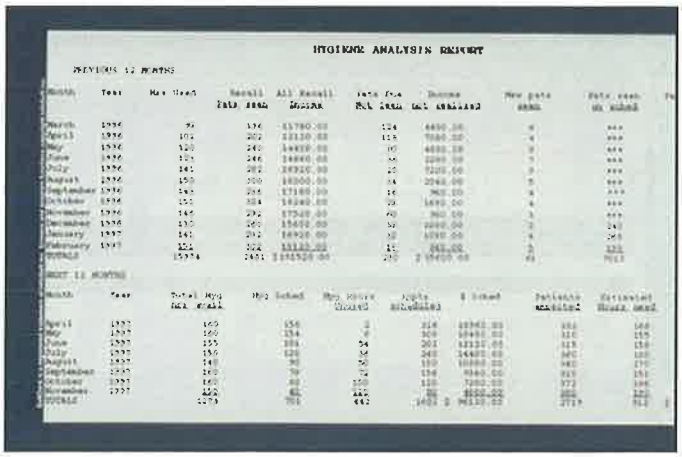

SoftDent For Windows
Treatment Plan - for CuteBacon Group - 1 = Silver Filling
Toggle Group Accept
Print Treatment Plan
View Guarantor/Ins Info
View Claim for Transaction
Schedule Appointment
Daily Appointment Book
Re-estimate Insurance

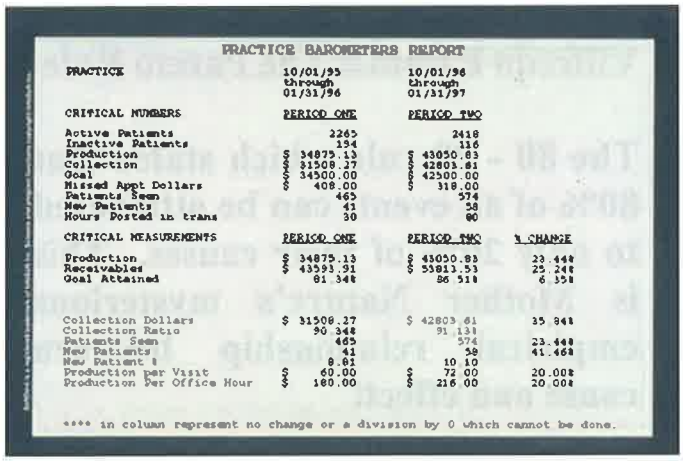

Patient Budget Plan
Ortho Insurance Case Information
Claim Number
Case Fee
Benefits to Patient
Primary Insurance Information
Percent Covered
Ortho Max
Pay/Submit Freq
Expected Pymt
Payments Billed
Periodic Pymt
Case Form Required
Resubmit Required
Secondary Insurance Information
Percent Covered
Ortho Max
Pay/Submit Freq
Expected Pymt
Payments Billed
Periodic Pymt
Case Form Required
Resubmit Required
Patient Budget Plan
Start Date
Cash Price
Cash Down
Total on Plan
No. of Payments
Payments Billed
Monthly Payment
Amount Billed
Balance to Bill
Payments Remaining
Last Charge Posted


SoftDent For Windows
Provider Information
Outgoing Referrals - Jones, Bonnie BP Recall Overdue

SoftDent ECS
Claim Submission List
Completed
Load Claims
Validate
Transmit
Update Claims File
Passed
Failed
Reports
Validations Errors
Transmission Summary
Claims Status
Account Balance Status

SoftDent For Windows
CONFIRM TOMMORROW APPT
Items
Calls
Connects
Estimated Time to Complete
Average Call Length
Medical Alerts


HYGIENE ANALYSIS REPORT

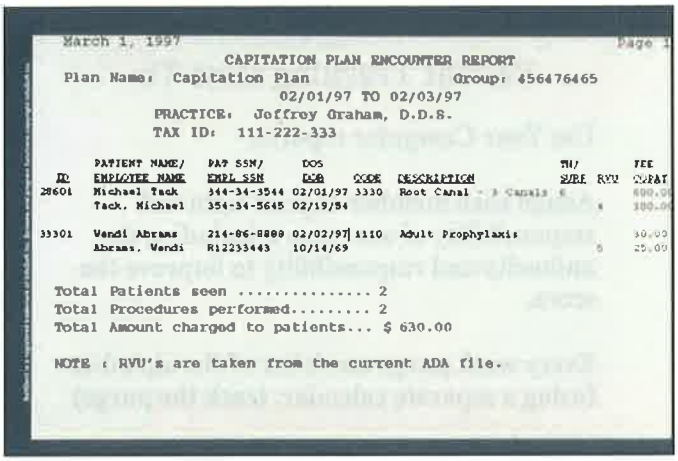


PRACTICE BAROMETERS REPORT

| PRACTICE | 10/01/95 through 01/31/96 | 10/01/96 through 01/31/97 |
|---|---|---|
| CRITICAL NUMBERS | PERIOD ONE | PERIOD TWO |
| Active Patients | 2265 | 2418 |
| Inactive Patients | 194 | 116 |
| Production | $ 34875.13 | $ 43050.83 |
| Collection | $ 31508.27 | $ 42803.61 |
| Goal | $ 34500.00 | $ 42500.00 |
| Missed Appt Dollars | $ 408.00 | $ 318.00 |
| Patients Seen | 465 | 574 |
| New Patients | 41 | 58 |
| Hours Posted in trans | 30 | 80 |

| CRITICAL MEASUREMENTS | PERIOD ONE | PERIOD TWO | % CHANGE |
|---|---|---|---|
| Production | $ 34875.13 | $ 43050.83 | 23.44% |
| Receivables | $ 43593.91 | $ 53813.53 | 25.24% |
| Goal Attained | 01.34% | 86.51% | 6.35% |
| Collection Dollars | $ 31508.27 | $ 42803.61 | 35.84% |
| Collection Ratio | 90.34% | 91.13% | |
| Patients Seen | 465 | 574 | 23.44% |
| New Patients | 41 | 58 | 41.46% |
| New Patient % | 8.81 | 10.10 | |
| Production per Visit | $ 60.00 | $ 72.00 | 20.00% |
| Production Per Office Hour | $ 160.00 | $ 216.00 | 20.00% |

**** in column represent no change or a division by 0 which cannot be done.



March 1, 1997 Page 1

CAPITATION PLAN ENCOUNTER REPORT

Plan Name: Capitation Plan Group: 456476465

02/01/97 TO 02/03/97

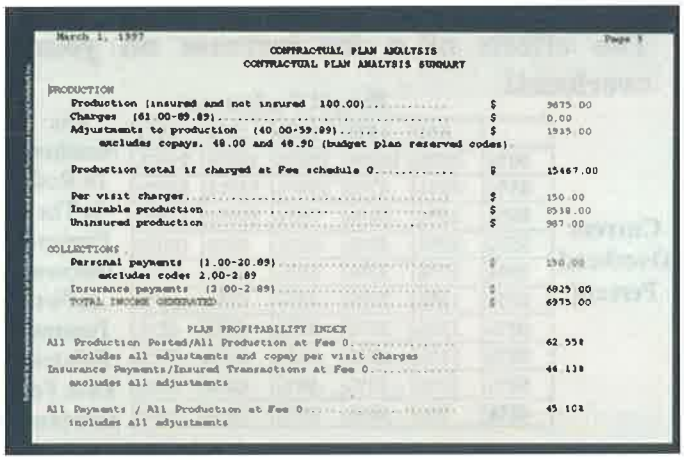
PRACTICE: Jeffrey Graham, D.D.S.

TAX ID: 111-222-333

| ID | PATIENT NAME/ EMPLOYEE NAME | PAT SSN/ EMPL SSN | DOS | CODE | DESCRIPTION | TH/ SURF | RVU | FEE CHRGD |
|---|---|---|---|---|---|---|---|---|
| 28601 | Michael Tack | 344-34-3544 | 02/01/97 | 3330 | Root Canal - 3 Canals | K | | 600.00 |
| | Tack, Michael | 354-34-5645 | 02/19/54 | | | K | | 100.00 |
| 33301 | Wendi Abrams | 214-86-8888 | 02/02/97 | 1110 | Adult Prophylaxis | | | 30.00 |
| | Abrams, Wendi | R12233443 | 10/14/69 | | | D | | 25.00 |

Total Patients seen ..... 2
Total Procedures performed..... 2
Total Amount charged to patients... $ 630.00

NOTE : RVU's are taken from the current ADA file.



March 1, 1997 Page 1

CONTRACTUAL PLAN ANALYSIS

CONTRACTUAL PLAN ANALYSIS SUMMARY

PRODUCTION

| | |
|---|---|
| Production (insured and not insured 100.00) | $ 9675.00 |
| Charges (61.00-69.89) | $ 0.00 |
| Adjustments to production (40.00-59.89) excludes copays. 48.00 and 48.90 (budget plan reserved codes) | $ 1935.00 |
| Production total if charged at Fee schedule 0 | $ 15467.00 |
| Per visit charges | $ 150.00 |
| Insurable production | $ 8538.00 |
| Uninsured production | $ 987.00 |

COLLECTIONS

| | |
|---|---|
| Personal payments (1.00-20.89) excludes codes 2.00-2.89 | $ 150.00 |
| Insurance payments (2.00-2.89) | $ 6825.00 |
| TOTAL INCOME GENERATED | $ 6975.00 |

PLAN PROFITABILITY INDEX

| | |
|---|---|
| All Production Posted/All Production at Fee 0 excludes all adjustments and copay per visit charges | 62.55% |
| Insurance Payments/Insured Transactions at Fee 0 excludes all adjustments | 44.13% |
| All Payments / All Production at Fee 0 includes all adjustments | 45.10% |

## Your Management Information System, (MIS), is only as good as your computer!

### Suggested Software:

| | |
|---|---|
| SoftDent (Dentsply) | 800 443 2409 |
| Dentrix (Shein) | 800 472 4346 |
| Eaglesoft (Patterson) | 800 352 8101 |
| Practice Outlook | 800 247 6173 |

Management changes, like marital changes, are painful, time-consuming and chancy!

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham

## Good Lovers!

**People, one may say, become good lovers only when they can accept others as they are, and can then enjoy and like them rather than being bothered and irritated and disapproving!**

Source: Maslow on Management, Abraham Maslow, 1998

## Relationships!

**In all relationships, understanding the feelings of others is key to creating stronger relationships.**

Source: Maslow on Management, Abraham Maslow, 1998

### Employee Turnover Formula

$$\frac{Time_1 - Time_2}{Time_1} \times 100 = \%$$

$$\frac{50 - 30}{50} = \frac{20}{50} = 0.4 \text{ or } 40\%$$

## Patient Tracking How To

Use Your Computer reports.

Assign each member of your team full responsibility of one report, including the authority and responsibility to improve the score.

Every week purge one letter of the alphabet. (using a separate calendar, track the purge)

## Vilfredo Pareto ≡ The Pareto Rule

**The 80 - 20 rule which states that 80% of all events can be attributed to only 20% of their causes. This is Mother Nature's mysterious empirical relationship between cause and effect!**

80% of the patients that came into your office last year were from 20% of your charts!

85% of the beer is consumed by 15% of the beer drinkers!

80% of your collection problems are from 20% of the patients you treated!

80% of the calories people eat are from 20% of the food items they eat!

80% of your staff problems arise from 20% of your staff!

80% of the clothes you wear are from 20% of your wardrobe!.

80% of your profit in dentistry comes from 20% of your procedures!

## The effects of a fee increase on your overhead!

| Current Overhead Percent | Percent Fee Increase 5% | 10% | 15% | 20% | 25% |
|---|---|---|---|---|---|
| 90% | 50% | 100% | 150% | 200% | 250% |
| 85% | 33% | 67% | 100% | 133% | 167% |
| 80% | 25% | 50% | 75% | 100% | 125% |
| 75% | 20% | 40% | 60% | 80% | 100% |
| 70% | 17% | 33% | 50% | 67% | 83% |
| 65% | 14% | 29% | 43% | 57% | 71% |
| 60% | 12% | 25% | 37% | 50% | 62% |
| 55% | 11% | 22% | 33% | 44% | 56% |
| 50% | 10% | 20% | 30% | 40% | 50% |
| 45% | 9% | 18% | 27% | 36% | 45% |

The Numbers In Red Is The Percent Increase In Net Income Related To A Fee Increase!

| | Family Practice General Dentist | Specialist |
|---|---|---|
| Average number of yearly visits | 3.5 | 6 |
| Average length of time per visit | 45 minutes | 35 minutes |
| Average number of patient visits per week with hygiene | 80 | 105 |

Source: ADA Survey of Dental Practice, 1996, *Characteristics of Dentists in Private Practice and Their Patients*

## Dentist Hours Worked Per Week

| | | |
|---|---|---|
| 40% | 40 plus hours a week | Average $140,000/year |
| 44% | 32 plus hours a week | Average $105,000/year |
| 14% | 32 hours a week or less | Average $85,000/year |

Source: ADA Survey of Dental Practice, 1996.

## Percent of Dentists who Employ Hygienists

| Solo | Group |
|---|---|
| 0 - 35% | 0 - 30% |
| 1 - 25% | 1 - 15% |
| 2 - 20% | 2 - 20% |
| 3 - 20% | 3 - 35% |
| Average DDS = 1.8 | Average DDS = 1.1 |
| Average Specialist = 2.1 | Average Specialist = 1.3 |
| Total Experience:14 years | Current Experience: 6 years |
| Prior Experience : 8 years | Average Hourly: $23 -$25 |

Source: ADA Survey of Dental Practice, 1996, *Employment of Dental Practice Personnel.*

## General Dentist VS. Specialist

| | Family Practice General Dentist | Specialist |
|---|---|---|
| Weeks Worked Per Year | 48 | 47 |
| Hours Per Week Treating Patients | 33 | 32 |
| Hours Per Year Treating Patients | 1600 | 1550 |
| Hours Per Week In Office | 37 | 37 |
| Hours Per Year In Office | 1750 | 1750 |

Source: ADA Survey Center, 1996 Survey of Dental Practice

## Average Incomes

| | |
|---|---|
| Average Family Practice | $122,000 |
| Average Specialist | $192,000 |
| Average for all dentists | $135,000 |

| Top 25% Over | Medium | Bottom 25% Under |
|---|---|---|
| $175,000 | $120,000 | $75,000 |

Source: ADA Survey Center, 1996 Survey of Dental Practice

## Total Number of Dentists 136,600

| | | |
|---|---|---|
| Family Practice/ General Dentistry | 112,300 | 82% |
| Specialist | 24,336 | 18% |

Source: ADA Survey Center, 1996 Survey of Dental Practice

## Dental Specialist Net Income by Number of Years Since Graduation

| Years | Income |
|---|---|
| 5 – 9 | $145,000 |
| 10 – 14 | $180,000 |
| 15 – 19 | $225,000 |
| 20 – 24 | $210,000 |
| 25 – 29 | $190,000 |
| 30 – 34 | $180,000 |
| 35 - 40 | $145,000 |

Source: ADA Survey Center, Survey of Dental Practice, 1996

## Percent of Dentists and Specialists Who Employ Dental Laboratory Technicians

| | Solo | | | Group | |
|---|---|---|---|---|---|
| | DDS | Specialist | | DDS | Specialist |
| Zero | 94% | 78% | Zero | 88% | 78% |
| Part Time | 2% | 6% | Part Time | 4% | 10% |
| Full Time | 4% | 12% | Full Time | 8% | 12% |

Source: ADA Survey Center, 1996 Survey of Dental Practice, *Employment of Dental Practice Personnel.*

## Chairside Dental Assistants

| Percent of dentists | Number of Assistants |
|---|---|
| 60% | 3 |
| 30% | 2 |
| 10% | 1 |
| 0% | 0 |

Average dentist has 1.3 assistants
Average specialist has 2.0 assistants

Average assistant has: Total experience of: 11 years
Current experience of: 6 years
Prior Experience of: 5 years

Average dental assistant works 36 hours/week @ $11.50/hr

Source: ADA 1996 Survey of Dental Practice, Employment of Dental Practice Personnel.

## Total Number of Employees

| Solo | |
|---|---|
| 0 | 3% |
| 1-3 | 36% |
| 4-6 | 41% |
| 7+ | 20% |
| Average DDS | 4.5 |
| Average Specialist | 5.4 |

Source: ADA Survey Center, 1996 Survey of Dental Practice, *Employment of Dental Practice Personnel.*

## Front Office Receptionist

| Solo | | Group | |
|---|---|---|---|
| 0 | 15% | 0 | 0% |
| 1 | 60% | 1 | 60% |
| 2 | 20% | 2 | 35% |
| 3 | 5% | 3 | 5% |
| | | Full and Part Time | |
| Average Dentist | 1.2 full time | Average Dentist | 1 |
| Average Specialist | 1.3 part time | Average Specialist | 1.2 |

Source: ADA Survey Center, 1996 Survey of Dental Practice, *Employment of Dental Practice Personnel.*

## Dental Specialist

| | |
|---|---|
| $480,000 | Gross Revenue per 1550 |
| $288,000 | Overhead |
| $192,000 | Net Income before taxes |
| 1550 | Hours per year chairside |
| $185 | Per hour overhead |
| $140 | Per hour overhead per chair |
| $125 | Per hour profit |
| $25 | Per hour profit per chair |

Source: ADA Survey Center, 1996 Survey of Dental Practice

## Family Practice General Dentist Net Income by 5 Year Age Group

| Age | Family Practice | General Dentist |
|---|---|---|
| 30 - 34 | $290,000 | $105,000 |
| 35 - 39 | $345,000 | $125,000 |
| 40 - 44 | $355,000 | $130,000 |
| 45 - 49 | $370,000 | $135,000 |
| 50 - 54 | $380,000 | $140,000 |
| 55 - 59 | $295,000 | $115,000 |
| 60 - 64 | $225,000 | $110,000 |

Source: ADA Survey Center, 1996 Survey of Dental Practice

## Dental Owner Facts

21% of dentist graduates in the last 10 years are **non owners.**

8% of **all** dentists are **non owners.**

Average **age** of a non owner dentist is **40 years old.**

Average **net income** of a non owner dentist is **$65,000** per year.

| Top 25% | Medium | Bottom 25% |
|---|---|---|
| Over $85,000 | $60,000 | $40,000 |

Source: ADA Survey Center, 1996 Survey of Dental Practice

## Family Practice General Dentist by the Number of Years Since

| | Graduation In 5 Year Age Groups | | | | | | |
|---|---|---|---|---|---|---|---|
| Years after Graduation | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | 30-34 | 35-40 |
| Production | $290K | $345K | $355K | $370K | $380K | $295K | $225K |
| Net Profit | $105K | $125K | $130K | $135K | $140K | $115K | $110K |
| Profit Margin | 36% | 36% | 37% | 36% | 37% | 39% | 49% |

ADA Survey Center, 1996 Survey of Dental Practice.

## Dental Office Revenue

| | | |
|---|---|---|
| 43% | Patient | $22 Billion |
| 52% | Private Insurance<br>Managed Care | $18 Billion<br>$ 6 Billion |
| TOTAL INSURANCE | | $24 Billion |
| 5% | Government | $ 2 Billion |
| TOTAL U.S. DENTAL INDUSTRY | | $48 Billion |

Source: ADA Survey of Dental Practice, 1996.

## Dental Office Revenue

| Patient | Private Dental Insurance | Government |
|---|---|---|
| 43% | 52% | 5% |

Source: ADA Survey of Dental Practice, 1996.

## Dental Specialist Net Income by 5 Year Age Groups

| Age | Income |
|---|---|
| 30 - 34 | $145,000 |
| 35 - 39 | $180,000 |
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Source: ADA Survey Center, Survey of Dental Practice, 1995

## Family Practice General Dentist

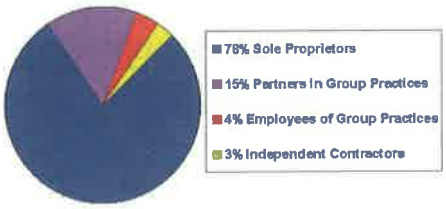
| | |
|---|---|
| $330,000 | Gross Revenue per 1600 per yr. |
| $208,000 | Overhead |
| $122,000 | Net Income before Taxes |
| 1,600 | Hours per year chairside |
| $205 | Per hour overhead |
| $40 | Per hour overhead per chair |
| $80 | Per hour profit |
| $20 | Per hour profit per chair |

ADA Survey Center, 1996

## U.S. Dental School Graduates and Applicants: 1940 - 1996

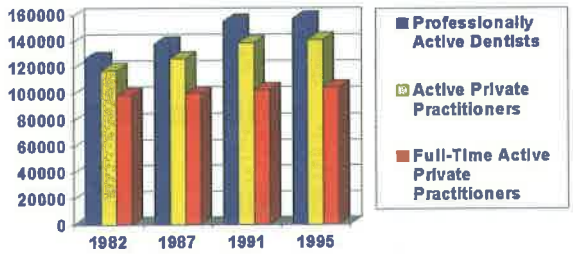
Source: ADA Survey Center

## Distribution of Dentists in Private Practice: 1994




Source: ADA, Survey of Dental Practice, 1995

## Number of Dentists in the United States



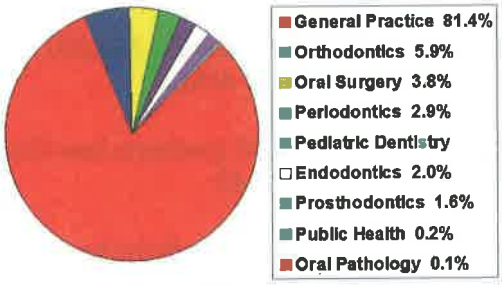

Source: ADA, Distribution of Dentists in the US by Region and State

## Fact:

**The largest number of dentists are between the ages of 45 and 60!**

Source: ADA Survey Center, 1996 Survey of Dental Practice

## Generalist and Specialist Dentist: 1995




Source: ADA Survey Center, 1995

## Dental School Facts:

**Total Cost:**

**$12,771/year - state average**

**$20,709/year - non-resident**

**Average dental school graduate has $82,599 in total debt.**

Source: ADA Survey Center, 1995

## Fact:

**The average dentist owns 5 cars during his/her career.**

**The average dentist owns 3 homes during his/her career**

Source: ADA Survey Center, 1995

## Fact:

**The average dentist retires with $160,000 in the bank.**

**The average dentist retires at age 54.**

Source: ADA Survey Center, 1995

## Fact:

**Over 60% of treatment plans are not executed!**

## Fact:

**Average required C.E.U. units is:**

**18/ year 53/3 years**

**On average, dentists attend 3 seminars/conferences per year!**

## Dental Schools in 1997

| | |
|---|---|
| 55 | Dental Schools in U.S. |
| 4,255 | Freshmen |
| 16,570 | Enrolled |
| 3,810 | Graduate Annually |

## Dental Graduates 1998

**Average dental graduate has $56,000 in tuition/school related debt**

**Average dental school graduate has $26,105 in Visa/discretionary debt**

**Average dental school graduate has a total debt of $82,105**

## General Dentist VS. Specialist

| | Family Practice General Dentist | Specialist |
|---|---|---|
| Gross Production Per Year | $ 330,000 | $480,000 |
| Gross Production Per Month | $27,500 | $40,000 |
| Net Income Per Year | $122,000 | $192,000 |
| Net Income Per Month | $10,166 | $16,000 |
| Overhead Percentage | 60% | 53% |

Source: ADA Survey Center, 1996 Survey of Dental Practice

| | Family Practice General Dentist | Specialist |
|---|---|---|
| Number of Operatories | 3.5 | 5 |
| Square Feet of Dental Office | 1600 | 2300 |
| Have More than One Office | 5% | 35% |

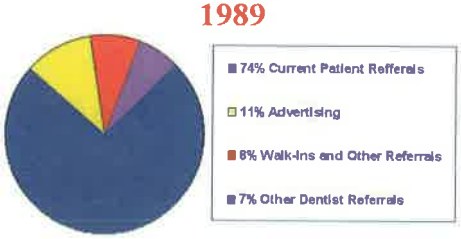
ADA Survey Center, 1996

## Accessibility & Availability

| | Family Practice Dental Office | Specialist |
|---|---|---|
| Length of wait for a "new patient" appointment | 8 | 7 |
| Length of wait for an existing patient of record to set an appointment | 8 | 7 |

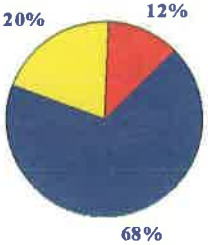
ADA Survey Center, 1996

## Sources of New Patient Visits: 1985-1989




Source: ADA Quarterly Survey of Dental Practice's Panel Survey of Private Practitioners, 1996

## Distribution of Dentists in Private Practice



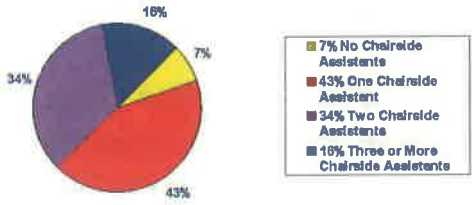

20% Practicing with one other dentist

12% Practicing with two or more other dentists

68% Solo Practices

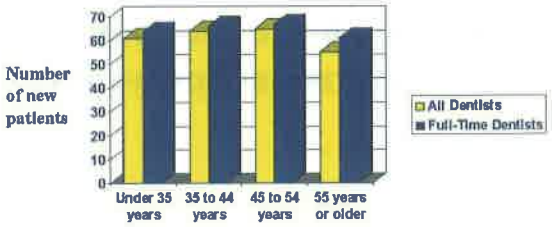
Source: ADA, Survey of Dental Practice, 1995

## The highest percentage of solo dentists had one full or part time chairside assistant in 1995



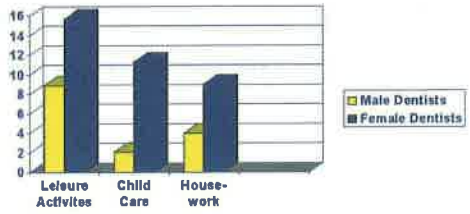

Source: ADA Survey Center, 1996 Survey of Dental Practice.

## The average number of patients seen each week among full-time private practitioners was a little higher than among all private practitioners.



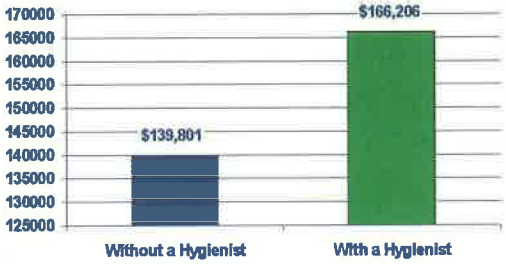

Source: ADA Survey Center, 1996 Survey of Dental Practice

## Hours per week married dentists spend with children for leisure activities, childcare




Source: 1995 Survey of Dentists: A Comparison of Male and Female Dentists: Personal & Family Issues.

## Average Net Income - Solo Dentists




Source: ADA Survey of Dental Practice Series, 1996

## Repetition is the mother of skill!

## Necessity is the mother of invention!

When your mom saw you lazy, bored and stressed, she said, "Go do something, get off the couch and go play!"

This change of physical state changes your overall state.

## Dentists say, "I just can't motivate my staff."

Try saying this all pumped up with emotion.

## A cigarette break is a change of physical state, a ritual to break the pattern.

## Get a healthy ritual!

Anthony Robbins

**Emotion is created by motion!**

**How you move your physical body determines how you feel!**

Anthony Robbins

**What you focus on determines how you feel. The questions you ask determines what you will focus on!**

**Questions change your focus. The quality of your life is determined by the quality of questions you ask.**

Anthony Robbins

**Failure is when all you can focus on is what is wrong or doesn't meet your expectations!**

Anthony Robbins

**Success is when you can create continuous pleasure in your life while you continue to grow!**

Anthony Robbins

**The need to avoid pain is more powerful than the need to gain pleasure. This is why people are afraid to ask someone out on a date or to dance. This is why dentists are afraid to suggest a more complete treatment plan.**

**People choose the dental office that gives them the most pleasure and causes the least pain.**

Anthony Robbins

**The Twin Forces of Human Behavior:**

1. **Avoid Pain**
2. **Seek Pleasure**

Anthony Robbins

**Wealth comes from an attitude of gratitude!**

Anthony Robbins

**Questions change our focus!**

**Questions delete!**

**Question = Can I? = Doubt**

Anthony Robbins

Your Life is Your Movie!

Your Eyes are Your Camera!

What is Your Camera Focused On?

Anthony Robbins

If you snooze you lose!

Makes me not want to sleep!

Anthony Robbins

Whatever response you already have linked to a stimulus is your anchor!

Alter your anchors for success!

Anthony Robbins

Did your first drink of beer taste good?

Do you associate alcohol with the pleasure after the drink, or the pain of the morning after?

Anthony Robbins

Success is the result of Good Judgment!

Good Judgment comes from experience!

Experience comes from making decisions, both good and bad!

Anthony Robbins

In success, people party!

In failure, people ponder!

Anthony Robbins

Failure Breeds Success

Tom Watson started out at NCR and got fired!

Lee Iacocca started out at Ford and got fired!

Anthony Robbins

Knowledge

Knowledge + Decisive Action = A Successful Process

Howard Farran, DDS, MAGD

Knowledge is not power, knowledge is potential power! It needs to be followed up with decisive action!

Anthony Robbins

When an airplane takes off for another city, they are off course 95% of the time! They keep adjusting off their last decision outcome!

Success Leaves Clues!

Anthony Robbins

How long did your mom give you to learn how to walk?

Just keep trying!

Anthony Robbins

The average millionaire goes bankrupt 6 times!

Take a chance: fail, grow, succeed!

Hall of Fame baseball players struck out 7 out of every 10 times at bat!

1. Find out what you want!
2. Take Action!
3. Study the consequence of your behavior!
4. If what you do is not working, try something else until it succeeds!

Anthony Robbins

It is not what you <u>can do</u> in life,

It is what you <u>will do</u>!

Anthony Robbins

The road called Someday leads to a town called Nowhere!

Anthony Robbins

If you try something and it doesn't work, then you got an education!

Anthony Robbins

Let your brain know the direction you are going!

Anthony Robbins

Power is clarity of focus!

Anthony Robbins

To become successful takes more than learning, more than knowledge, it takes decisive decision making!

Anthony Robbins

Power is the ability to act!

Anthony Robbins

The past does not equal the future!

Anthony Robbins

What drives People?

1. Inspiration or Desperation
2. Pleasure or Pain
3. Perspiration

Anthony Robbins

One in every 5 people watch Wheel of Fortune every day!

Anthony Robbins

It is not what you can do

It is what you will do!

Anthony Robbins

Most people major in minor things!

Anthony Robbins

## State Management Feelings Affect Your State

Toothache

Headache

What Are You Focusing On?

Anthony Robbins

## Procrastination is the Silent Killer!

Procrastination is the result of avoiding pain, the fear of failure or the fear of success

Anthony Robbins

## Family Practice General Dentist

| | |
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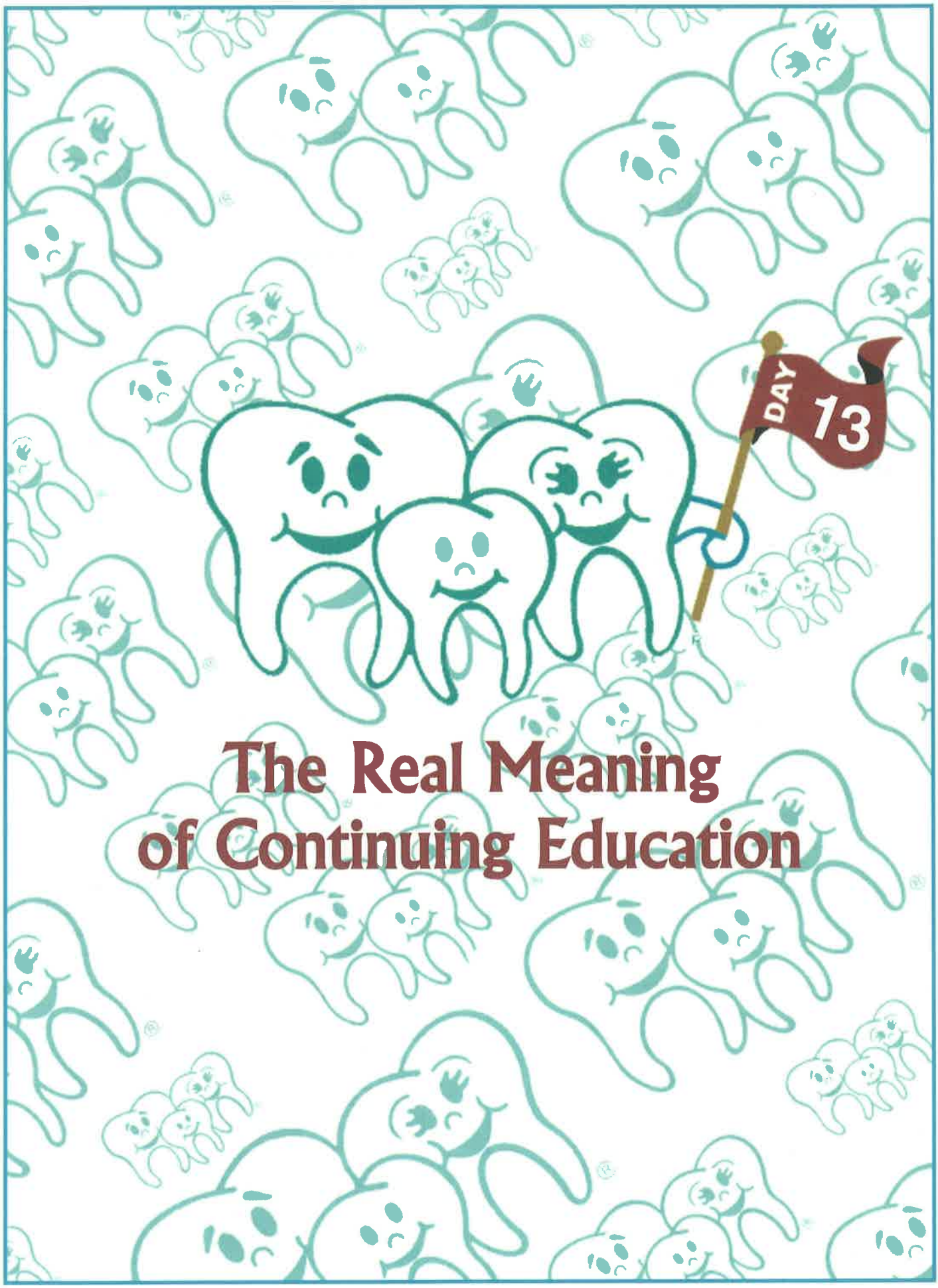
ADA Survey Center, 1996




# The Real Meaning of Continuing Education

Your 30 Day Dental MBA
Day 13

# The Real Meaning Of Continuing Education

## Your Management Information System, (MIS), is only as good as your computer!

Suggested Software:

| | |
|---|---|
| SoftDent (Dentsply) | 800 443 2409 |
| Dentrix (Shein) | 800 472 4346 |
| Eaglesoft (Patterson) | 800 352 8101 |
| Practice Outlook | 800 247 6173 |

## Relationships!

In all relationships, understanding the feelings of others is key to creating stronger relationships.

Source: Maslow on Management, Abraham Maslow, 1998

## Employee Turnover Formula

$$\frac{Time_1 - Time_2}{Time_1} \times 100 = \%$$

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Source: ADA Survey Center, 1996 Survey of Dental Practice

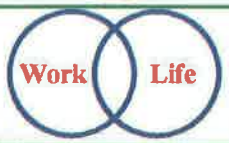
## Illiterate?

**Write for help at:**

**Howard Farran DDS, MBA, MAGD**
**10850 South 48th Street**
**Phoenix, Arizona 85044**

**Happiness, Fulfillment, & Success!**

**Good Days & Bad Days!**




**Unhappy, Burned Out, & Depressed!**

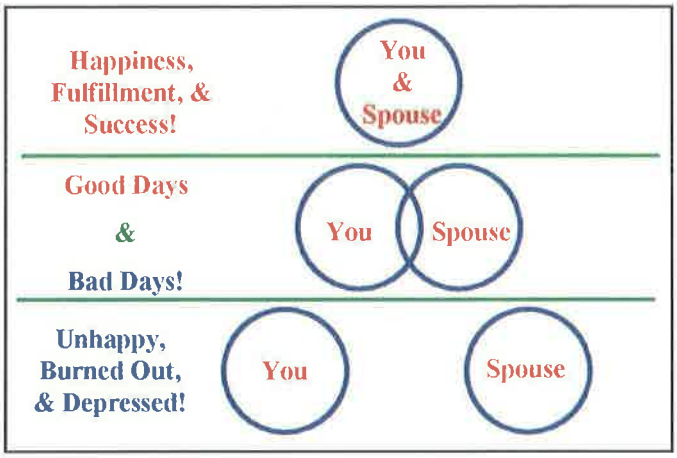
## Index of Competency

**2% are Masters**
**8% are Adept**

Above the Line — **36% are Students**

Below the Line — **54% are Indifferent**

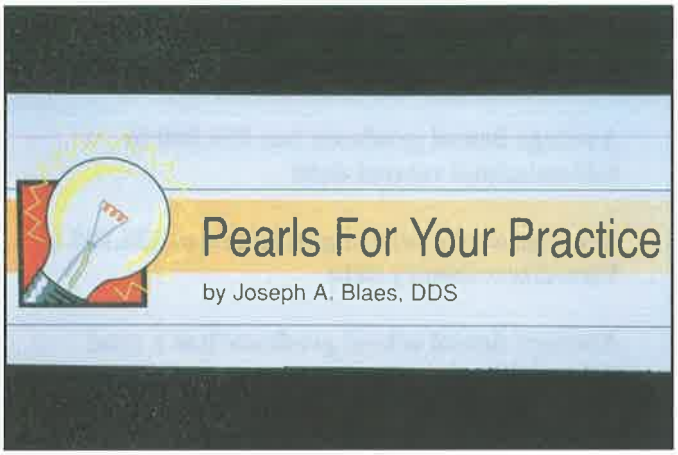
Source: L.D. Pankey

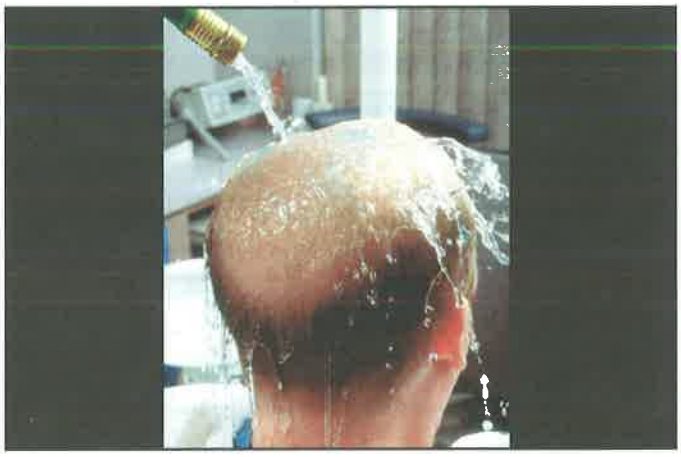



## Fact:

**Average required C.E.U. units is: 18/year 53/3 years!**

**On average, dentists attend 3 seminars/conferences per year!**





When your mom saw you lazy, bored and stressed, she said, "Go do something, get off the couch and go play!"

This change of physical state changes your overall state!

**Dentists say, "I just can't motivate my staff!"**

**Try saying this all pumped up with emotion!**

- **Success is the result of Good Judgement!**
- **Good Judgement comes from experience!**
- **Experience comes from making decisions both good and bad!**

**Anthony Robbins**

**I have studied the enemy all of my life! I have read the memoirs of his generals and his leaders! I have even read his philosophers and listened to his music! I have studied in detail the account of every damned one of his battles! I know exactly how he will react under any given set of circumstances! And he hasn't the slightest idea of when I'm going to whip the hell out of him!**

**General George S. Patton**

**Everyone has the ability to learn... it is simply a matter of how! Some people learn from routine practicing! Some people learn from reading, memorizing, and understanding! Some people learn from observing and/or concentrated study! Still others learn from applications to real-world phenomena!**

**Everyone has the ability to learn... it is simply a matter of degree - a matter of how much and how fast! Some people can absorb vast amounts of knowledge in a short period of time! Still others learn in tiny leaps and bounds!**

**Everyone has the ability to learn... there is neither a right way nor a wrong way! As a provider of knowledge, my job is to help my students learn in a manner satisfactory to their ability to learn!**

**Professor Manus Rungtusanatham, Operations and Logistics Management, Professor, Arizona State University**

**"In this volatile business of ours, we can ill afford to rest on our laurels, even to pause in retrospect!**

**Times and conditions change so rapidly that we must keep our aim constantly on the future!"**

**Walt Disney**

Remember when "American-made" meant quality and "Made in Japan" meant cheap? Remember when banks were secure and risk averse, hospitals were safe and affordable, sexually transmitted diseases were cured with a shot of penicillin, marijuana was our primary drug of concern, and computers were big and expensive?

*Managing at the Speed of Change*, Daryl R. Conner, 1992

Suppose you are an executive driving down the road with the corporate gas pedal floored, yet competitors are still passing you by! You are pushing your company toward change as hard as you can, but the car will not go more than 35 miles per hour! You bemoan the fact that your competitors are advancing with ease while you're running your vehicle into the ground just to keep up! Desperately, you look for answers! At the next gas station, you receive some good advice: "At twenty-five miles per hour, shift into second gear! You've done all you can in first gear!"

*Managing at the Speed of Change*, Daryl R. Conner, 1992

## Lavoisier's Process

The kiss of death to the naïve Greek approach came at the end of the eighteenth century, when Lavoisier showed that fire is not a substance but rather a process, the process of attachment to oxygen!

Source: *The Goal*, Eliyahu M. Goldratt, copyright 1984

## The Japanese were aware of three powers: the Sword, the Jewel, and the Mirror!

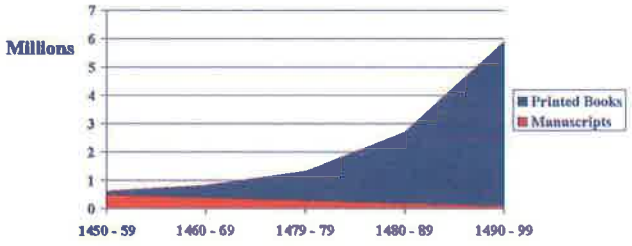
1. The sword symbolizes the power of weapons!
2. The jewel symbolizes the power of money!
3. The mirror symbolizes the power of self-knowledge!

Gung Ho!
By Ken Blanchford &
Sheldon Bowles

## Schools are designed to produce good employees, not employers!

## Monks for hire

Stealth attack, 15th-century style: The printing press replaced thousands of manuscript-copying monks and scribes.




Source: Gazette du livre medieval

## Scientific and Mathematical Certainty!

Making a statement on the basis of an accumulation of empirical evidence gives a "scientific certainty," even though not an "eternal and perfect mathematical certainty." These are different and should be differentiated.

Source: Maslow on Management, Abraham Maslow, 1998

## Easy One Stop Shopping for All Your Dental Needs: Get your FAGD then your MAGD

- Endodontic Therapy (Root Canals)
- Pediatric Dentistry (Children)
- Orthodontics (Braces)
- Oral Surgery (Wisdom teeth removal, Implants)
- Periodontal Therapy (Gum Therapy)
- Prosthodontics (Dentures & Partials)

When an airplane takes off for another city they are off course 95% of the time! They keep adjusting off their last decision outcome!

Success leaves clues!

**Anthony Robbins**

## The 8 Specialties of Dentistry as Recognized by the A.D.A.

**Family Practice**
**General Dentist**
**81.4%**

**5.9% Orthodontist**
**3.8% Oral Surgeon**
**2.9%Periodontist**
**2.2% Pedodontist**
**2.0% Endodontist**
**1.6% Prosthodontist**
**0.2% Public Health/M.P.H***
**0.1% Oral Pathologist**

* Masters in Public Health

ADA Survey Center, 1996

**A consumer focused dental delivery system is not organized by dental specialties that are provider focused! They are organized by patients' requirements!**

**Your consumer oriented family practice dental office should contain all the resources necessary for the patients' needs, wants & desires!**

**Considerable evidence demonstrates that the quality of a medical procedure is directly related to how frequently doctors perform it, or its volume!**

**Regina Herzlinger Ph.D.**
**Economist Harvard University**
**Author of *Market Driven Health Care***

Repetition is the mother of skill!

Necessity is the mother of invention!

**Witness the European reporter who, after being sent to this country to profile Andrew Carnegie, cabled his editor, "My God, you'll never believe the sort of money there is in running libraries!"**

**Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997**
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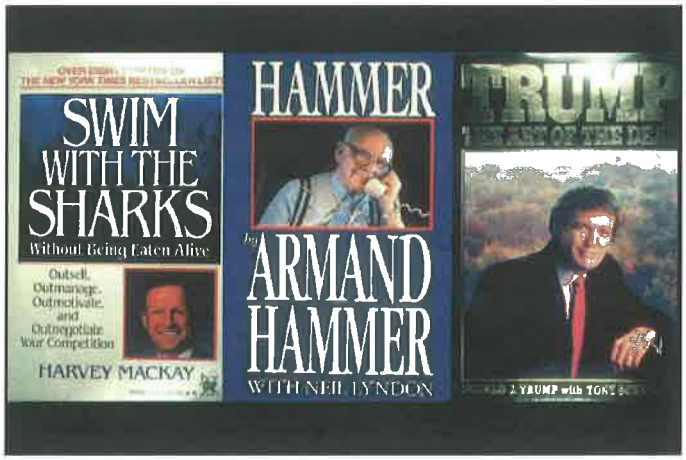


## Richest Americans in History

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**Source: Forbes ASAP, August 24, 1998**

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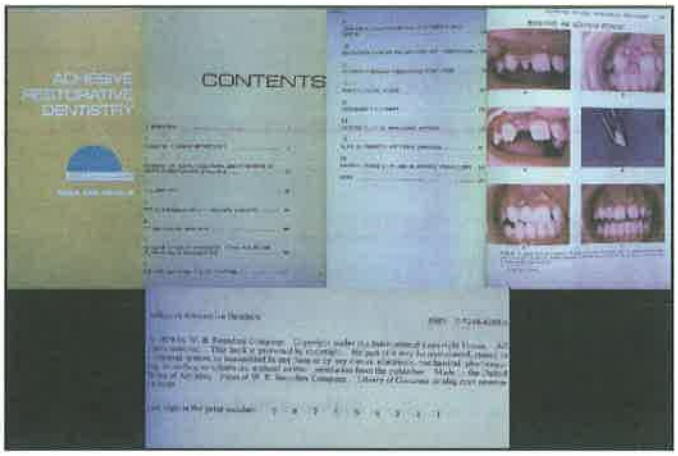
| Management | Organizational Behavior |
| Marketing | Communication |
| Mngmnt. Info. Sys. | Consulting |
| Accounting | Finance |
| History | Future |
| Political Science | Law |
| Ethics | Morality |
| Self Interests | Community Interests |
| Cosmology | Theology |

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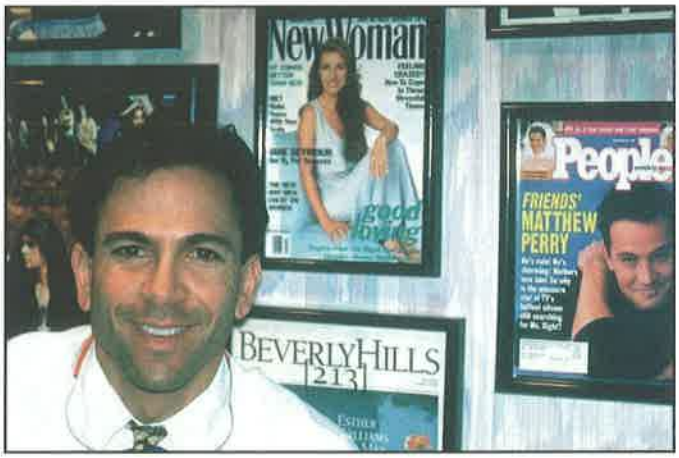


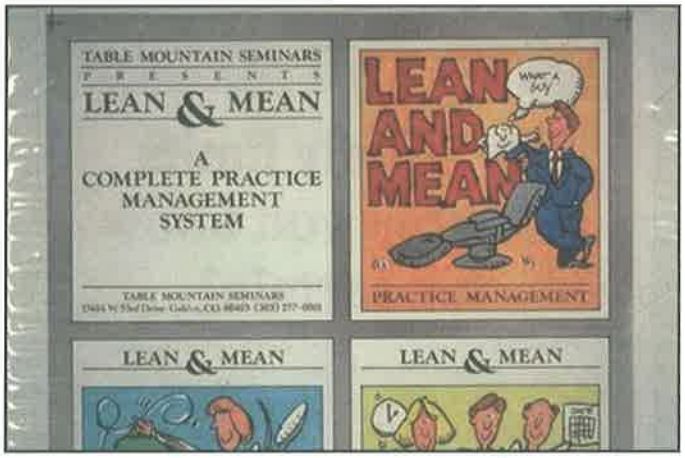


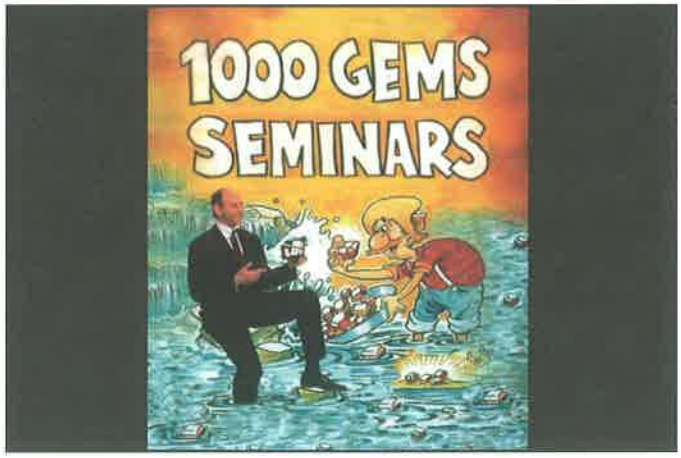

## Cosmetic Courses by the "Magicians"

| | |
|---|---|
| Dr. Bill Dickerson | (702) 878 - 1977 |
| Dr. David Hornbrook | (619) 463 - 7797 |
| Dr. Steven Haase | (602) 661 - 1200 |
| Dr. Larry Rosenthal | (212) 794 - 9600 |
| Dr. Ross Nash | (704) 364 - 4711 |
| Dr. Jeff Kohler | (602) 893 - 0888 |

## Molar Root Canal Courses by the "Gurus" of Endodontics

| | |
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| **G. John Schoefell DDS**<br>**Dentistry 2000**<br>**404 227 3882** | **Kit Weathers DDS**<br>**Patrick Wahl DDS**<br>**800 222.9515**<br>**EndoMagic** |
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## Misch Implant Institute

**Phone: 888Misch99**

**Web Site: www.Misch.com**

## Greek Alphabet

| | Greek Alphabet | | English Sound | | Greek Alphabet | | English Sound |
|---|---|---|---|---|---|---|---|
| A | α | alpha | *arm* | N | ν | nu | *now* |
| B | β | beta | *bat* | Ξ | ξ | xi | *ax* |
| Γ | γ | gamma | *get* | O | ο | omicron | *for* |
| Δ | δ | delta | *dog* | Π | π | pi | *pie* |
| E | ε | epsilon | *held* | P | ρ | rho | *ran* |
| Z | ζ | zeta | *adze* | Σ | σ,ς | sigma | *sat* |
| H | η | eta | *they* | T | τ | tau | *tar* |
| Θ | θ | theta | *thin* | Y | υ | upsilon | *rude* |
| I | ι | iota | *machine* | Φ | φ | phi | *fill* |
| K | κ | kappa | *kite* | X | χ | chi | *elkhorn* |
| Λ | λ | lambda | *lamb* | Ψ | ψ | psi | *keeper* |
| M | μ | mu | *man* | Ω | ω | omega | *hold* |

**English sounds approximately represent those of ancient Greek.**

## How long did your mom give you to learn how to walk? Just keep trying!

**Anthony Robbins**

## Your only limits are what you know for certain!

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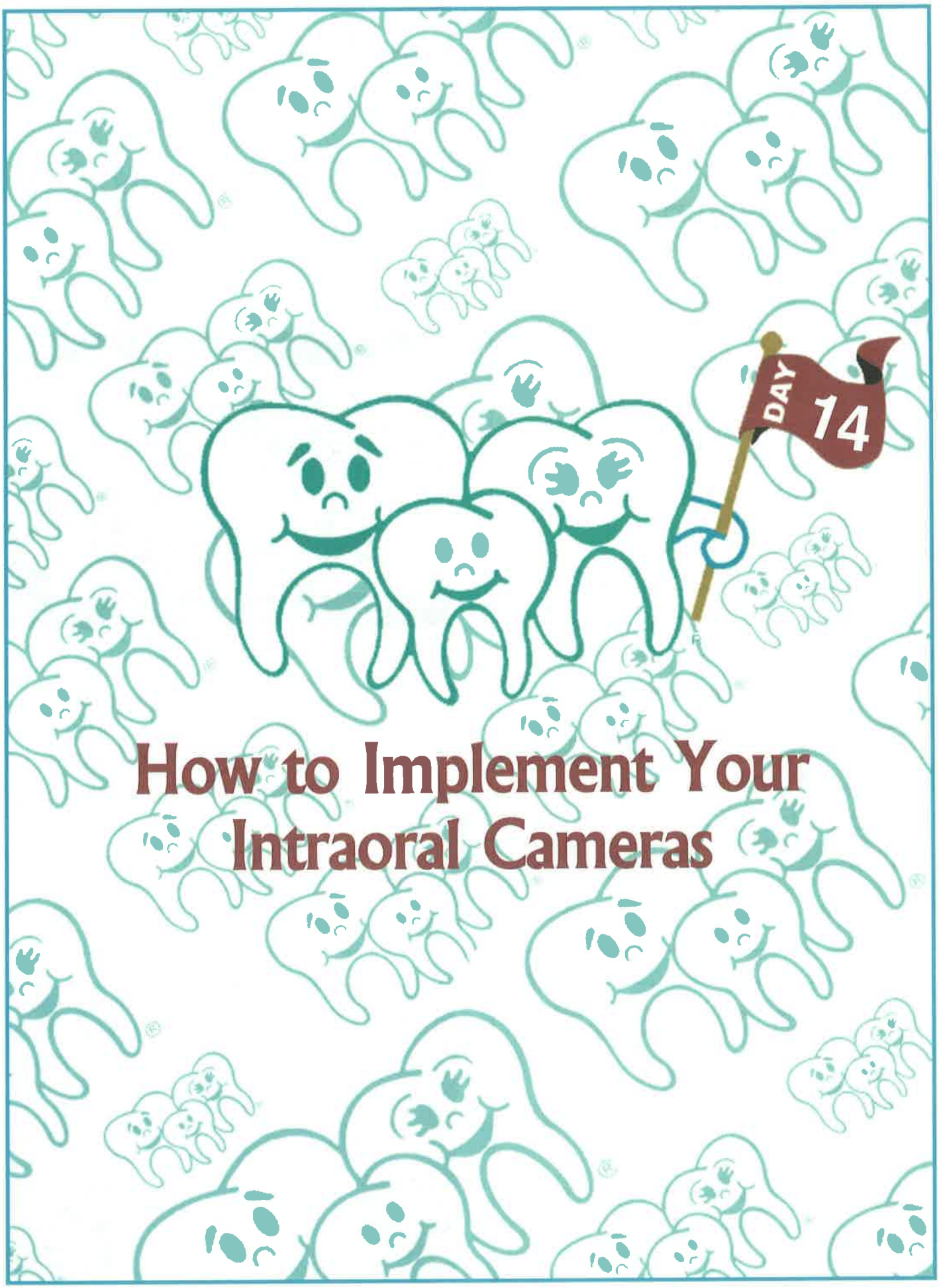
Call (602) 598-9757 to subscribe to what's been called by many "the best value in Dentistry."




# How to Implement Your Intraoral Cameras

Your 30 Day Dental MBA
Day 14

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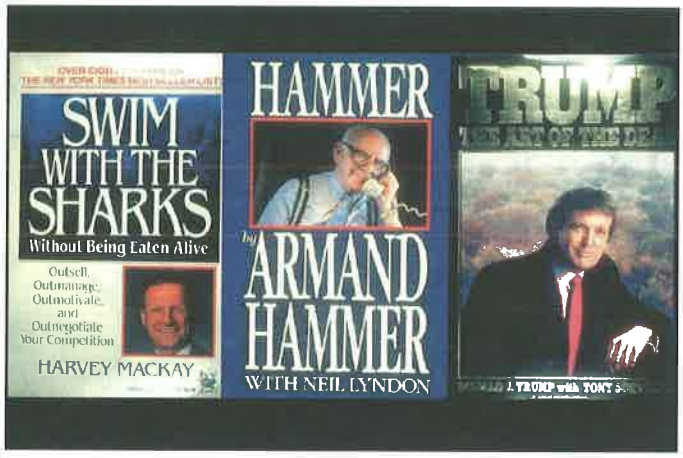


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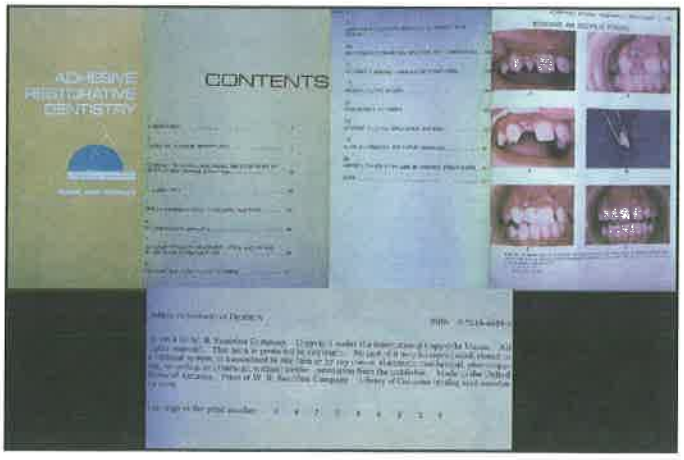

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## Fact:

**Over 60% of treatment plans are not executed!**

**The 2 most common reasons that 56,399 people gave the CDC for not having a dental visit in the past year:**

| | | |
|---|---|---|
| # 1 Reason | 44.6% | Perceived that they did not have a problem! |
| #2 Reason | 26.6% | Cost! |

Source: Dental Service Use and Dental Insurance Coverage United States, Behavioral Risk Surveillance System 1995 Centers for Disease Control & Prevention Dec. 19th Morbidity & Mortality Weekly Report Survey of 56,399 Adults

**The 2 Most Common Reasons Edentate Adults (no teeth) cited for not having a past year dental visit!**

| | | |
|---|---|---|
| # 1 Reason | 89.5 % | Perceived that they did not have a problem! |
| #2 Reason | 2.5 % | Cost! |

Source: Dental Service Use and Dental Insurance Coverage - United States, Behavioral Risk Surveillance System, 1995 Centers for Disease Control & Prevention Dec. 19th Morbidity & Mortality Weekly Report. Survey of 56,399 Adults

## Marketing

Marketing is the exchange between two or more parties with unsatisfied needs, a way to communicate, and something to exchange.

In addition to the entire business spectrum:

People: Clinton, Madonna, you
Books: Peyton Place and sexual mores
Movies: Independence Day and the whole alien phenomena
Countries – Sadam Hussein – Iraq, Hitler

Arizona State University, MKT502, Professor R. Kuntze

## Marketing Value

Value is the KEY! Best Price, Best Product, Best Service

Goal of marketing is to move from single transactions to relationships with customers.

The Key:

Discover the needs and wants of prospective customers and satisfy them!

Arizona State University, MKT502, Professor R. Kuntze

## Needs Vs Disease!

The #1 rule in successful case presentations is that they are done based on your customer/patient's needs determination!

The #1 rule in blowing case presentations is when they are done based on your customer/patient's disease status.

## Market Orientation

The basis of a Market Orientation in firms related to the concepts of Total Quality Management (TQM) is quality based on customer's perception and must be reflected in both the products and service and all activities of the company in management.



## Market Segmentation

Market Segmentation is more efficient, you can't reach everyone!

We are becoming more and more segmented! No way, I disagree

I bought that stupid satellite TV Dish! Now, it takes all day just to see what's on!



## 8 P's of Marketing

1. Product - physical attributes, appearance, benefits
2. Price
3. Promotion – advertising, personal selling, promotion, PR, packaging (external marketing)
4. Place – distribution and retail
5. Plant
6. People
7. Process
8. Participants – internal marketing



## Marketing

Personal selling is still the number 1 method of promotion and the most expensive part of marketing!

ICQ was bought by AOL for $200 million!
2 guys in Israel started it.
It has 22 million users.



## Marketing

Marketing is the exchange of two or more parties, unsatisfied needs, communication, and something to exchange!

This helps take it out of the business context and explains non-profit, society, ideas, and all the other potential marketing applications!

Delivering new customers by promising superior value and keeping current customers by delivering satisfaction!

It is the most comprehensive and integrated business science!



## Marketing

It's also the coolest – integrates business, math, statistics, psychology, sociology, philosophy, and it's creative!

Focus on Value
Best Price Best Product Best Service

Best Price is the most dangerous, indefensible business strategy that a small business can adopt!

Transaction based versus relationship



## Lifetime Sales

The average customer of Taco Bell will spend $12,000 in sales over their lifetime

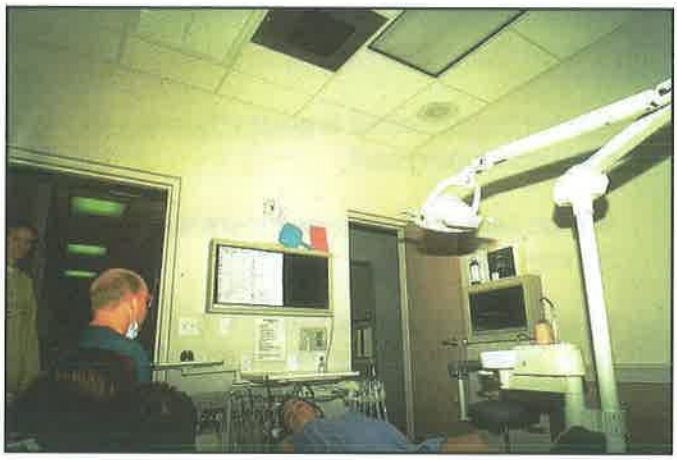
| | |
|---|---|
| K-Mart | $100,000 |
| GM | $340,000 |

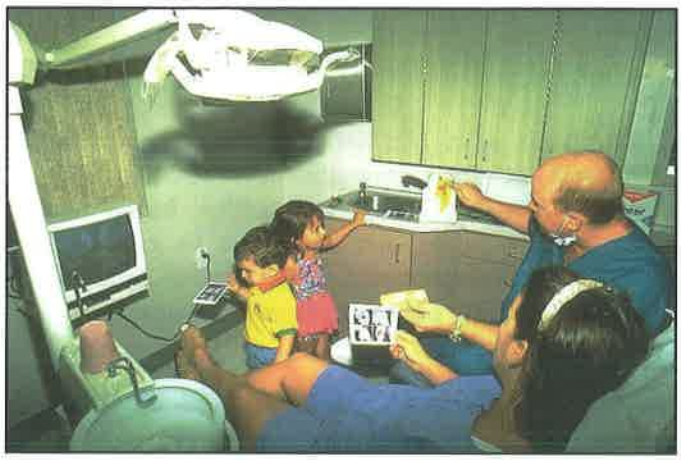


It is said that the fear of public speaking is a fear greater than death for most people!

According to psychiatrists, the fear of public speaking is caused by the fear of ostracism, the fear of standing out, the fear of criticism, the fear of ridicule, and the fear of being an outcast!

The fear of being different prevents most people from seeking new ways to solve their problems!





## See It To Believe It

**If a patient sees and understands what's happening, they want treatment!**

**If they can't see it, then the communication is all verbal and you haven't established rapport with them!**

**Dr. Gordon Christensen**

Doctor (dök´ter) *noun*
from Latin *doctor*,
teacher from Docére to
teach

## Because:

**"Because" is a very powerful word. In fact studies at Harvard University show that the use of the word "because" increases case acceptance 60% - 93%!**

**For example, "You need to have this tooth restored because if you don't, it will break and cause you a lot of discomfort and pain."**

### Little-Known Facts About the Telephone

**The telephone may be the most important communication tool of our time. Here are some interesting, unexpected, and thought-provoking facts about the telephone – its history and its impact on our world:**

- **When telephones were first introduced into the White House, presidents made their phone calls in a booth outside their office. In 1929, Herbert Hoover was the first U.S. president to have a phone installed in his office.**
- **Eighty-eight million households in the U.S. have at least one telephone.**
- **More than one-third of owners of answering machines use them to screen calls.**
- **The Bahamas has 265 pay phones. Kuwait has 270. Syria has 503. Luxembourg has 640. Iceland has 940. Zimbabwe has 989. The U.S. has approximately 2 million.**

**(LCI World, LCI International, 4650 Lakehurst Court, Dublin, OH 43017**

## Tangible & Intangible Attributes

**Tangible Attributes include a clean office, a friendly staff and satisfactory treatment. Intangible Attributes are those that occur when every visit caters to the individual, builds value, inspires loyalty, maintains thrill, reiterates promise and exceeds desires. It is sometimes referred to as the "Wow!" factor!**

Imtiaz Manji, Dental Practice & Finance, Sept./Oct 1998

## Want & Need Syndrome

**In the old "want and need" syndrome, people will find money to buy what they want without addressing their needs—because they see value in their want. The dental practice that truly succeeds is the one that creates a high need and a high want!**

Imtiaz Manji, Dental Practice & Finance, Sept./Oct 1998

## Closing the Sale

- The picture close
- The tightwad close
- That's a lot of money!
- The Reverse close
- The shame close
- Fear of loss close
- The "Nieman-Marcus" close
- The "pressure belief" close
- The "I'll treat you right" close
- The "cost" close

**I WILL NOT TREAT A DENTAL PATIENT IN A WAY I MYSELF WOULD NOT WANT TO BE TREATED**

The ethic that we should treat others as we ourselves want to be treated and not in a way we ourselves would not want to be treated is found in all the great religions of the world:

| Religion | When Founded | Membership | "Golden Rule" |
|---|---|---|---|
| Judaism | 2000 BC | 13,866,000 | "What is hateful to you, do not to your fellow man. That is the entire Law, all the rest is commentary."—The Talmud, Shab 31A |
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Source: The New York Times 1998 Almanac and *Children are Worth It!*, Barbara Coloroso, 1997

## Daily "We care calls" are the "Golden Rule" of Dentistry!

- Every single patient who receives an injection will receive a "We Care Call" from Today's Dental that night or the very next morning to make sure everything is going fine! Hopefully it will be the very same person who actually gave the injection!
- A week later, the dental assistant who assisted the procedure will call to make sure everything is going fine! This gives the patient a solid week to "Drive it around the block!"

## Practice What You Preach

Get your own mouth and all your staff's mouths to optimum dental health in a fashionable cosmetic way today. You can start practicing on all of your staff today!

Howard's mandibular left quadrant before

Howard's mandibular left quadrant after

If I can do it, so can you!

Photos courtesy of David Hornbrook, DDS

DAILY
Monday

| | ( 1) Room 1 Dr. Farran | | | | | ( 2) Room 2 Dr |
|---|---|---|---|---|---|---|
| | Patient | | D/H | As | Nts | Patient |
| 6:00a+ | | BLOCKED OUT | | | + | B |
| 6:10a\| | | BLOCKED OUT | | | \| | B |
| 6:20a\| | | BLOCKED OUT | | | \| | B |
| 6:30a\| | | BLOCKED OUT | | | \| | B |
| 6:40a\| | | BLOCKED OUT | | | \| | B |
| 6:50a\| | | BLOCKED OUT | | | \| | B |
| 7:00a+ | Carol Chase | | 1 | A1 | + | Randy Unruh |
| 7:10a\| | PJC 8 | | 1 | # | \| | ortho |
| 7:20a\| | BUILD 8 | CHC - | 1 | # | \| | 496-8516 |

| | ( 1) Room 1 Dr. Farran | | | | | ( 2) Room |
|---|---|---|---|---|---|---|
| | Patient | | D/H | As | Nts | Patient |
| /a+ | | BLOCKED OUT | | | + | |
| 6:10a\| | | BLOCKED OUT | | | \| | |
| 6:20a\| | | BLOCKED OUT | | | \| | |
| 6:30a\| | | BLOCKED OUT | | | \| | |
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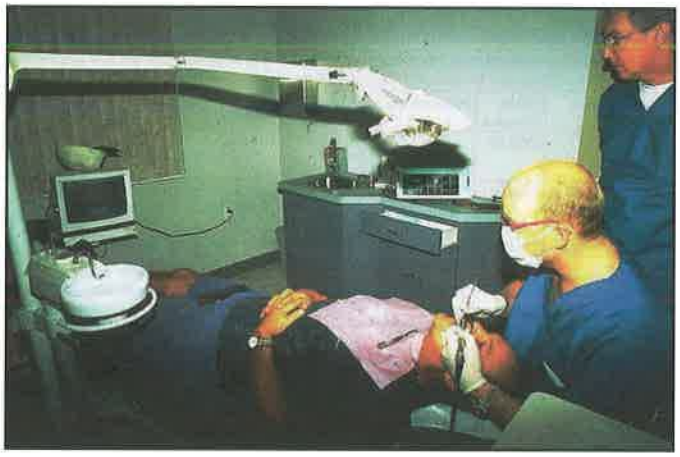
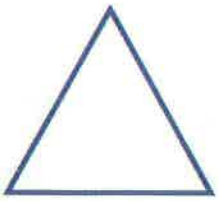
| 7:00a+ | Carol Chase | | 1 | A1 | + | Randy Unr |
| 7:10a\| | PJC 8 | | 1 | # | \| | ortho |
| 7:20a\| | BUILD 8 | CHC - | 1 | # | \| | 496-851 |
| 7:30a\| | PJC | Some Sens | 1 | # | \| | |
| 7:40a\| | BUIL 9 | | 1 | # | \| | Tiffani N |
| 7:50a\| | PJ 7 | But doing | 1 | # | \| | ortho |



**Train the customer to use your product or service!**

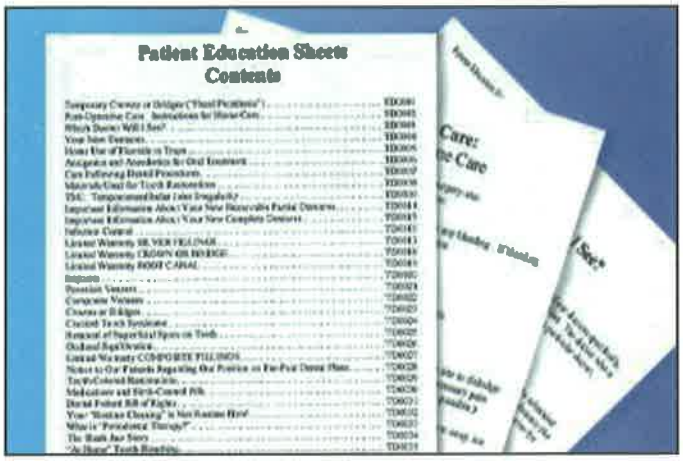


Study how the customer actually uses the product or service!

Make the high quality product or service!

**Source: Peter Drucker**

**Dentists & Physicians speak in a dogmatic language rooted in Latin & Greek whose certainty of tone vastly exceeds their certainty of knowledge.**



## The 3 Legs of Managerial Economics!

What's the Reward?

What's the Score?

Who Makes What Decisions?

Source: Adapted from Managerial Economics and Organizational Architecture, Brinckley, Smith & Zimmerman

## EXIT INTERVIEW

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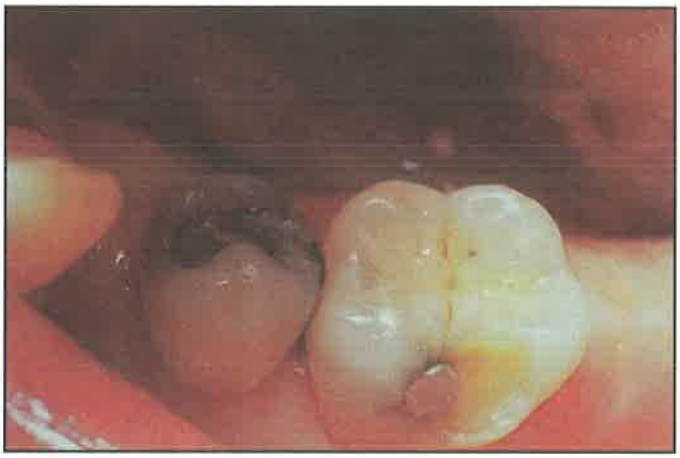
## Definition of Inflammation linked to Temperature

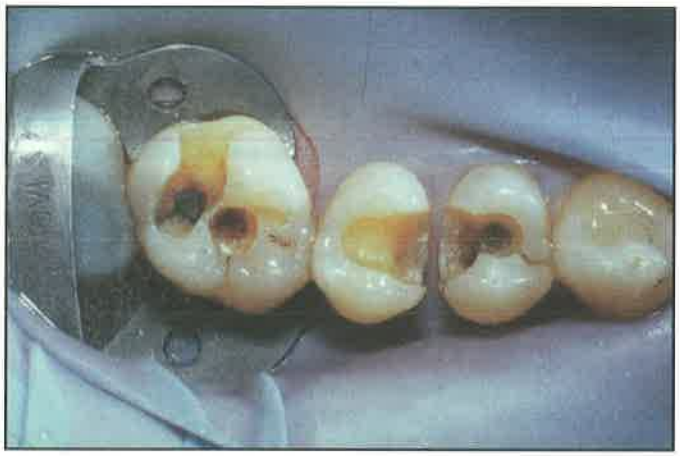
### Inflammation – General Symptoms

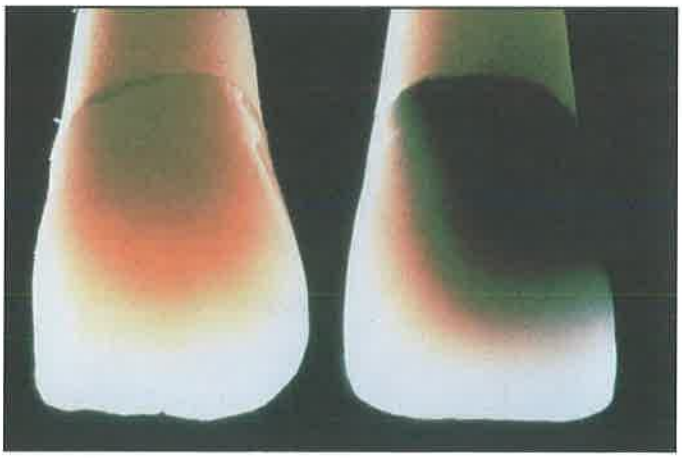
- •Dolor (pain)
- •Calor (heat)
- •Rubor (redness)
- •Tumor (swelling)

**Temperature is the only symptom that can be objectively measured**

Safety of dental amalgam—an update







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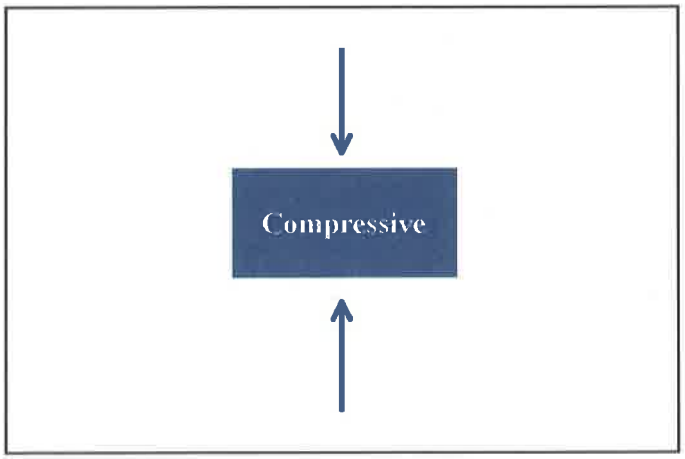
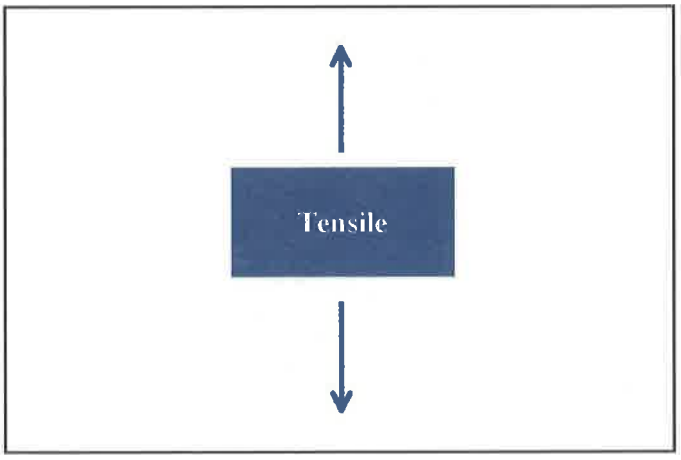
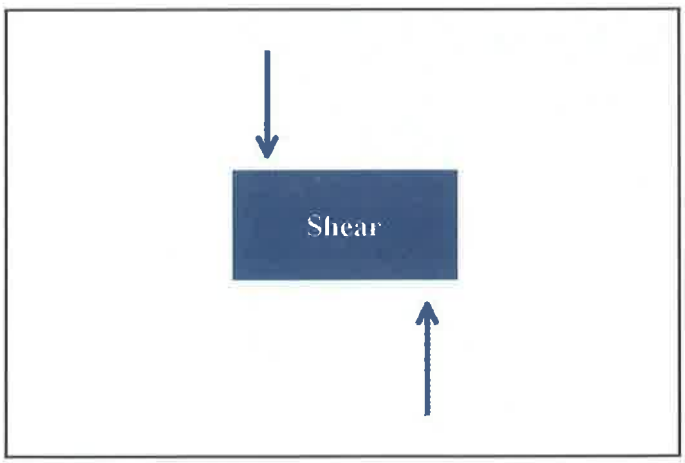
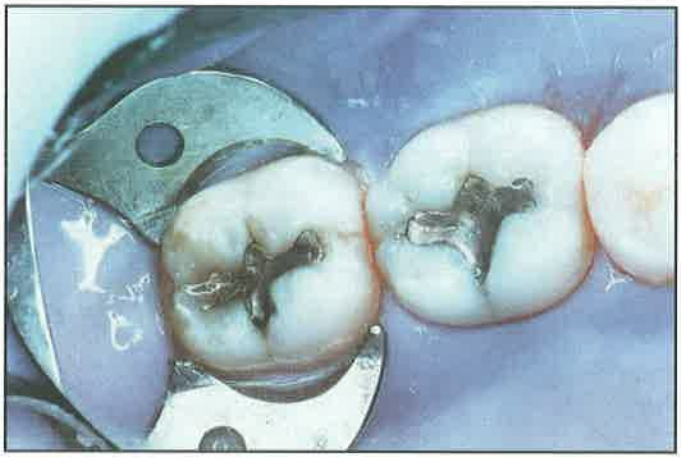
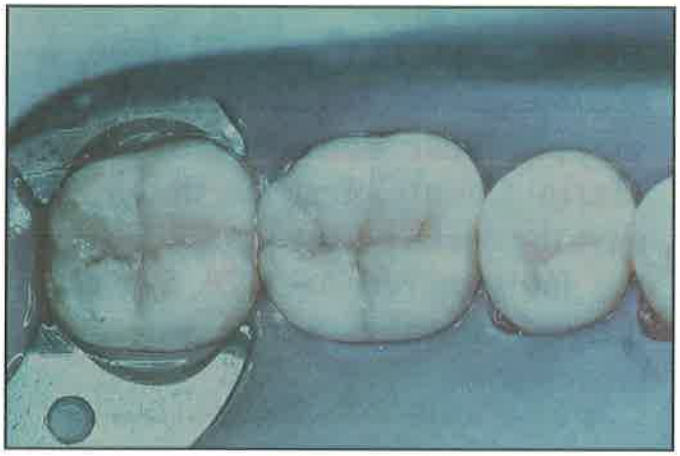
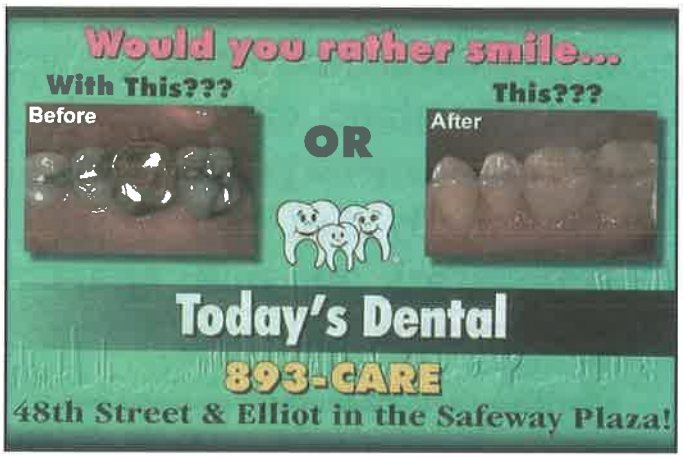


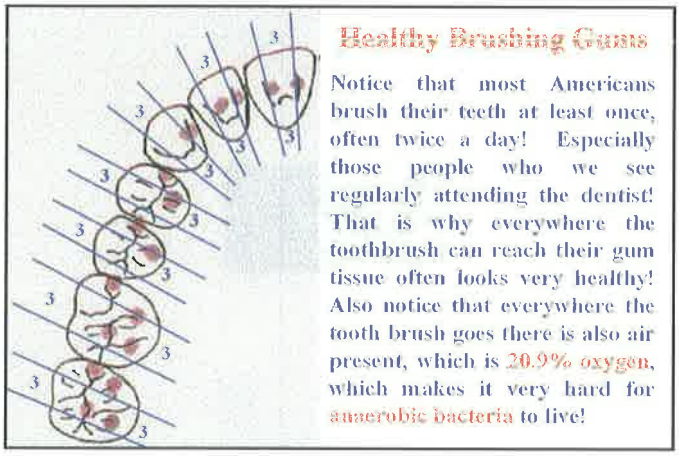








Would you rather smile...
With This???
This???
Before
OR
After
Today's Dental
893-CARE
48th Street & Elliot in the Safeway Plaza!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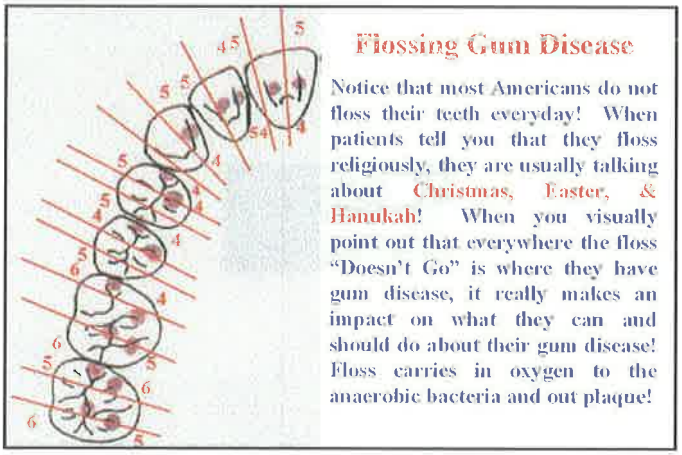
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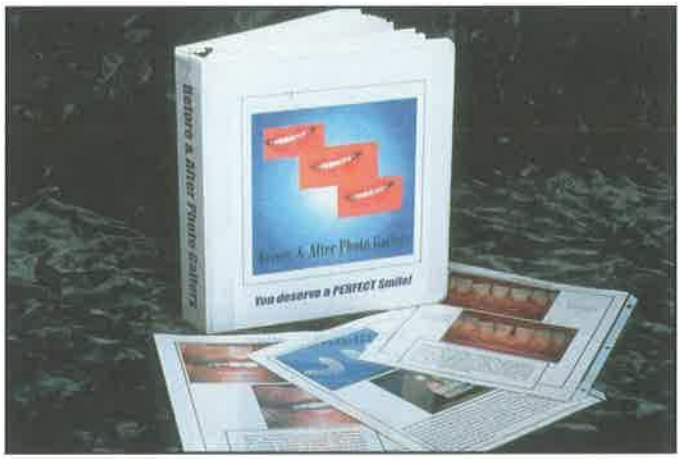
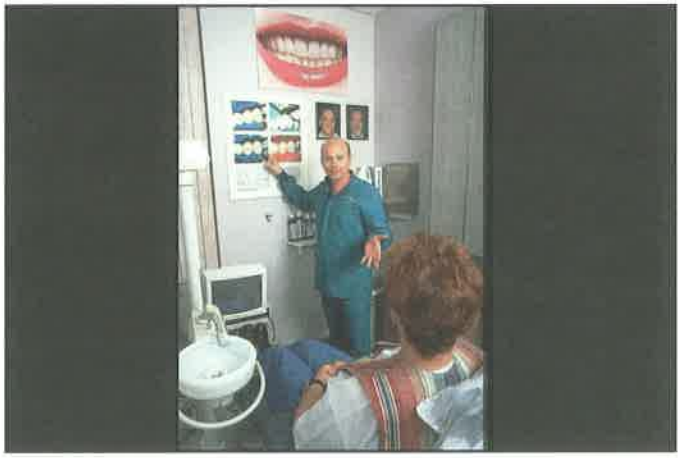
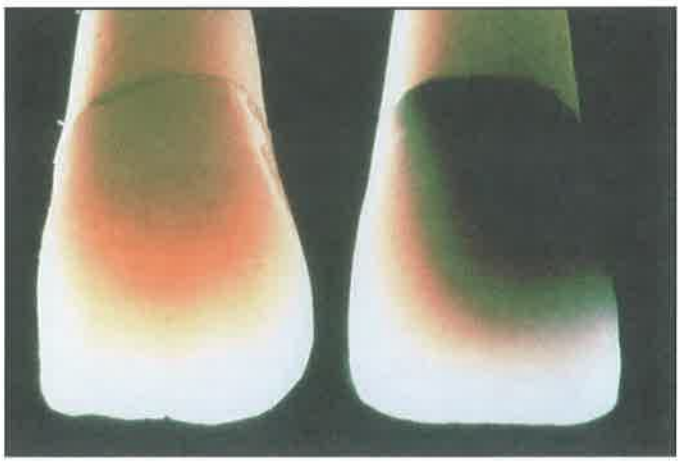
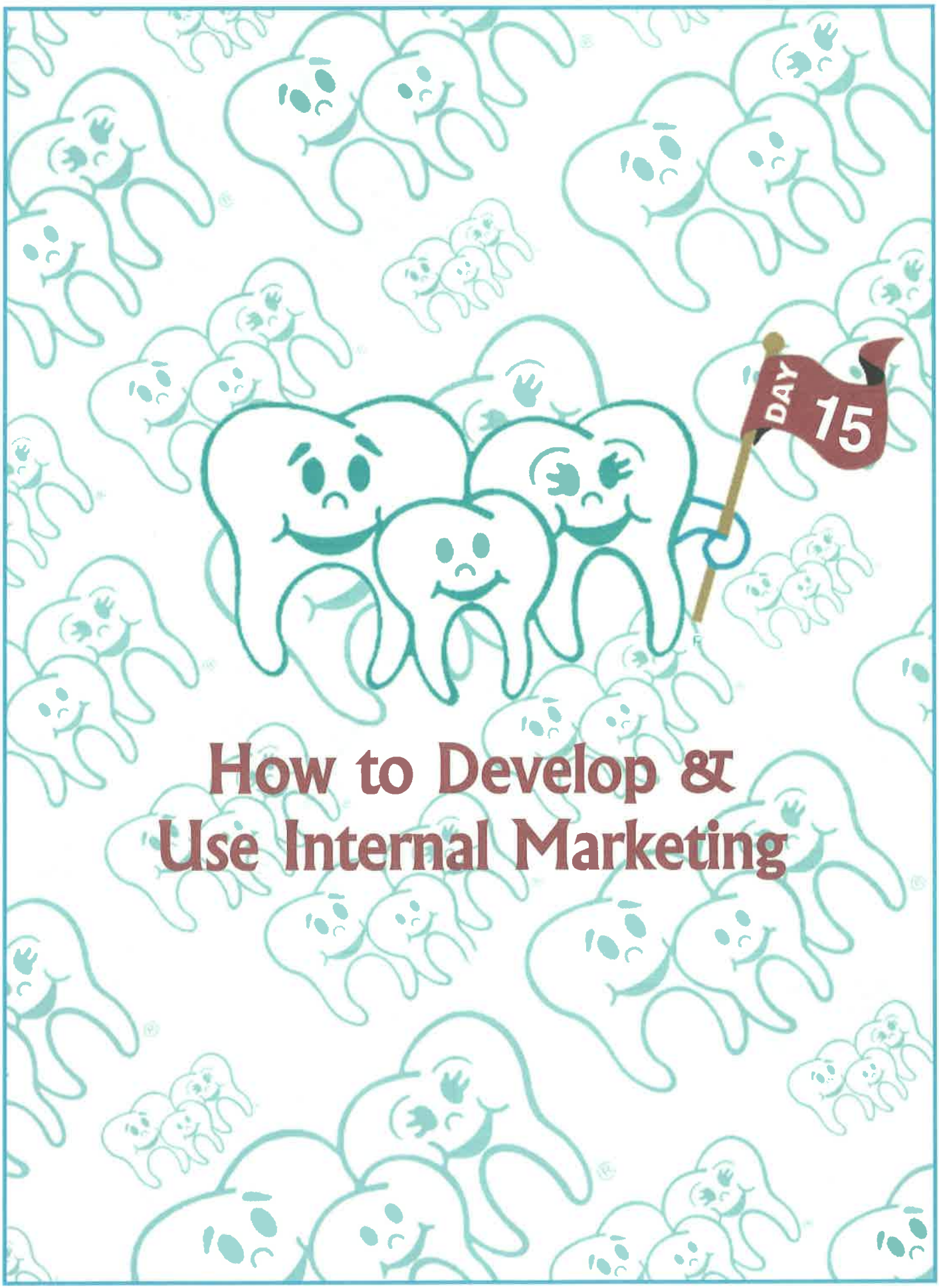
**(*USA Today* research)**










# How to Develop & Use Internal Marketing

Your 30 Day Dental MBA
Day 15

# How To Develop & Use Internal Marketing

I WILL NOT TREAT A DENTAL PATIENT IN A WAY I MYSELF WOULD NOT WANT TO BE TREATED

The ethic that we should treat others as we ourselves want to be treated and not in a way we ourselves would not want to be treated is found in all the great religions of the world:

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Source: The New York Times 1998 Almanac and *Children are Worth It!*, Barbara Coloroso, 1997

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**Photos courtesy of David Hornbrook, DDS**

Monday

| | ( 1) Room 1 Dr. Farran | | | | | ( 2) Room 2 D |
|---|---|---|---|---|---|---|
| | Patient | | D/H | As | Nts | Patient |
| 6:00a+ | BLOCKED OUT | | | | + | |
| 6:10a\| | BLOCKED OUT | | | | \| | |
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| 6:40a\| | BLOCKED OUT | | | | \| | |
| 6:50a\| | BLOCKED OUT | | | | \| | |
| 7:00a+ | Carol Chase | | 1 | Al | + | Randy Unruh |
| 7:10a\| | PJC | 8 | 1 | # | \| | ortho |
| 7:20a\| | BUILD | 8 | 1 | # | \| | 496-8516 |
| 7:30a\| | PJC | 9 | | # | \| | |
| 7:40a\| | BUIL | 9 | 1 | # | \| | Tiffani Nels |

CK - some sens

| | | | | | | |
|---|---|---|---|---|---|---|
| 6:10a\| | BLOCKED OUT | | | | \| | |
| 6:20a\| | BLOCKED OUT | | | | \| | |
| 6:30a\| | BLOCKED OUT | | | | \| | |
| 6:40a\| | BLOCKED OUT | | | | \| | |
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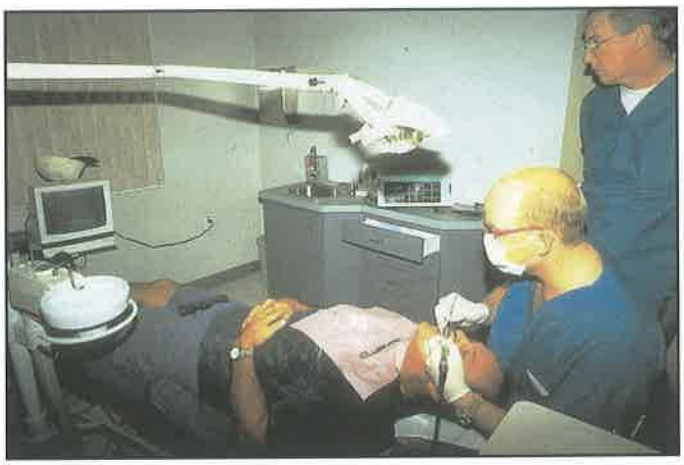
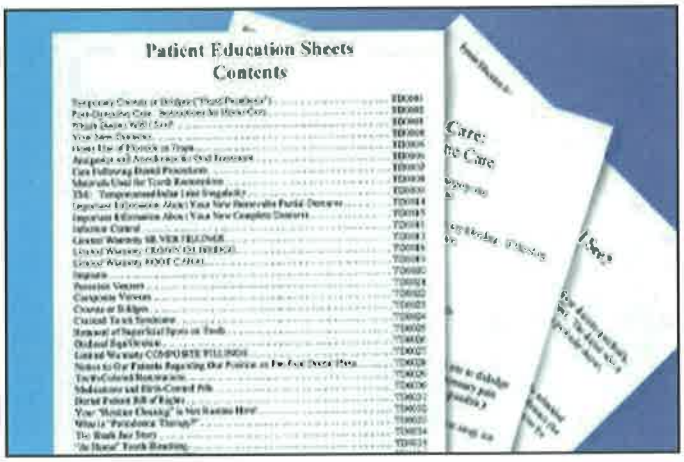
| 7:00a+ | Carol Chase | | 1 | Al | + | Randy Unr |
| 7:10a\| | PJC | 8 | 1 | # | \| | ortho |
| 7:20a\| | BUILD | 8 | 1 | # | \| | 496-851 |
| 7:30a\| | PJC | | 1 | # | \| | |
| 7:40a\| | BUIL | 9 | 1 | # | \| | Tiffani N |
| 7:50a\| | PJC | 7 | 1 | # | \| | ortho |
| 8:00a+ | PJC | 10 | 1 | # | + | 342-974 |
| 8:10a\| | 855-0909 | | 1 | # | \| | |
| 8:20a\| | | | 1 | # | \| | |

CK - some sens but doing fine

WK - 10/6/19





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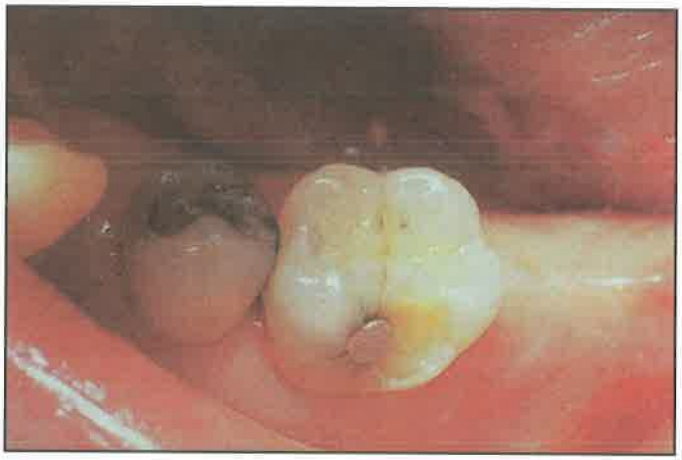

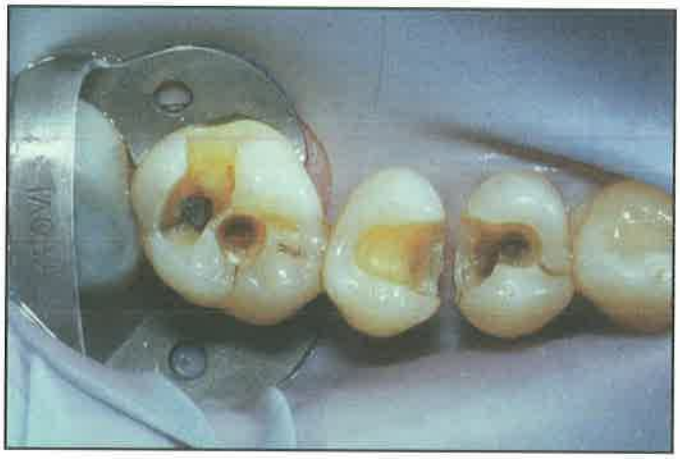

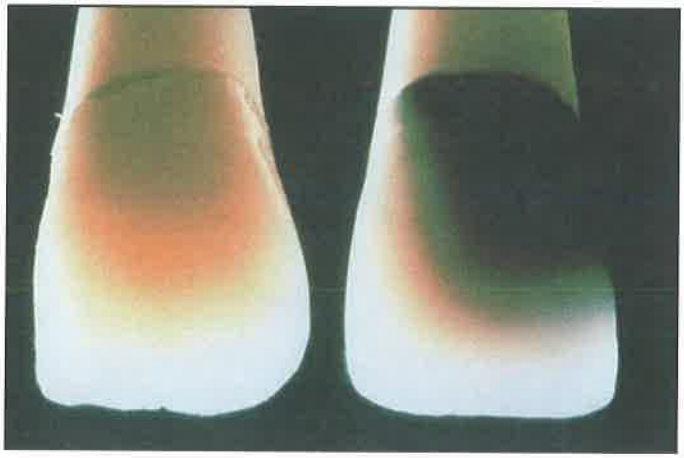

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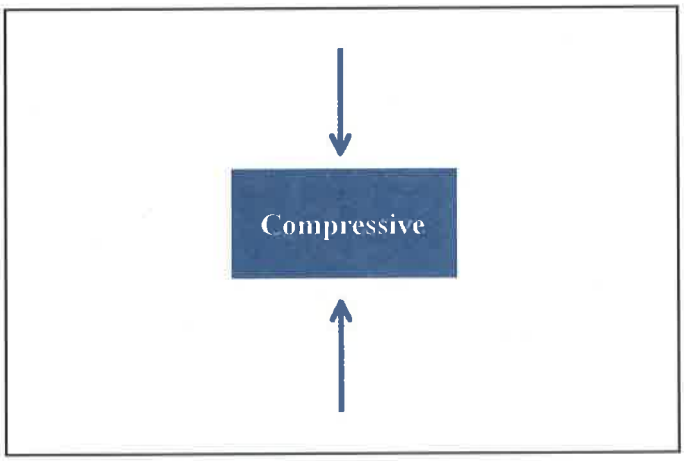


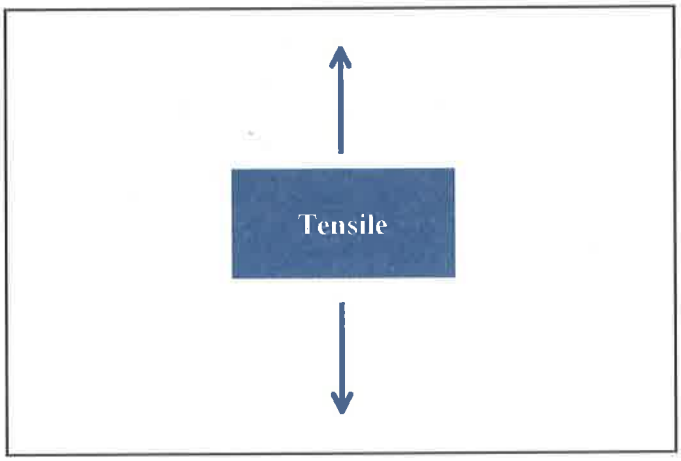


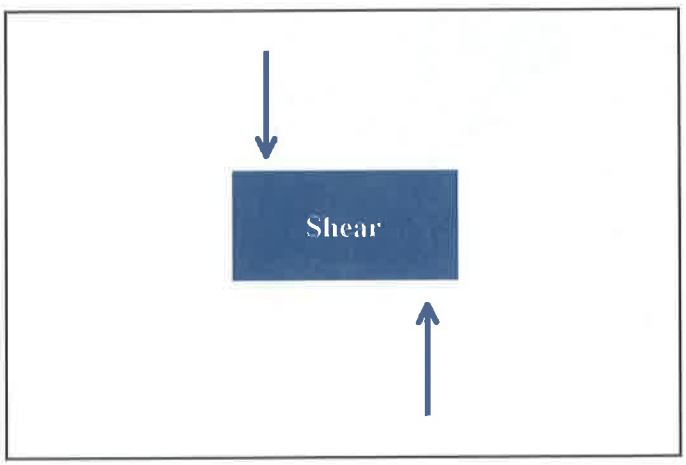

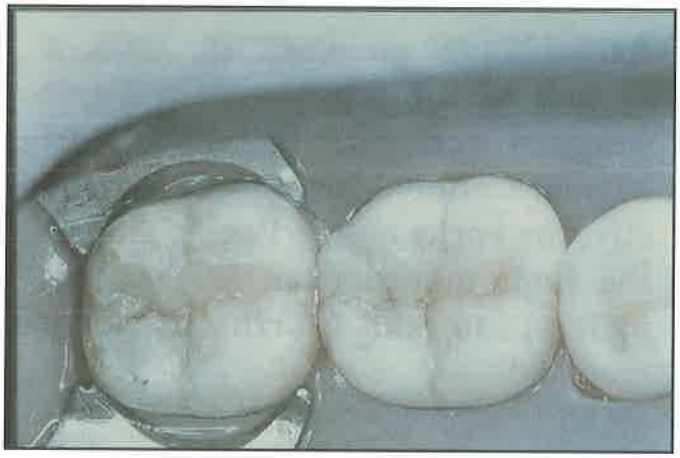

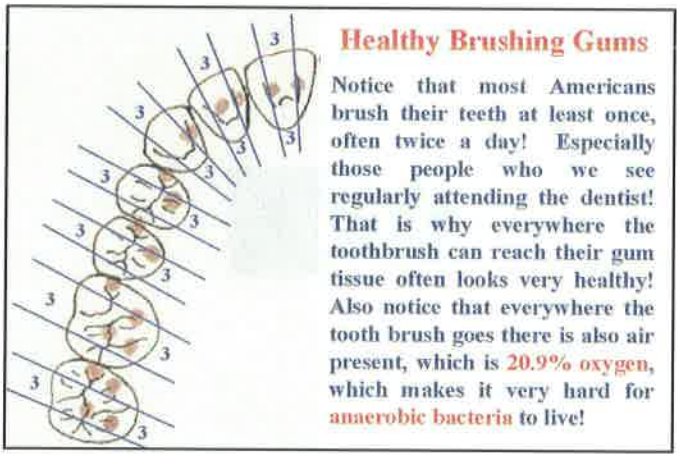

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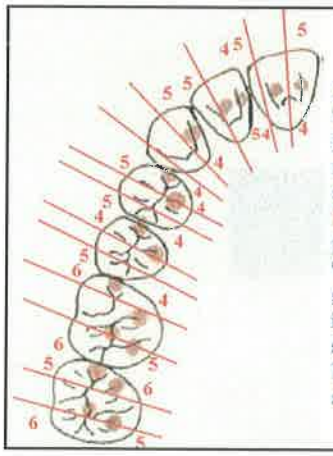

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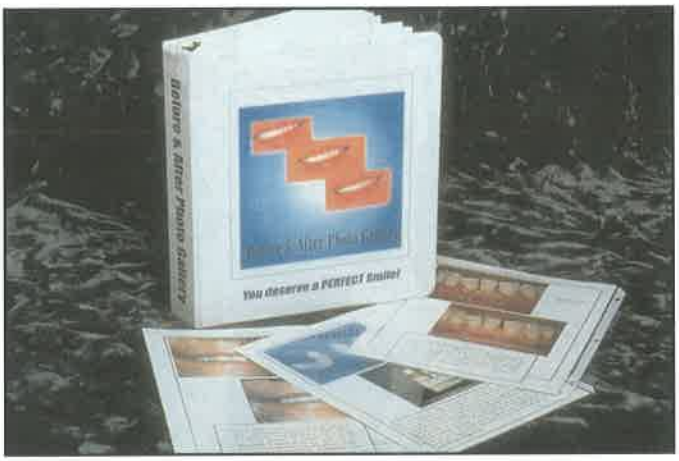
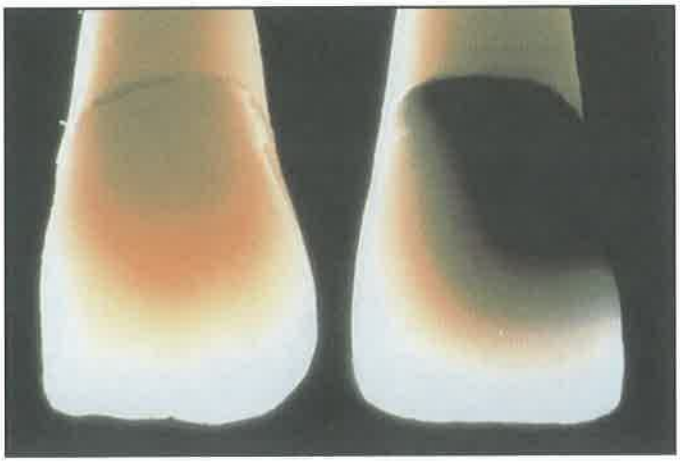
(***USA Today*** **research)**





**The average dentist spends $9,000 per year on marketing!**

## Try To Upsale Every Order!

- When you go to McDonald's and order a Big Mac what is the first thing their employees say?
- When someone orders a cleaning, exam & x-rays, what is the first thing that you could say?

## Technology

Technology is a commodity, people are the competitive edge in creating solutions that delight the customer!

Source: *Corporate Information Systems Management*, Applegate, McFarlan, McKenney, Copyright 1996

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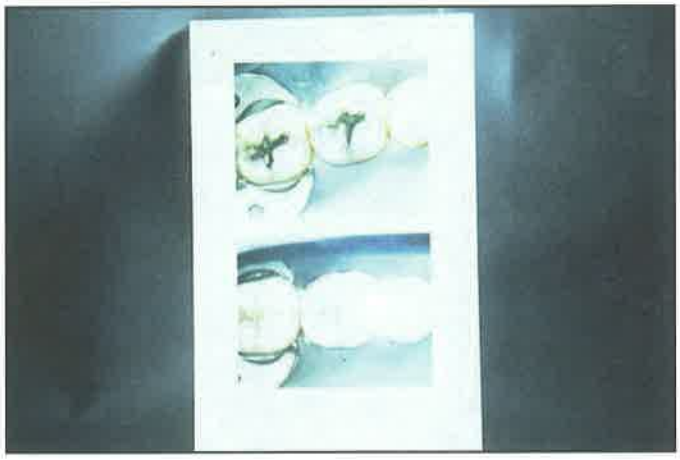
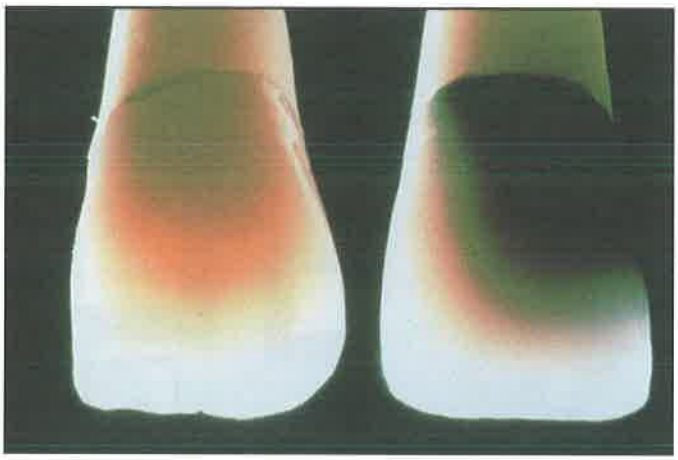
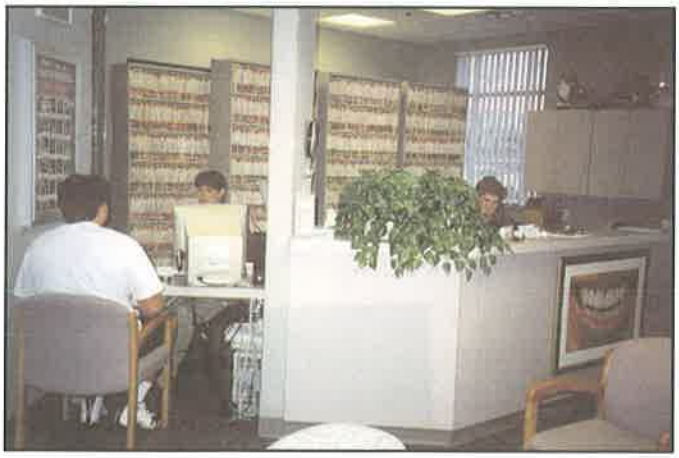
1·800·660·0409
BEFORE AFTER
BONDING!!
Children Are Special
Smiles Are Too!
Dr. James E. Hyde
meredith
communications inc







## Reward Referrals

- Reward patients who refer new patients to your office with gifts such as coffee mugs, gift certificates, free dinners, or any other unexpected items!
- If you don't "ASK" then you won't "GET"!
- Ask your patients for referrals"

## The Percentage Marketshare of the Major Religious Memberships in the United States

| | |
|---|---|
| Catholic | 36 % |
| Baptist | 22 % |
| Methodist | 8 % |
| Pentecostal | 6 % |
| Lutheran | 5 % |
| Latter Day Saints | 3 % |

Source: 1997 Britannica Book of the Year.

ten Service
AA/Alanon
nnah Circle
Kids' Bells
ice Singers
Aerobics
Bell Choir
uary Choir
s Breakfast
cs/Walking
.OT SALE
Worship
day School
egistration
port Group
Gloria Deo
nfirmation
rary Choir

Hall. Cost is $25 for green fees and cart; plus bring a main dish or salad for potluck. Register in the narthex or church office by February 27th. For more information, contact Jim or Barbara McKenzie at 893-3809.

**Office Fax Available** Ahwatukee Health Resources has purchased a fax for the church. If you ever need to use a fax, stop by the church office. We will charge you to cover our costs, but it will be 50% below what you pay elsewhere.

**A Thank You** to Dr. Glendon Moody of the Ahwatukee-Foothills Eye Clinic for his free eye exam and prescription for Gary Deemer, the congregation's adopted son. We also thank Dr. Howard Farran who has provided free dental care for Gary over the last couple of years.

**The Results Are In** We collected $495 in the Superbowl Penny/Loose Change jugs. Half went to Earthquake Relief and half to help pay for bell tables.

**Men's Breakfast** will be THIS FRIDAY at 7:00am in the Fellowship Hall. Sign up a friend and yourself in the Narthex

**Free**

Today's Dental

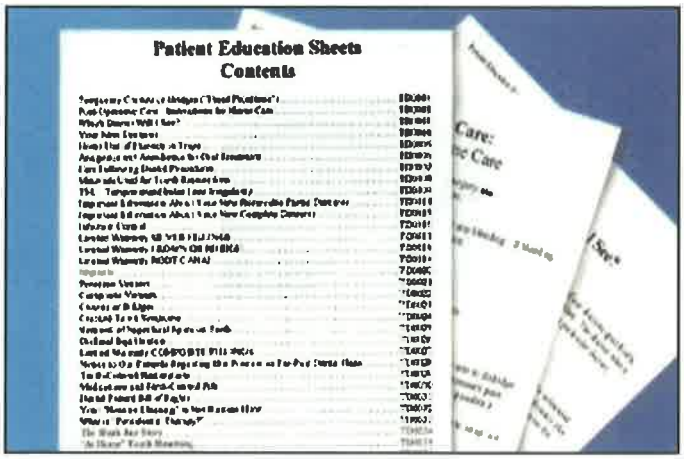
10850 South 48th Street • Phoenix • 893-CARE

This certificate is good for a FREE

• Examination • Full set of dental x-rays • Regular cleaning
• Fluoride treatment • Gum disease screening

Present this certificate at Today's Dental at the time of your appointment. Call 893-CARE for an appointment!
We are open 7am to 7pm, Monday thru Thursday,
Friday 7 a.m. to 4 p.m. and Saturday 8 am to 2 p.m.

**Free**



```
7:10a| PJC      8                  1      #  | ortho
7:20a| BUILD    8                  1      #  |   496-8516
7:30a| PJC      9                  1      #  |
7:40a| BUILD    9                  1      #  | Tiffani Nels
7:50a| PJC      7                  1      #  | ortho
8:00a+ PJC      10                 1      #  +   342-9744
8:10a|  855-0909                   1      #  |
8:20a|                             1      #  |
8:30a|                             1      #  |
8:40a|                             1      #  |
8:50a|                             1      #  |
9:00a+ Derry Jonnefides             1      A2 + Jordan Abbat
9:10a| RCT3     30                 1      #  | W&B
9:20a| BUILD    30                 1      #  |   893-9198
```

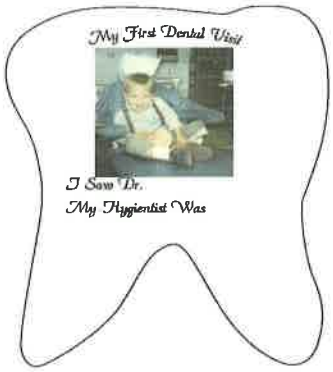
OK - Some Sens But doing Fine

Team Still Very Sens

```
6:10a| BLOCKED OUT                                  |
6:20a| BLOCKED OUT                                  |
6:30a| BLOCKED OUT                                  |
6:40a| BLOCKED OUT                                  |
6:50a| BLOCKED OUT                                  |
7:00a+ Carol Chase                  1      A1 + Randy Unruh
7:10a| PJC      8                  1      #  | ortho
7:20a| BUILD    8                  1      #  |   496-8516
7:30a| PJC      9                  1      #  |
7:40a| BUILD    9                  1      #  | Tiffani Nelson
7:50a| PJC      7                  1      #  | ortho
8:00a+ PJC      10                 1      #  +   342-9744
8:10a|  855-0909                   1      #  |
8:20a|                             1      #  |
8:30a|                             1      #  |
```

OK - Some Sens But doing Fine

WK - 10/4/19 great 6/19




- **If the kids like you and are happy, Mom likes you too!**
- **Make the kids want to visit their dentist and hygienist!**

**Source: Dr. Farran's Patient Education Sheets**

# Practice What You Preach

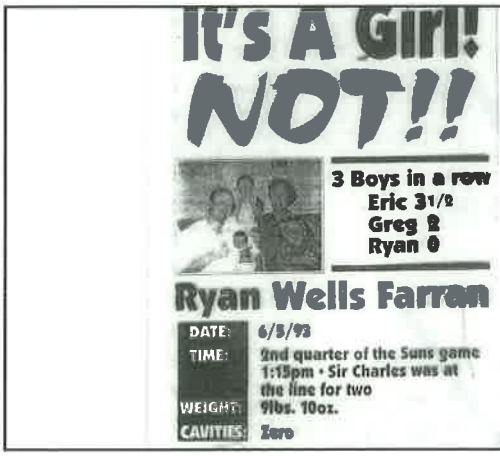
Get your own mouth and all your staff's mouths to optimum dental health in a fashionable cosmetic way today. You can start practicing on all of your staff today!

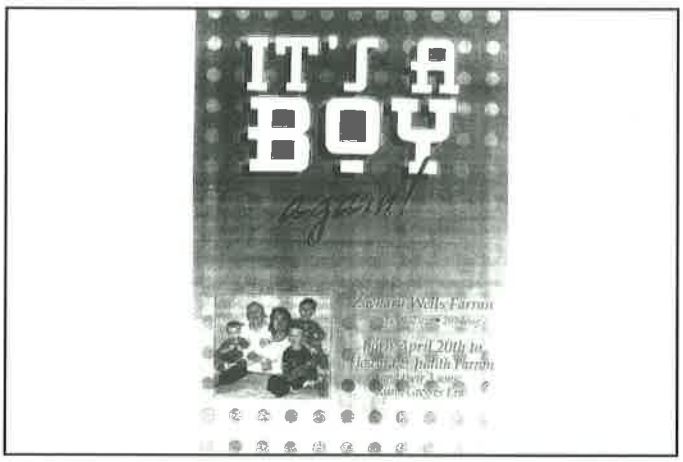
Howard's Mandibular Left Quadrant before

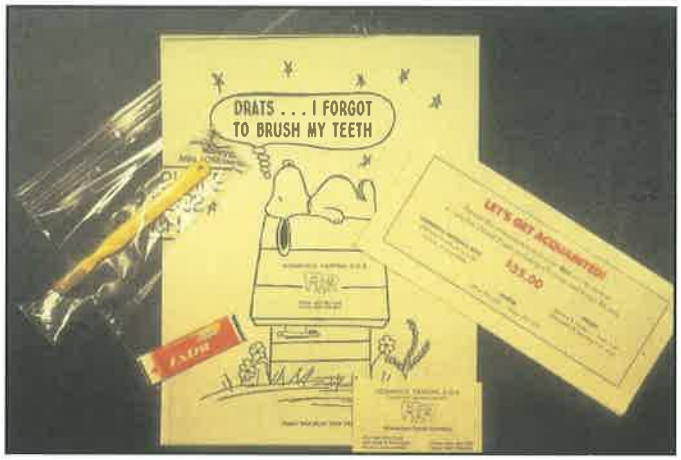
Howard's Mandibular Left Quadrant After

If I can do it, so can you!

**Photos courtesy of David Hornbrook, DDS**





## Internal Marketing

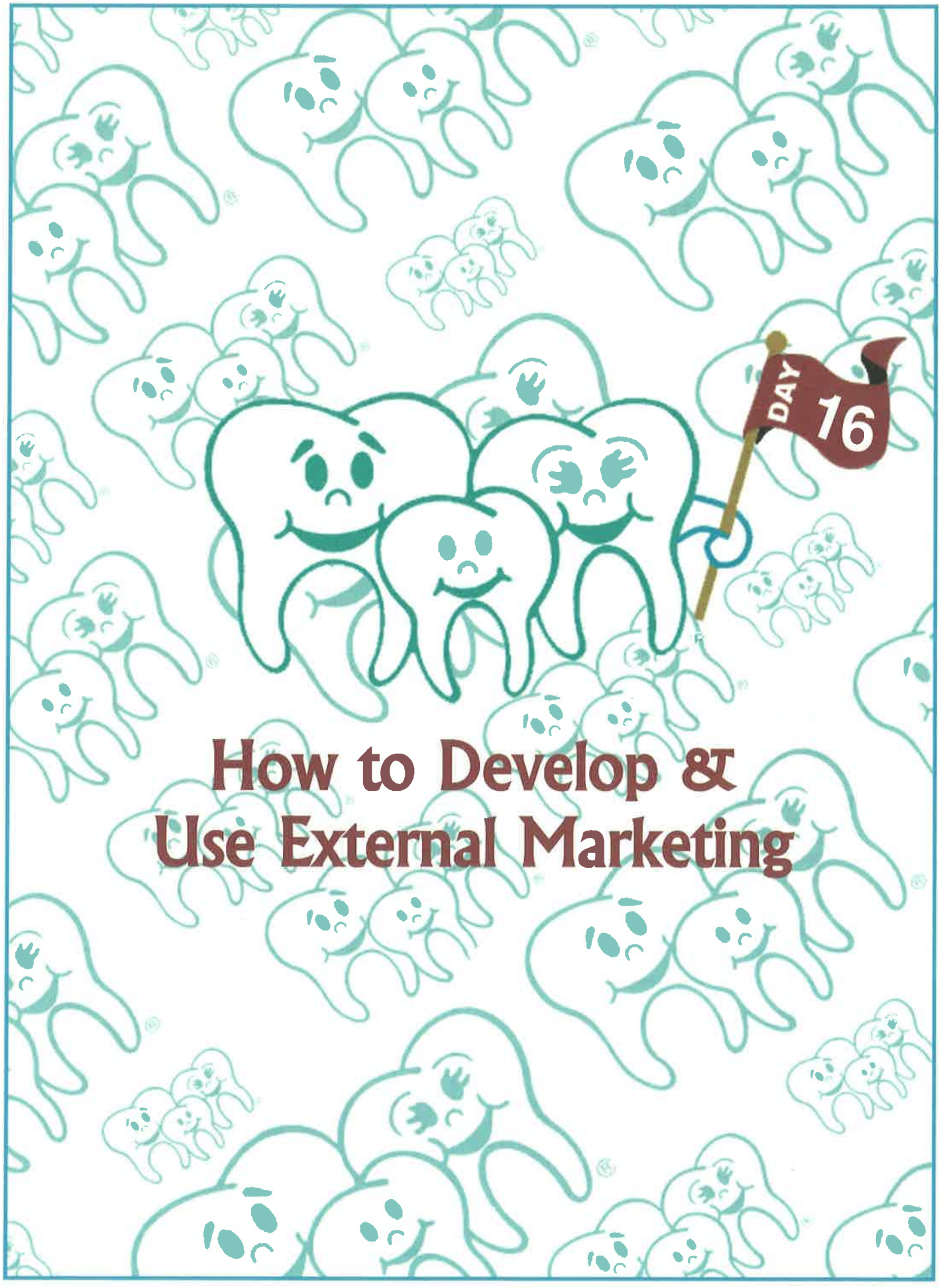
**Internal marketing builds your practice by keeping patients in your practice by closing the back door, while at the same time developing new referrals, from your current patients.**

- Patient exit interviews
- Patient education sheets
- Availability & Accessibility
- Five year warranties on all work
- Educational coloring sheets for children
- Rewarding referrals with gifts, mug or movie tickets
- Excuse bad debts over sending to collections at the end of year holiday time

## What is "Viral Marketing?"

## Word of Mouth Referrals!

## What is "Word of Mouth Referrals?"




# How to Develop & Use External Marketing

Your 30 Day Dental MBA
Day 16

# How To Develop & Use External Marketing

## The mass hypnosis of daylight savings!

This is a little like the mild form of pathology that we see in the confusion of daylight savings time! Instead of passing laws to make offices open an hour earlier in the summertime, everybody has to fool himself by making believe he is getting up at the same hour by changing the clock time!

## Justice Stewart found it impossible to formulate a test for obscenity but nevertheless asserted, "I know it when I see it!"

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997
Selected, Arranged and Introduced by Lawrence A. Cunningham

## Do you really understand your targeted market?

Chevrolet marketed its Nova car in Puerto Rico and received a poor response until a Spanish speaking person pointed out that "No Va" means no go!

Exxon sold Enco Petroleum in Japan until informed that in Japanese it meant, "stalled car"!

In dentistry women make over 89% of all the appointments!

## A Typical Advertising Campaign Consists of:

- **Strategic planning and research**
  - Potential
  - Market position
  - Competitive
- **Creative Design**
  - Concept
  - Target audience
  - Communication medium
  - Message
- **Media Purchasing**
- **Physical Production**

## Advertising Expenditures in the U.S. 1776-1996 (in Millions)

| Year | Amount[1] | Year | Amount[1] |
|---|---|---|---|
| 1800 | $1 | 1915 | $1,100 |
| 1820 | $3 | 1940 | $2,110 |
| 1840 | $7 | 1960 | $11,960 |
| 1860 | $22 | 1980 | $54,780 |
| 1880 | $175 | 1990 | $128,640 |
| 1900 | $450 | 1996 | $175,230 |

1. These are estimated figures of the monies spent on placing advertising in all media; the costs of producing the advertising are not included.
Source:McCann-Erickson, New York; figures through 1975 were compiled for Advertising Age, and reprinted.

## Top Companies Are Top Advertisers

| Company Name | Rank Among Fortune 500 | Rank Among Leading Advertisers | Revenues (millions) | 1996 Total Spent On Advertising (millions) | Percentage Spent On Advertising |
|---|---|---|---|---|---|
| Procter & Gamble | 18 | 2 | $35,284 | $1,493 | 4.23 % |
| Phillip Morris | 10 | 3 | $54,553 | $1,237 | 2.27 % |
| Chrysler Corp | 9 | 4 | $61,397 | $1,120 | 1.82 % |
| Sears Roebuck | 17 | 14 | $38,236 | $ 592 | 1.54 % |
| A T & T | 7 | 10 | $74,525 | $ 660 | 0.88 % |

Source: Competitive Media Reporting Top 100 Companies by 11-Media Advertising 1996

## Top 20 Single Shows in TV History

| | | | |
|---|---|---|---|
| 1 | M*A*S*H* Special (Last Episode) | 11 | Super Bowl XIII Pitt / Dal |
| 2 | Dallas (Who Shot J R.) | 12 | Bob Hope Christmas Show |
| 3 | Roots Part 8 | 13 | Super Bowl XVIII LA Ra/Wash |
| 4 | Super Bowl XVI San Fran / Cinn | 14 | Super Bowl XIX San Fran / Mi |
| 5 | Super Bowl XVII Wash / Miami | 15 | Super Bowl XIV Pitt / LA Ram |
| 6 | XVII Winter Olympics Figure Skat | 16 | ABC Theater "The Day After" |
| 7 | Super Bowl XX Chi / New Eng | 17 | Super Bowl XXXI Dal / Pitt |
| 8 | Gone With The Wind Part 1 | 18 | The Fugitive |
| 9 | Gone With The Wind Part 2 | 19 | Roots Part 6 |
| 10 | Super Bowl XII Dal / Den | 20 | Super Bowl XXI NY Gia / Den |

Note: As of June 11, 1997. Does not include programs broadcast on more than one network, e.g. the Apollo moon landing or programs under 30 minutes scheduled duration. Source: Nielsen Media Research

## Viewing Shares of Free and Cable TV Networks, 1985-96

| Year | Basic cable | Network affiliates | Independent stations[1] | Public TV stations | Pay cable |
|---|---|---|---|---|---|
| 1985[2] | 11% | 66% | 18% | 3% | 5% |
| 1990 | 21% | 55% | 20% | 3% | 6% |
| 1991 | 24% | 53% | 21% | 3% | 6% |
| 1992 | 24% | 54% | 20% | 3% | 6% |
| 1993 | 25% | 53% | 21% | 4% | 5% |
| 1994 | 26% | 52% | 21% | 4% | 5% |
| 1995 | 33% | 47% | 22% | 3% | 6% |
| 1996 | 33% | 46% | 21% | 3% | 6% |

Source: National Cable Television Association, Cable TV Developments(April 1995)

## Top 10 Cable Television Networks, 1996

| Rank/Network | Subscribers (millions) | Number of systems | Launch Date |
|---|---|---|---|
| 1. ESPN | 71.1 | 27,600 | 1979 |
| 2. CNN | 71.0 | 11,528 | 1980 |
| 3. TNT | 70.5 | 10,538 | 1988 |
| 4. TBS | 69.9 | 11,668 | 1976 |
| 5. C-SPAN | 66.1 | 6,003 | 1979 |
| 6. USA Network | 67.2 | 12,500 | 1980 |
| 7. The Discovery Channel | 67.0 | 10,036 | 1985 |
| 8. TNN | 68.9 | 17,636 | 1983 |
| 9. Lifetime Television | 67.0 | 8,300 | 1984 |
| 10. The Family Channel | 66.9 | 13,352 | 1977 |

Source: National Cable Television Association, Cable TV Developments (Spring 1997)

## Top 5 Pay-Cable Service, 1996

| Rank / Network | Subscribers | Content |
|---|---|---|
| 1. Home Box Office | 20,800,000 | Movies, variety, sports documentaries |
| 2. The Disney Channel | 16,100,000 | Movies, cartoons |
| 3. ShowTime / The Movie Channel | 15,200,000 | Movies, variety, comedy, specials |
| 4. Spice | 14,000,000 | Adult Movies |
| 5. Cinemax | 8,900,000 | Movies, comedy, music specials |

Source: National Cable Television Association,

*Cable TV Developments* (Spring 1997)

## Top U.S. Magazines by Circulation, 1996

| Rank | Magazine | Average paid. Circulation per issue |
|---|---|---|
| 1 | NRTA/AARP Bulletin | 20,567,352 |
| 2 | Modern Maturity | 10,528,786 |
| 3 | Reader's Digest | 15,072,260 |
| 4 | TV Guide | 13,013,938 |
| 5 | National Geographic | 9,025,003 |
| 6 | Better Homes & Garden | 7,605,325 |
| 7 | Family Circle | 5,239,074 |
| 8 | Good Housekeeping | 4,951,240 |
| 9 | Ladies' Home Journal | 4,544,416 |
| 10 | Woman's Day | 4,317,604 |

Magazine Publishers of America, 1997

## Top U.S. Magazines by Circulation, 1996

| Rank | Magazine | Average paid circulation per issue |
|---|---|---|
| 11 | McCall's | 4,290,216 |
| 12 | Time | 4,102,168 |
| 13 | People Magazine | 3,449,852 |
| 14 | Prevention | 3,311,244 |
| 15 | Playboy | 3,236,517 |
| 16 | Newsweek | 3,194,769 |
| 17 | Sports Illustrated | 3,173,639 |
| 18 | Redbook | 2,926,702 |
| 19 | The American Legion Magazine | 2,777,351 |
| 20 | Home & Away | 2,719,931 |

Magazine Publishers of America, 1997

## Top 10 U.S. Based Consolidated Ad Agencies by Gross Domestic Income, 1996 (Millions of Dollars)

| U.S. Rank Agency / Headquarters | U.S. Gross Income | U.S. Gross Billings | U.S. Employees | World-Wide Gross Income | Rank By World-Wide Gross Income |
|---|---|---|---|---|---|
| 1. DDB Needham, NY | $ 593 | $ 4,895 | 4,576 | $ 1,266 | 4 |
| 2. Young & Rubicam, NY | $ 553 | $ 5,199 | 4,498 | $ 1,271 | 3 |
| 3. DDBO Worldwide, NY | $ 535 | $ 4,973 | 4,748 | $ 1,280 | 2 |
| 4. J. Walter Thompson, NY | $ 421 | $ 2,954 | 2420 | $ 1,119 | 5 |
| 5. Grey Advertising, NY | $ 418 | $ 2,821 | 3,207 | $ 935 | 7 |
| 6. McCann Worldwide, NY | $ 417 | $ 3,126 | 2,380 | $ 1,386 | 1 |
| 7. Leo Burnett Co, Chicago | $ 394 | $ 2,650 | 2,239 | $ 866 | 8 |
| 8. Bozell Worldwide, NY | $ 360 | $2,900 | 1,620 | $ 442 | 15 |
| 9. Foote, Cone & Beld, Chi | $ 347 | $ 3,420 | N.A. | $ 799 | 9 |
| 10. Saatchi & Saatachi, NY | $ 346 | $ 2,521 | 989 | $ 757 | 11 |

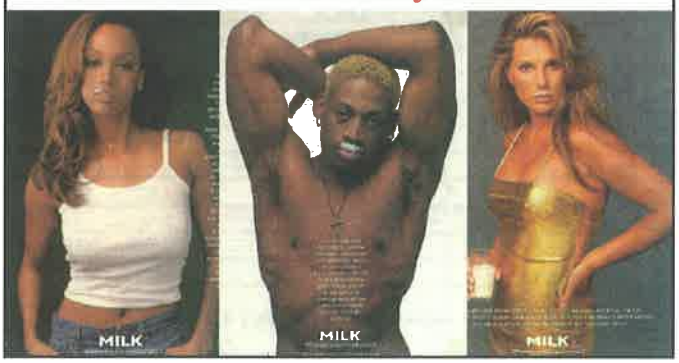
Source: Advertising Age (April21, 1997); reprinted by permission of Crain Communications.

## Advertising is Big Business

| | |
|---|---|
| American Dairy Association | $212,000,000 |
| Taco Bell | $200,000,000 |
| Miller Lite | $130,000,000 |
| United Airlines | $120,000,000 |
| Acura | $120,000,000 |
| Delta Air Lines | $100,000,000 |
| GTE | $100,000,000 |
| AT&T | $100,000,000 |

Source: Fortune May 26, 1997

## Look how important Advertising is for the American Dairy Association



## Marketing Strategies

- Shamrock Milk - $1.2 million/30 seconds before the Superbowl
- Mercedes-Benz now puts the price in its advertising
  - The average person thought the starting price of a Mercedes was $60,000. The reality was $26,000
- Average Production Cost for a Superbowl commercial is $5 Million

Arizona State University, MKT502, Professor R. Kuntze

## AIDS Cases and Deaths in the U.S. 1981-1996

| Year | Cases Diagnosed | Cases Diagnosed To Date | Known Deaths | Known Deaths To Date |
|---|---|---|---|---|
| Pre-1981 | 94 | 94 | 31 | 31 |
| 1981 | 327 | 421 | 128 | 159 |
| 1982 | 1,196 | 1,617 | 460 | 619 |
| 1983 | 3,141 | 4,758 | 1,504 | 2,123 |
| 1984 | 6,311 | 11,069 | 3,500 | 5,623 |
| 1985 | 11,963 | 23,034 | 6,971 | 12,594 |
| 1986 | 19,293 | 42,327 | 12,096 | 24,690 |
| 1987 | 28,946 | 71,273 | 16,360 | 41,050 |
| 1988 | 35,871 | 107,144 | 21,086 | 62,136 |
| 1989 | 43,024 | 150,168 | 27,731 | 89,867 |
| 1990 | 48,770 | 198,938 | 31,466 | 121,333 |
| 1991 | 59,600 | 258,538 | 36,458 | 157,791 |
| 1992 | 77,984 | 336,522 | 40,807 | 198,598 |
| 1993 | 77,641 | 414,163 | 43,889 | 242,487 |
| 1994 | 68,959 | 483,122 | 47,636 | 290,123 |
| 1995 | 61,614 | 544,736 | 45,765 | 335,888 |
| 1996 | 36,693 | 581,429 | 25,695 | 361,583 |

Source: U.S. Dept. of Health and Human Services, Centers for Disease Control and Prevention, HIV/AIDS Surveillance Report, Vol.. 8, No. 2 (1997)

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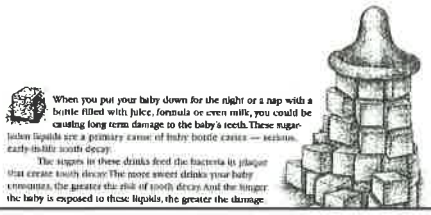
Source: U.S. Dept. of Health and Human Services, Centers for Disease Control and Prevention, HIV/AIDS Surveillance Report, Vol.. 8, No. 2 (1997)

## WHAT SUGAR DOES TO YOUR BABY'S TEETH IS REALLY ROTTEN.



When you put your baby down for the night or a nap with a bottle filled with juice, formula or even milk, you could be causing long term damage to the baby's teeth. These sugar-laden liquids are a primary cause of baby bottle caries — serious, early-in-life tooth decay.

The sugars in these drinks feed the bacteria in plaque that create tooth decay. The more sweet drinks your baby consumes, the greater the risk of tooth decay. And the longer the baby is exposed to these liquids, the greater the damage.

## Creative Concepts

- Professional Advertisements
- Will create your own newsletter
- Will create your own customized videotape for your waiting room or to hand out to new patients.
- Royalty Free
- Low Cost
- Call 1-800-325-4326

## Total U.S. Advertising Volume by Medium, 1995 to 1996

| Medium | Expenditures (millions) | Percent Share |
|---|---|---|
| Television | 42,484 | 24 % |
| Newspapers | 38,402 | 22 % |
| Direct Mail | 34,509 | 20 % |
| Miscellaneous | 22,263 | 13 % |
| Radio | 12,269 | 7 % |
| Yellow pages | 10,849 | 6 % |
| Magazines | 9,010 | 5 % |
| Business Papers | 3,808 | 2 % |
| Outdoor | 1,339 | 1 % |
| Total | $175,230 | 100% |

Source: Advertising Age, May 12, 1997

## Market Orientation

Discovering the needs and wants of prospective customers and satisfying them!

Always focused on the customer from the very first stages of the process and throughout every part of the business!

All employees must be committed!

Arizona State University, MKT502, Professor R. Kuntze

## Marketing in Dentistry

Amalgams tend to be a Product Oriented market! Where do you go after an amalgam?

Cosmetic Dentistry tends to be a Segment Oriented market. After a tooth colored filling, patients tend to want to bleach their teeth, straighten their teeth with orthodontics or veneers, obtain fresher breath, and become more faithful on their regular visits!

Arizona State University, MKT502, Professor R. Kuntze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Arizona State University, MKT502, Professor R. Kuntze


## Marketing in Dentistry

An amalgam-free cosmetic practice product can be driven by the teenage children! Even though the parents, usually mom, is the actual decision-maker. "Mom, why can't we go to Dr. PrettyTooth's practice instead of the one we go to Dr. MetalMouth!"

Everyone of you who has children, knows the strength and power of your children's drive!

Arizona State University, MKT502, Professor R. Kuntze

## Marketing Segmentation

Segmentation

- Identifiable
- Of sufficient size to merit expense
- Reachable
- Respond differently than other segments to marketing stimuli

Arizona State University, MKT502, Professor R. Kuntze

## Marketing Demographics

Demographics – describes population in terms of size, structure and distribution!

1. Income
2. Age
3. Gender
4. Occupation
5. Language
6. Marital Status
7. Religion
8. Ethnicity
9. Education

Arizona State University, MKT502, Professor R. Kuntze

## Marketing Demographic Trends

Age – Graying of America

Gender – gender bending

Ethnic Growth – Asian – fastest growing

Family – changing roles – single parent

Education – more of it

Occupation – less defined

Arizona State University, MKT502, Professor R. Kuntze

## Marketing Ethics

Culture – acquired knowledge, beliefs, and customs that we take from society

Cultural Beliefs and Values – widely held beliefs about what is desirable

Norms – unwritten rules that specify or prohibit certain behaviors in specific situations. Incorrect behavior can result in Sanctions – mild disapproval to banishment

Arizona State University, MKT502, Professor R. Kuntze

## Hispanics will outnumber African-Americans by 2001!

## Hispanics share a common language to market to!

**Asians do not! Asians speak several different languages and are spread out on the income scale more so than Hispanics. They are a lot harder to target market!**

## Habitual decision process

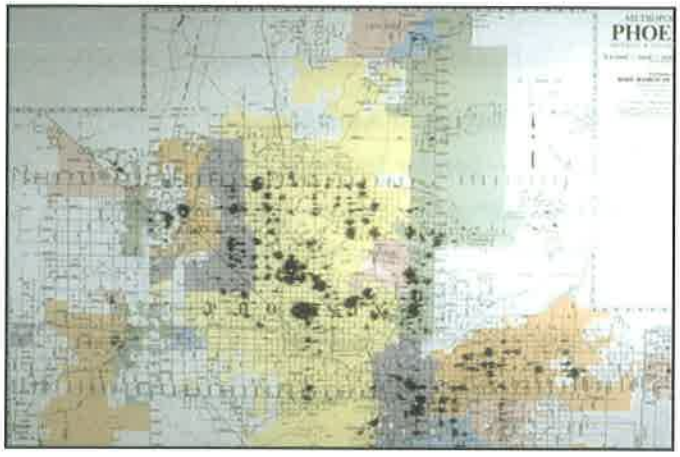
**Try to develop brand loyalty through advertising and image - raise the involvement into ego or self-image – then you can get more for the product! (ie. tennis shoes)**

## An Aging Population!

**Those over 80 years old will double in the next 4 years and triple in the next 6 years!**

## External Marketing Is:
## Location, Location, Location!

**If you don't believe in demographics you don't understand demographics!**




## Demographic Market Segmentation - Variables

Consumers are classified according to standard demographics, such as age, sex, income, marital status, etc. Non-standard variables can also be used. For example:

- Type of health plan (HMO, PPO, POS, traditional Indemnity, etc.)
- Number of Dental visits in the past year
- Combined average household income
- The price of your home
- Your highest level of education, (high school, college, etc.)
- The car you drive
- Your family values, traditions, and culture.

## An example of a "needs-based" segmentation for the health care market

| Segment | Description |
|---|---|
| Premium-focused | Highest premium sensitivity. Low value for all other characteristics. Lowest Income. Higher percentage young, male, single |
| Risk-averse | High value for co-insurance and preventive care. Moderately premium sensitive. Low value for other characteristics. Low income. Highest percentage with children. Favorable attitude toward HMOs. |
| Choice demanders | Lowest premium sensitivity. Highest membership in Indemnity and PPO. Highest percentage of seniors. Least favorable toward HMOs. Lower than average self-stated health status |
| Relationship driven | Highest value for relationship. Moderate premium sensitivity and value for co-pay, preventive care, and wait times. Lowest self-stated health status. Strongest attitude toward continuity of care. |
| Convenience seekers | Highest value for location and wait times. Moderate value for relationship. Older than average. Unfavorable toward HMOs. Strongest feeling that "I struggle to keep things under control" |

## Attitudinal Market Segmentation – Variables

Consumers are classified according to their responses to a series of attitudinal statements.

Sample attitudinal statements in the health care market could include:

- HMOs provide the most comprehensive care
- I typically call a close friend or relative for advice about my health
- Herbal remedies are my first line of defense
- I seek health information from the World Wide Web
- I would rather stick with what is known than take chances
- I would rather look good than feel good
- I just want to know if it is going to hurt
- I just want to know what its going to look like

## Demographic Market Segmentation – Variables

Consumers are classifies according to standard demographics, such as age, sex, income, marital status, etc. Non-standard variables can also be used. For example:

- Type of health plan (HMO, PPO, POS, traditional indemnity, etc.
- Number of Dental visits in the past year
- combines average household income
- the price of your home
- Your highest level of education, (high school, college, etc.)

## Needs-based Market Segmentation – Variables

Respondents are classified according to their values for the product attributes

Example attributes for a needs-based market segmentation where the product is a health plan might include:

- Monthly premium
- Co-payment
- Doctor choice
- Dental office location

## Needs, Wants & Attitudes

Accurate forecasts are CRITICAL to effective capacity planning!

But REMEMBER all forecasts are wrong, irrespective of method and some methods are worse than others!

Need to work with MARKETING on better forecasts of demand of products as well as supplying capability!

Arizona State University, OPM 502, Professor M. Rungtusanatham

## The 3 Rules of Real Estate: Location, Location, & Location!

Ray Kroc, the founder of McDonald's asked, "What business am I in?" Everyone laughed! Ray asked the question again, "What business do you think I'm in?" The people laughed again, and finally one brave soul yelled out, "Ray, who in the world does not know that you're in the hamburger business!" Ray chuckled! "That is what I thought you would say!" He paused and then quickly said, "Ladies and gentlemen, I'm not in the hamburger business! My business is real estate!" Ray Kroc knew that the real estate and its location were the most significant factor in the success of each franchise!

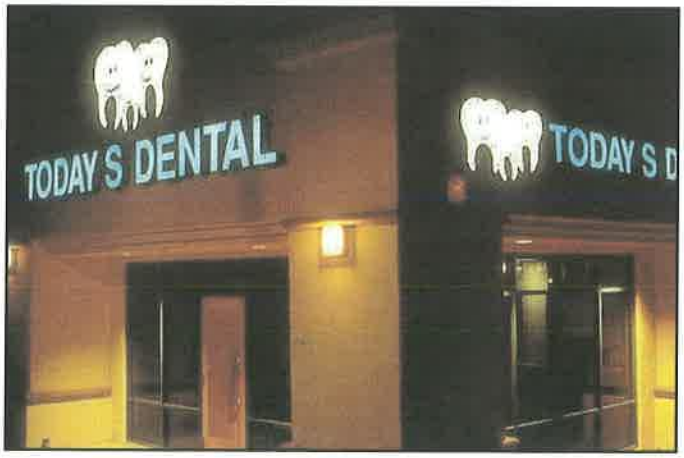
TODAY'S DENTAL
893-CARE

TODAY'S DEN
893-CARE

TODAY'S DENTAL

10855
AHWATUKEE
ANIMAL CARE
HOSPITAL
HEALTHBLEND

ORTHO
TRIOX
Vegetation
Killer


TODAY S DENTAL
TODAY S D

## Advertising Expenditures in the U.S. 1776-1996 (in Millions)

| Year | Amount[1] | Year | Amount[1] |
|---|---|---|---|
| 1800 | $1 | 1915 | $1,100 |
| 1820 | $3 | 1940 | $2,110 |
| 1840 | $7 | 1960 | $11,960 |
| 1860 | $22 | 1980 | $54,780 |
| 1880 | $175 | 1990 | $128,640 |
| 1900 | $450 | 1996 | $175,230 |

1. These are estimated figures of the monies spent on placing advertising in all media; the costs of producing the advertising are not included.
Source: McCann-Erickson, New York; figures through 1975 were compiled for Advertising Age, and reprinted.

Writing too many memos with too many words? Follow the lead of Honest Abe.

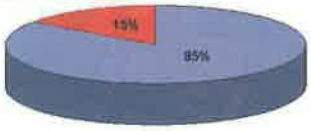
**Abraham Lincoln** delivered his Gettysburg Address just over 130 years ago. Look at how his words compare:

| | Number of words |
|---|---|
| **Gettysburg Address** | **272** |
| Bag of Lay's Potato Chips | 401 |
| IRS Form 1040EZ | 418 |
| Average *USA Today* cover story | 1,200 |

(***USA Today* research**)

## Few Forego Dentistry

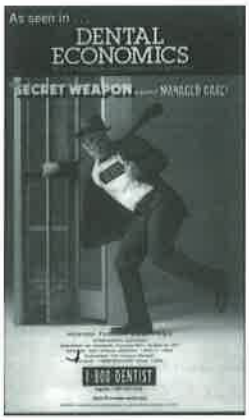
**Of the 1000 people surveyed for the March Gallop Poll, 15 % said they did not currently have a dentist. Female respondents were somewhat more likely to currently have a dentist!**




**Source: The Gallup Organization**

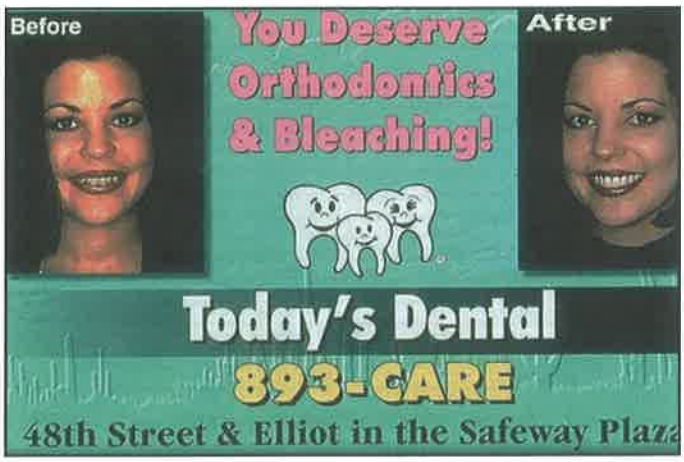
## Dental referral services help you by:

- Sending 15 new patients per month to your office!
- Advertise nationally such as 1-800-DENTIST!
- Produce professional advertising to educate your patients about the benefits of dentistry!

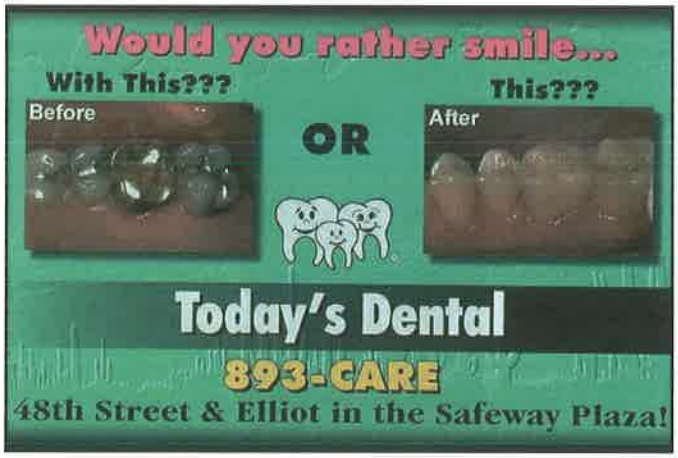

As seen in . . .
DENTAL ECONOMICS
SECRET WEAPON
1-800 DENTIST

As seen in . . .
DENTAL ECONOMICS
1-800 DENTIST

As seen in . . .
DENTAL ECONOMICS
1-800-DENTIST


Before
You Deserve Orthodontics & Bleaching!
After
Today's Dental
893-CARE
48th Street & Elliot in the Safeway Plaza

You Deserve to Bleach Your Teeth!
Before
After
Today's Dental
893-CARE
48th Street & Elliot in the Safeway Plaza!




## External Marketing

Even though your back door is closed, you still need new patients to grow! External Marketing attracts new patients from sources outside your family practice dental office!

- Door to door! Get out and 'press the flesh'
- Letters to the editor
- Dental health month
- Fairs, parades, carnivals
- Public health, oral health screenings
- Movie theater screen advertising
- Referral services
- Co-op advertising
- Direct mail, newsletters
- Yellow pages advertising

## Promotion

Use every opportunity to promote yourself and your dental practice.

- New babies
- Local news stories
- Halloween promotions
- National stories with local angles
- Free dentistry for pastors of local churches
- Local news stories and letters to the editors
- Parades, carnivals, fairs, Boy Scouts, Girl Scouts
- Charity dentistry in your backyard or in foreign countries

## Publicity & PR

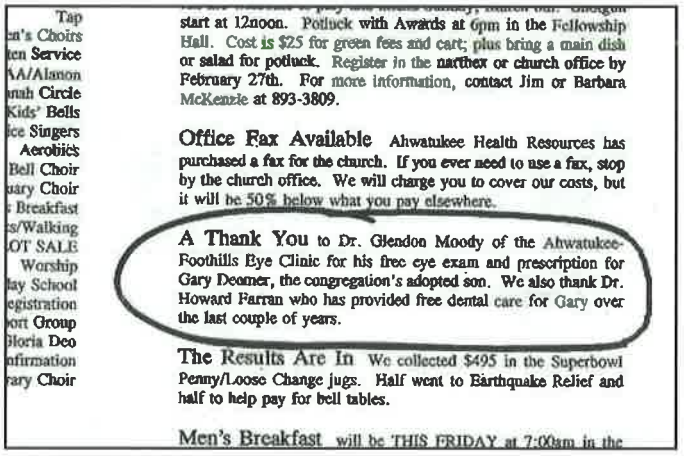
The power of the press can help build your practice.

- Become known as the local expert on a dental topic.
- Fax press releases to media outlets regularly.
- Send timely articles to newspapers and magazines.
- Become a community advocate for better dental health such as water fluoridation.
- Take advantage of your high tech office such as Micro Air Abrasion, intra oral cameras, laser bleaching, and cosmetic dentistry.
- Become a dental maniac and pretend you play full time at Today's Dental.

## The Percentage Marketshare of the Major Religious Memberships in the United States

| | |
|---|---|
| Catholic | 36 % |
| Baptist | 22 % |
| Methodist | 8 % |
| Pentecostal | 6 % |
| Lutheran | 5 % |
| Latter Day Saints | 3 % |

Source: 1997 Britannica Book of the Year.



Tap
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AA/Alanon
nah Circle
Kids' Bells
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Aerobics
Bell Choir
uary Choir
Breakfast
s/Walking
OT SALE
Worship
lay School
egistration
ort Group
Gloria Deo
nfirmation
ary Choir

start at 12noon. Potluck with Awards at 6pm in the Fellowship Hall. Cost is $25 for green fees and cart; plus bring a main dish or salad for potluck. Register in the narthex or church office by February 27th. For more information, contact Jim or Barbara McKenzie at 893-3809.

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| Religion | Date | Membership in 1998 |
|---|---|---|
| **Judaism** | **2000BC** | **14 million** |
| Abraham | 2000BC | |
| Moses | 1250BC | |
| Isaiah | 800BC | |
| Ezekiel | 600BC | |
| **Hinduism** | **1500BC** | **793 million** |
| **Buddhism** | **500BC** | **325 million** |
| Buddha or Siddharthen Guatama | 563-483BC | |
| **Confucianism** | **500BC** | **5 million** |
| Confucius | 551-479BC | |
| **Christianity** | **0** | **2000 million** |
| Jesus | 8-4BC | |
| **Islam** | **600AD** | **1100 million** |
| Mohammed | 570-632AD | |

Source: 1998 New York Times Almanac

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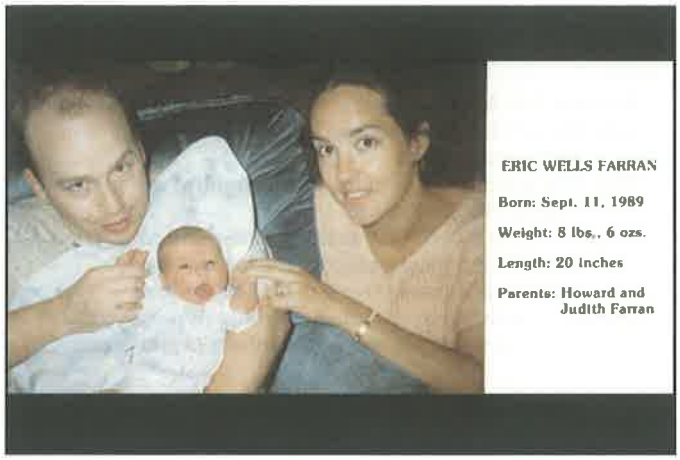

## Marketing in Dentistry

**Social Orientation — improving consumers or society's wellbeing**

**Example: Ben and Jerry, Paul Newman, Water Fluoridation**

**What is your company? Is it market oriented? Should it be?**

Arizona State University, MKT502, Professor R. Kuntze

Star Wars dentistry

Laser beam battles tooth decay, pain

## Marketing

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# LEG VEINS

**WHY CONTINUE TO BE ASHAMED OF YOUR LEGS WHEN WEARING SHORTS OR A BATHING SUIT.**

A simple in-office procedure with no surgery, no time loss from work and no unsightly scars can make those veins disappear.

CALL FOR A CONSULTATION

**991-0300**

SCOTTSDALE INSTITUTE FOR COSMETIC DERMATOLOGY
10603 N. Hayden Road, Suite 112, Scottsdale, AZ

## A New Medical Breakthrough . . .
## A Non-Surgical Solution For Impotence

A new medically safe and effective system which is being administered thru the Center For Advanced Medical Specialties offers renewed sexual satisfaction for you and your partner. This new non-surgical device allows men to resume satisfying and complete sexual relations without drugs, injections or surgery.

Call For A Free Confidential Consultation (602) 265-5560

The Center For Advanced Medical

# "All press is good press"

P.T. Barnum

**Promote Yourself!**

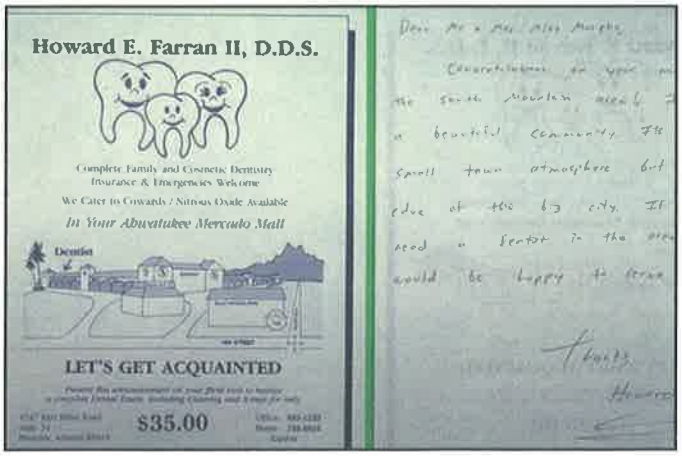
**No one else will!**

**Notice how the advertisement says, "Faculty Associate at A. S. U."**

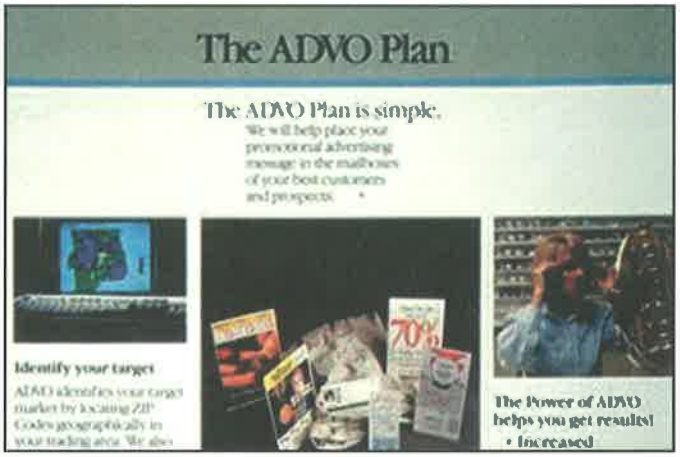
**It's not "Selfish"**

**It's your Self - Interest**

**Dr. Farran can't use this technique because he graduated from "Farmers University of Central Kansas!"**



New Woman
People
FRIENDS' MATTHEW PERRY
BEVERLY HILLS 213

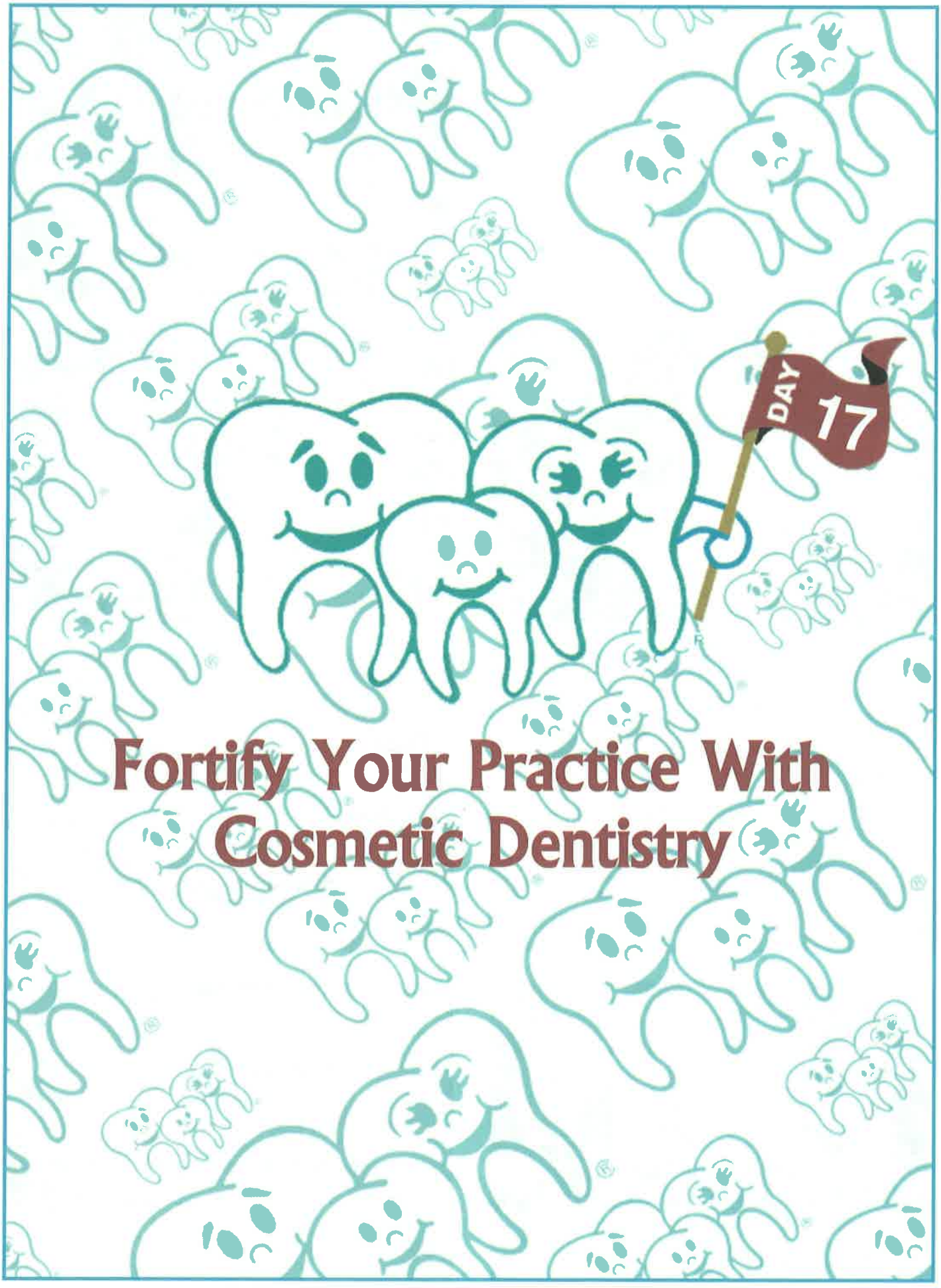

The ADVO Plan
The ADVO Plan is simple.
We will help place your promotional advertising message in the mailboxes of your best customers and prospects.
Identify your target
ADVO identifies your target market by locating ZIP Codes geographically in your trading area. We also
70%
The Power of ADVO helps you get results!
• Increased

EVERYDAY VALUE MEALS
99¢

STOP
Look for Valuable Cou
on your sales receipt
(520)798-7181
For Ad Info
BURGER KING

WE CATER TO COWARDS
BIG BEND SQUARE
DENTAL CENTER
LESLIE RICK, D.D.S.
GEMINI ASI $6100

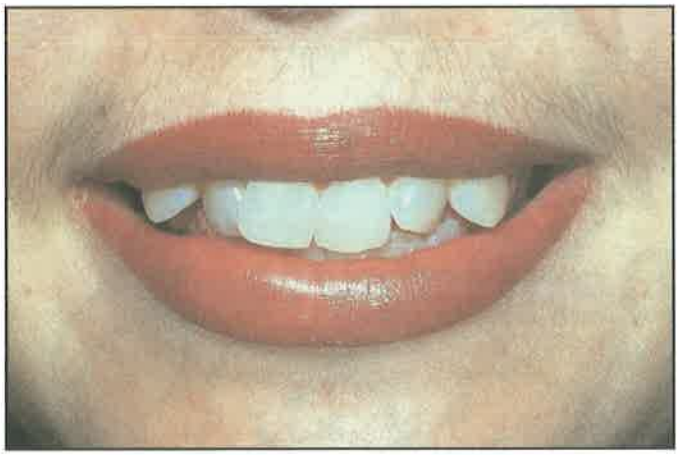
TRI DONT
DENTAL CENTRES
24 HOUR EMERGENCY TELEPHONE
948-3770
Gentle Family Dentistry
STEVEN L. HAASE, D.D.S.
10810 E. Via Linda Scottsdale AZ
602-860-4111
WESTWOOD DENTAL CENTER
827-9185

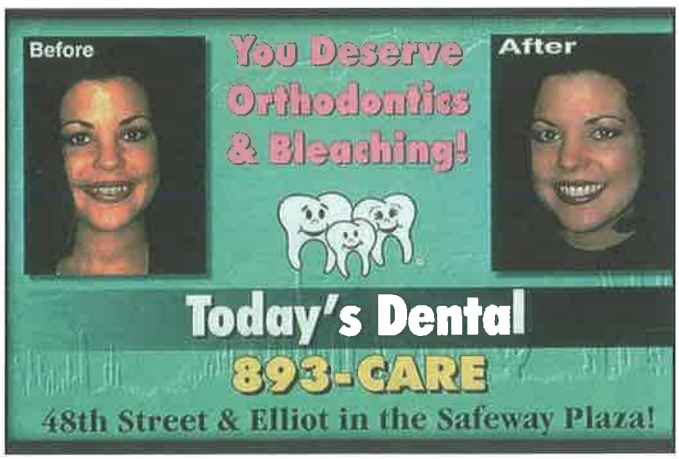


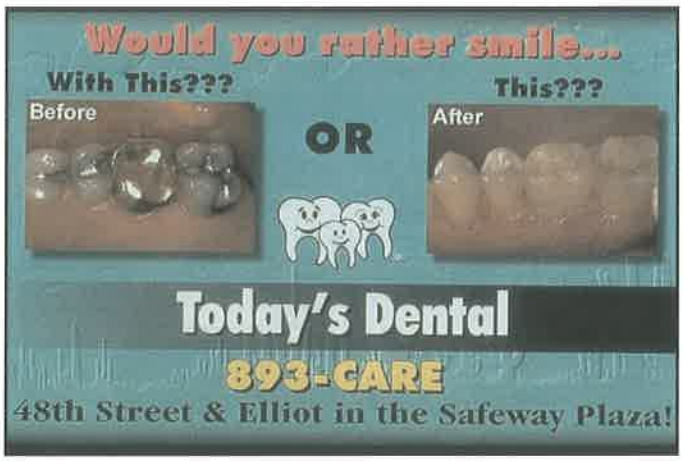

# Fortify Your Practice With Cosmetic Dentistry

Your 30 Day Dental MBA
Day 17

# Fortify Your Practice With Cosmetic Dentistry





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Choirs
Service
Alanon
Circle
' Bells
Singers
erobics
Choir
Choir
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Choir

start at 12noon. Potluck with Awards at 6pm in the Fellowship Hall. Cost is $25 for green fees and cart; plus bring a main dish or salad for potluck. Register in the narthex or church office by February 27th. For more information, contact Jim or Barbara McKenzie at 893-3809.

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# Free

## Today's Dental

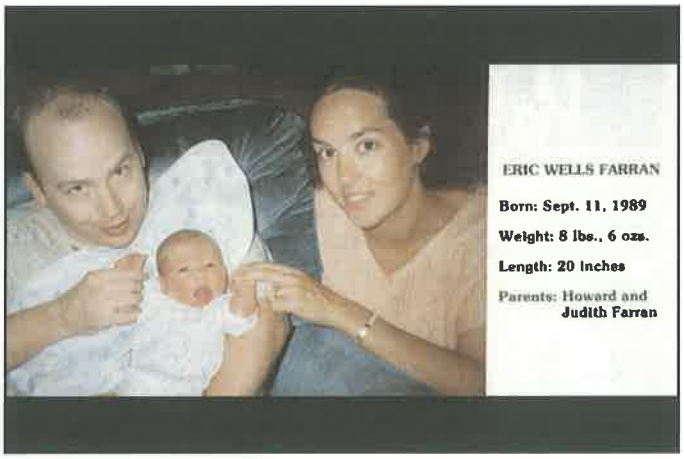
10850 South 48th Street • Phoenix • 893-CARE

This certificate is good for a FREE

• Examination • Full set of dental x-rays • Regular cleaning
• Fluoride treatment • Gum disease screening

Present this certificate at Today's Dental at the time of your appointment. Call 893-CARE for an appointment!
We are open 7am to 7pm, Monday thru Thursday,
Friday 7 a.m. to 4 p.m. and Saturday 8 am to 2 p.m.

# Free



ERIC WELLS FARRAN

Born: Sept. 11, 1989

Weight: 8 lbs., 6 ozs.

Length: 20 inches

Parents: Howard and Judith Farran

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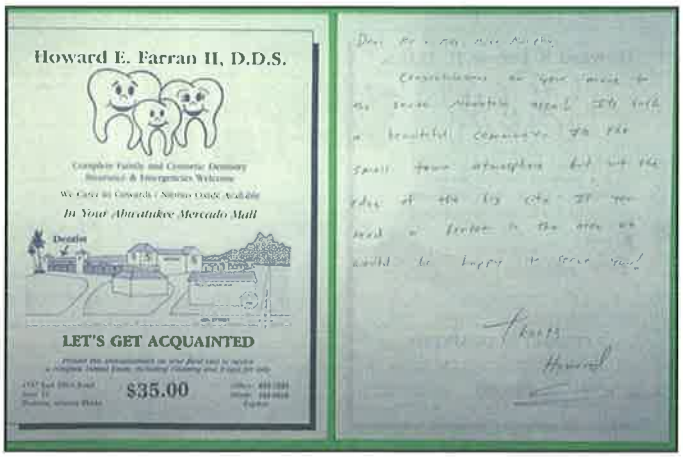


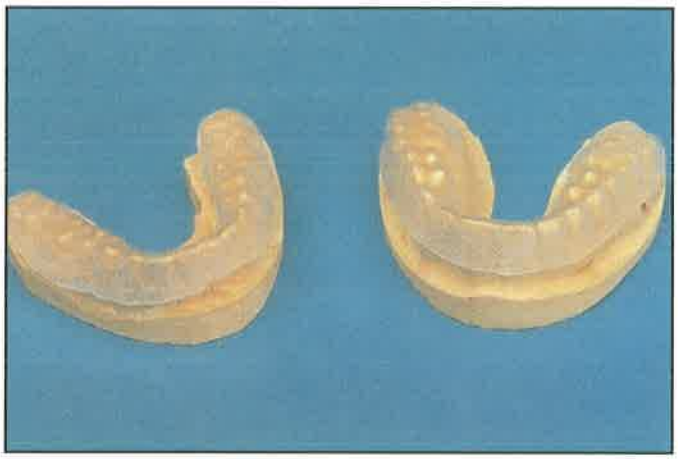
## "Teeth are the picture, Lips are the frame!"

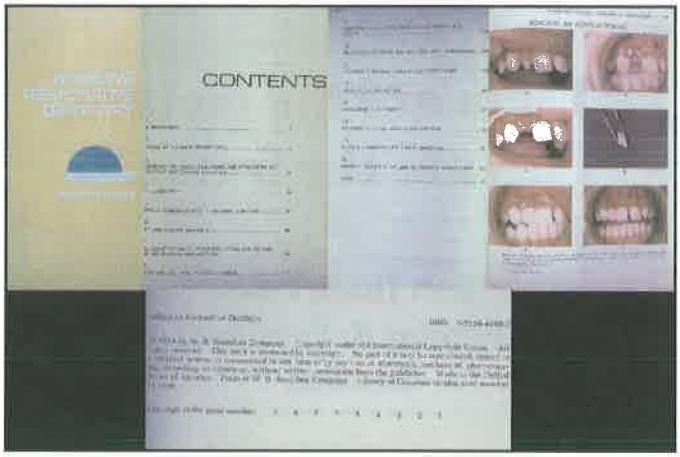
**Bob Ibsen DDS**
**Founder & President**
**Denmat**

## Needs Vs Disease!

**The #1 rule in successful case presentations is that they are done based on your customer/patient's needs determination!**

**The #1 rule in blowing case presentations is when they are done based on your customer/patient's disease status.**

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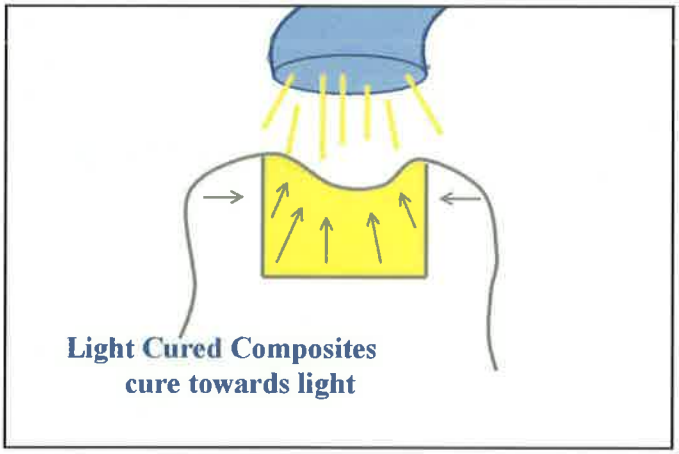
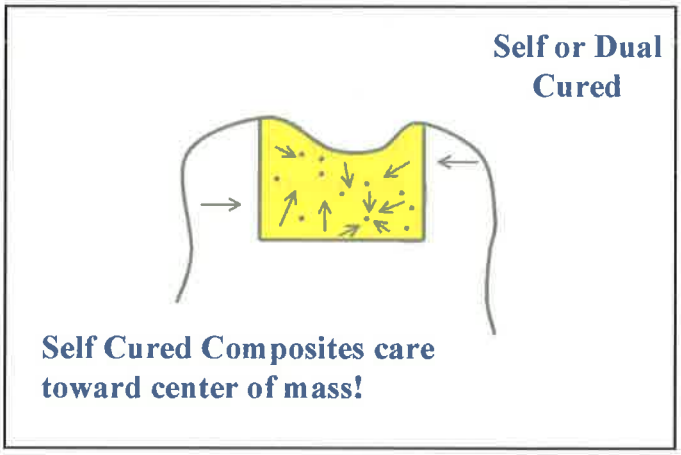
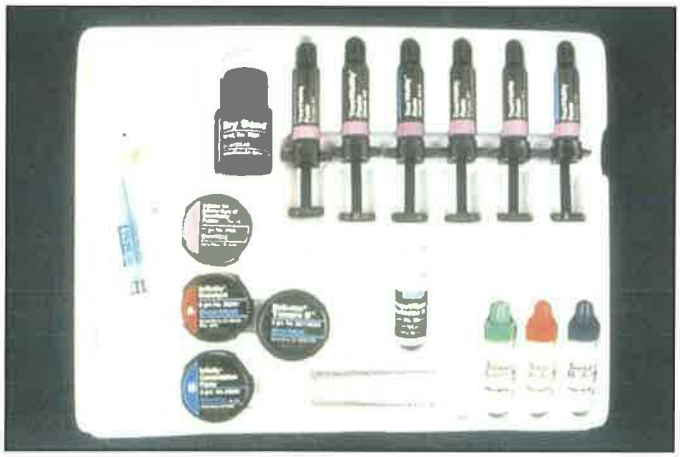
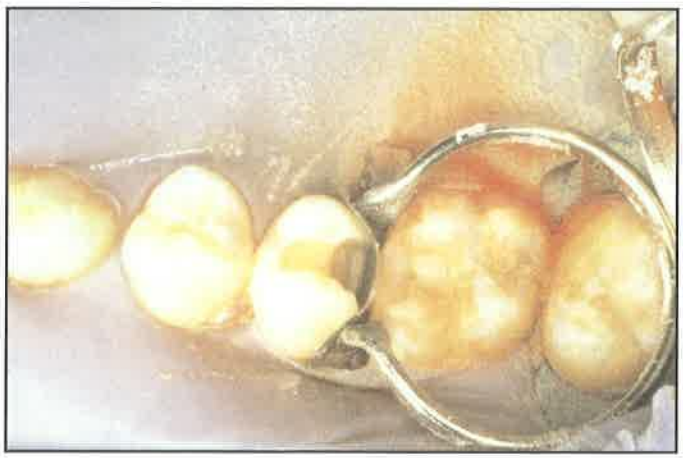
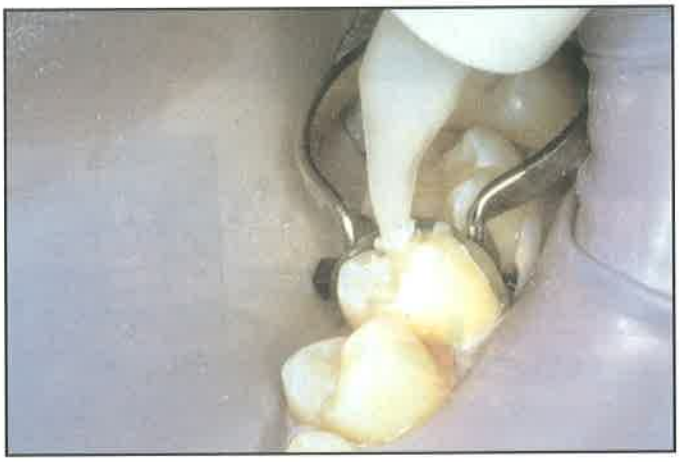

Light Cured Composites
cure towards light


Self or Dual
Cured
Self Cured Composites care
toward center of mass!







"Go to where the puck is going to be, not to where it is!"

Wayne Gretzky

**"I'm no genius, I'm smart in spots—but I stay around those spots!"**

Thomas Watson Sr.
Founder & CEO of IBM

"Dentists are artificially programmed on how they look at teeth. Consumers look at teeth naturally!"

Dan Fisher DDS
Founder &President of
Ultradent

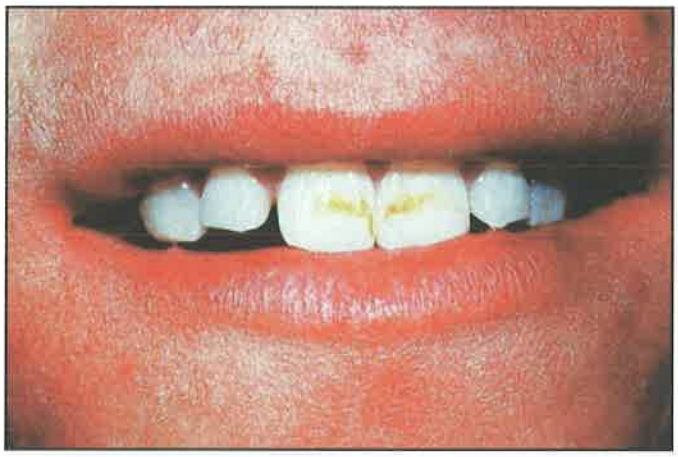
"What percent of a denture is bought for function?

What percent of a denture is bought for cosmetics, mental health, dignity and humanity?"

Dan Fisher DDS
Founder & President of
Ultradent

"Mental Health is far more important than Dental Health!"

Dan Fisher DDS
President % Founder of
Ultradent

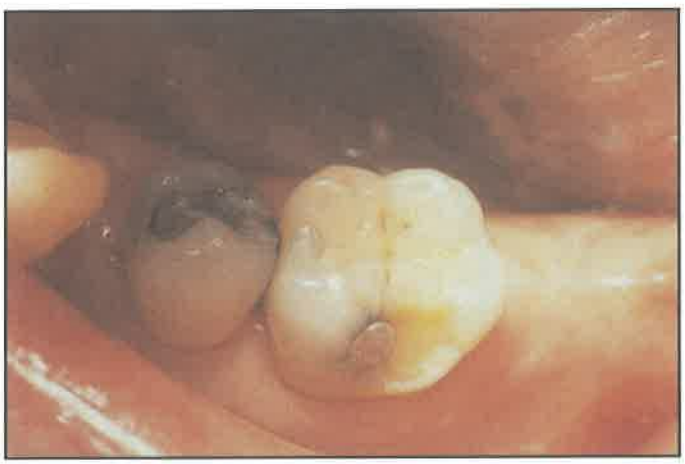


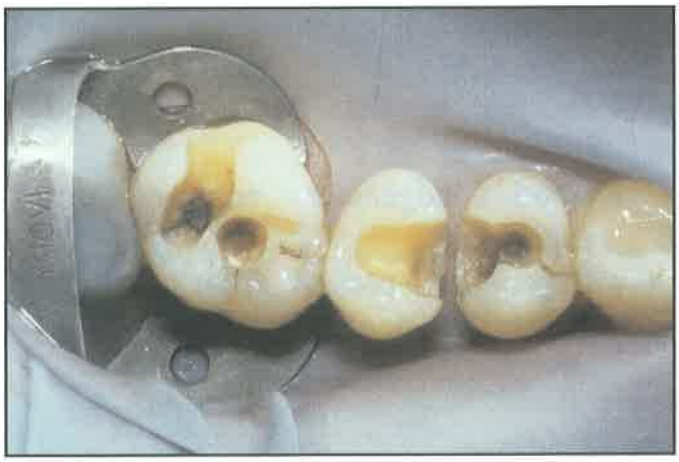
JADA

ASSOCIATION REPORTS

## Safety of dental amalgam—an update

Council on Dental Materials, Instruments, and Equipment
Council on Dental Therapeutics





When an airplane takes off for another city they are off course 95% of the time. They keep adjusting off their last decision outcome.

Success leaves clues.

Anthony Robbins

## Enamel/Dentin Acids or Surface Preparation

| Ingredient | Use on: | |
|---|---|---|
| Phosphoric A | Enamel + Dentin | zinc phosphate cement 60 – 70%<br>enamel etchant 37%<br>dentin conditioners 10% - 37% |
| Polyacrylic A | Dentin | Durelon cement<br>Smear clean for glass ionomers |
| Maleic a | Enamel + Dentin | Scotch prep primer |
| Nitric A | Enamel + Dentin | Tenure conditioner |
| Citric A | Dentin | Periodontal root surface cleaner/porcelain conditioner |
| EDTA | Dentin | Gluma / Tubliocid |

## Adhesive Resin / Monomers

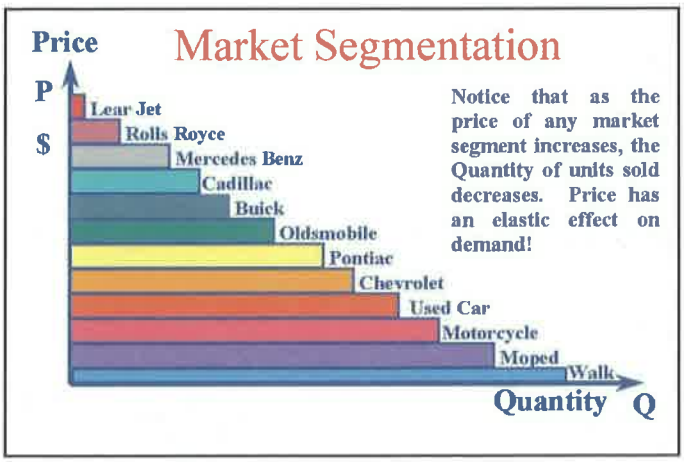
1. **Bowen Chemistry (NTG – GMA/PMDM)**
2. **HEMA**
3. **4 – Meta**
4. **Phosphonated Esters**

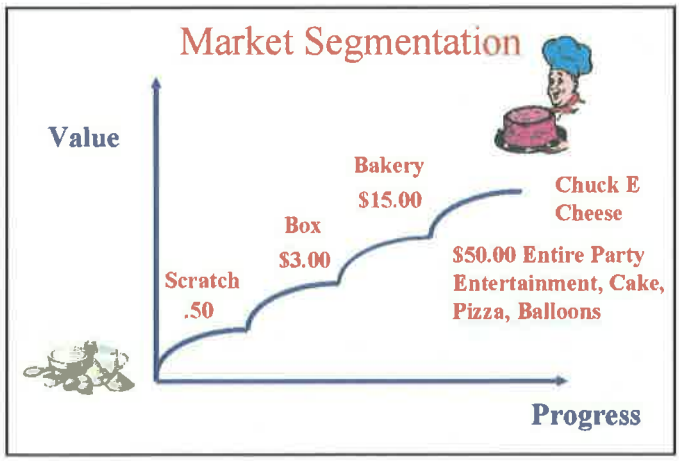
- Success is the result of Good Judgement.
- Good Judgement comes from experience.
- Experience comes from making decisions both good and bad.

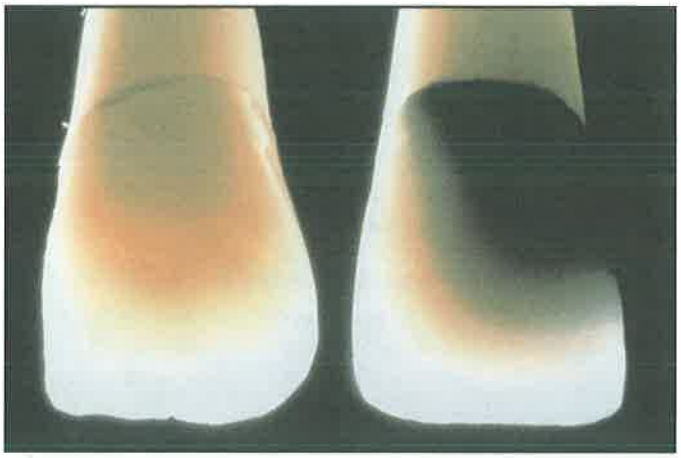
Anthony Robbins

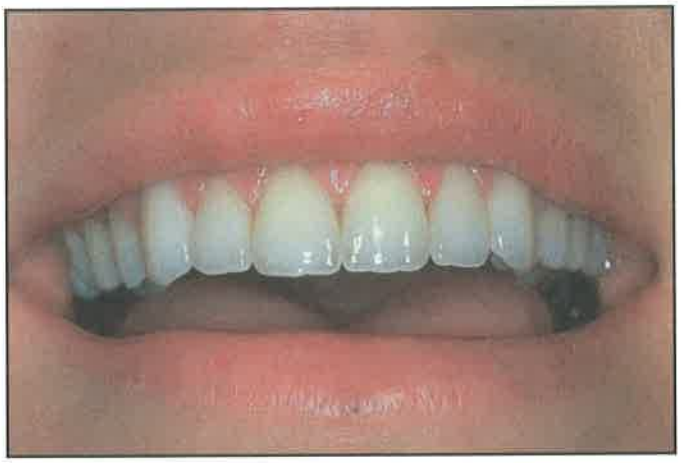
"You cannot dogmatically force feed the needs of the marketplace!"

**Adam Smith**
*The Wealth of Nations* 1776

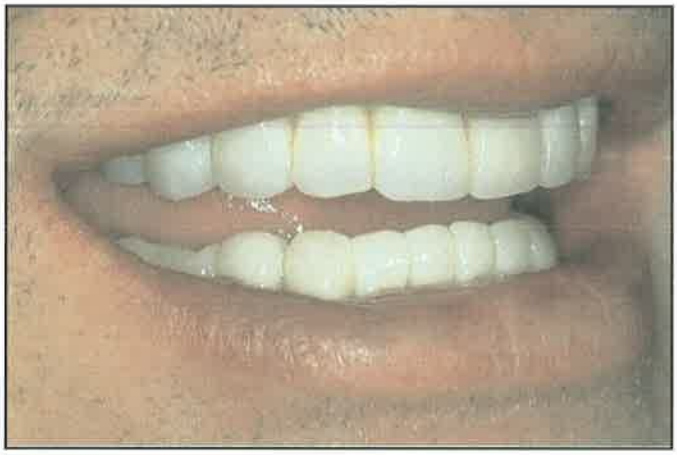


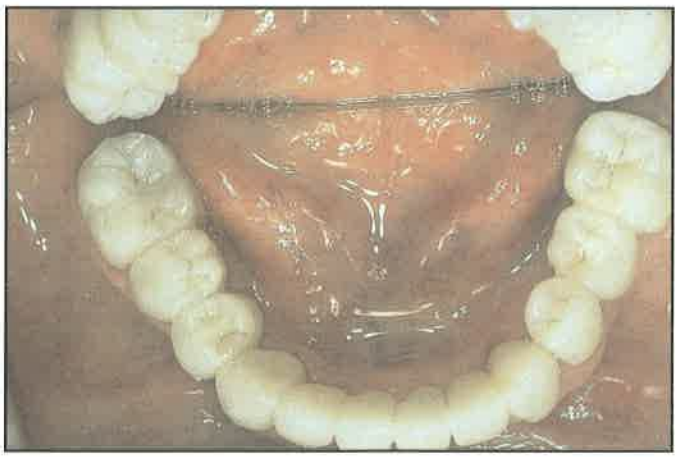
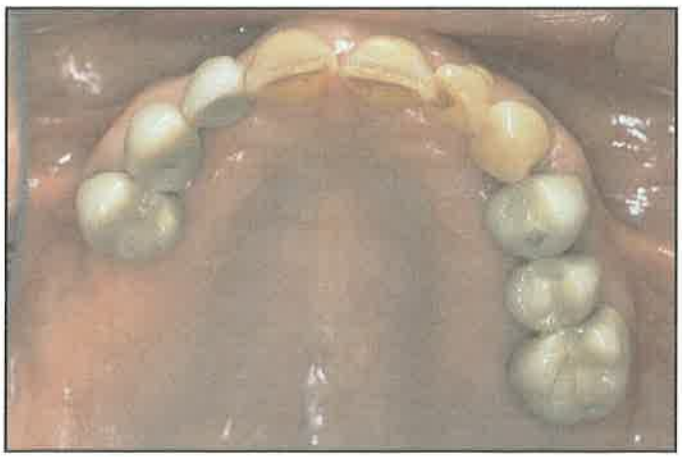



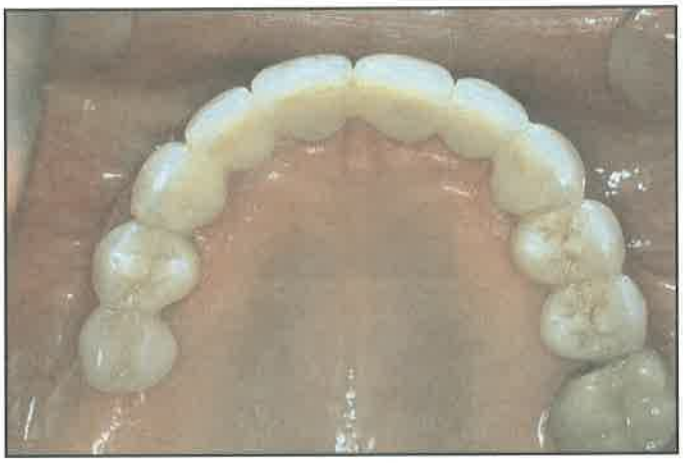


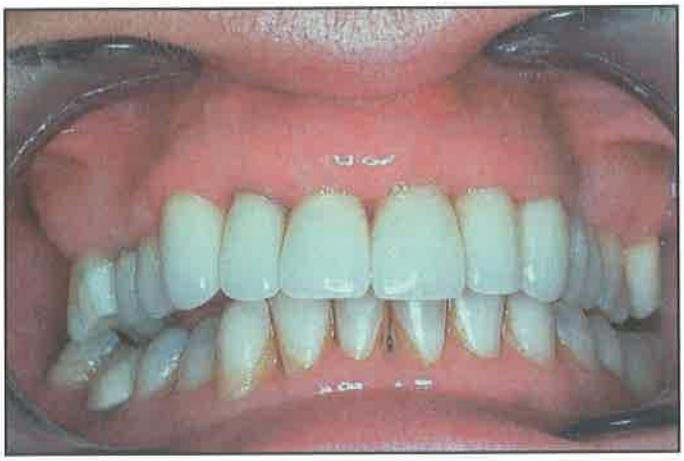


St2



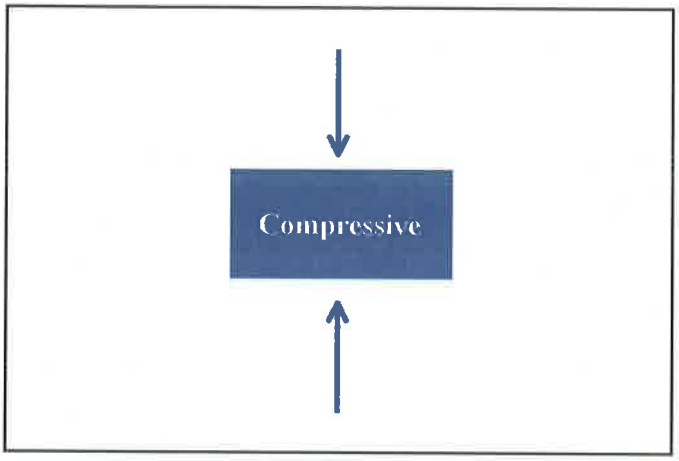


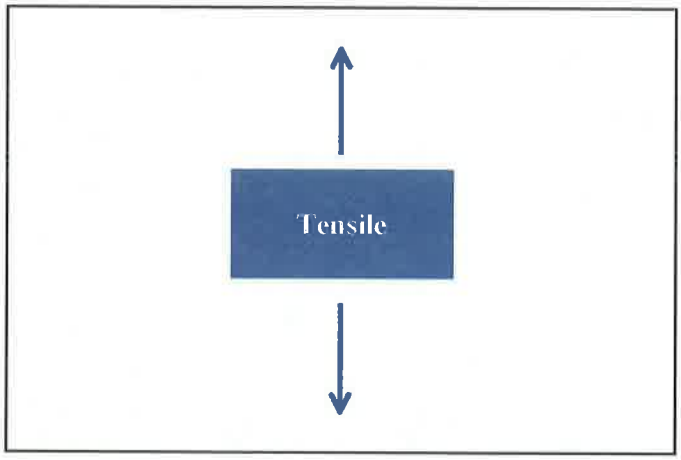


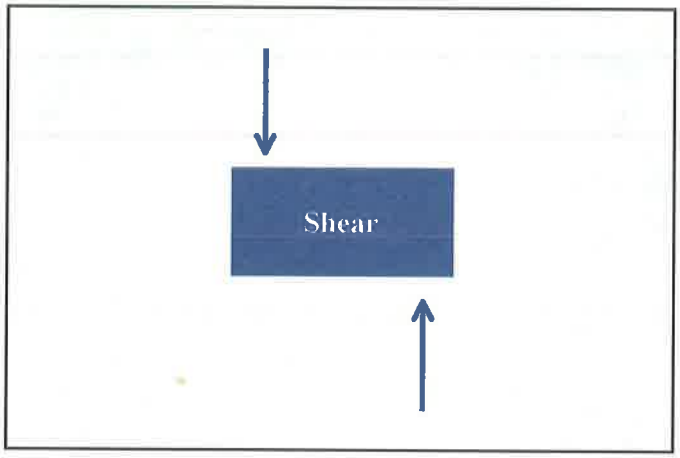
## Continental Drift

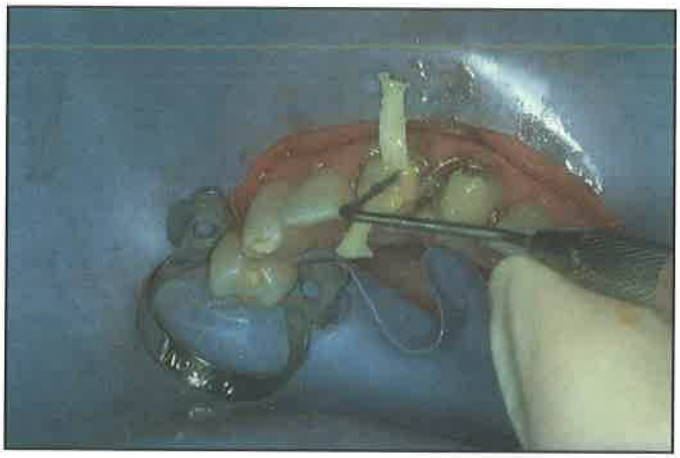
**Tectonic plates either crash together (convergence), slide horizontally past each other (transform), or pull apart (divergence).**

*A Brief History of Science*, Consultant Editor John Gribbon, 1998


Compressive


Tensile


Shear



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Seattle, WA 98101-2118
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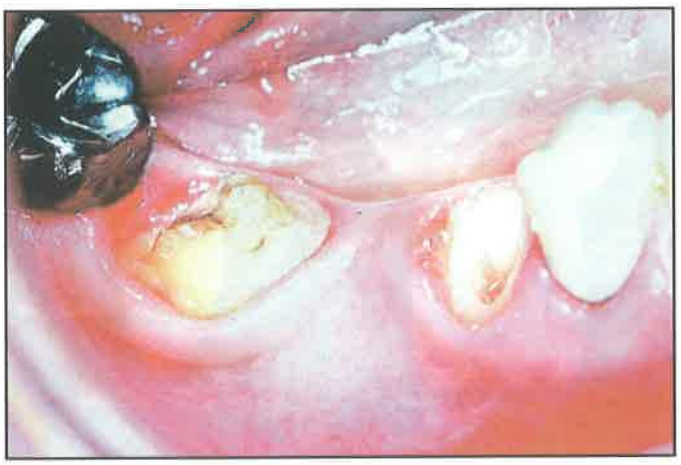
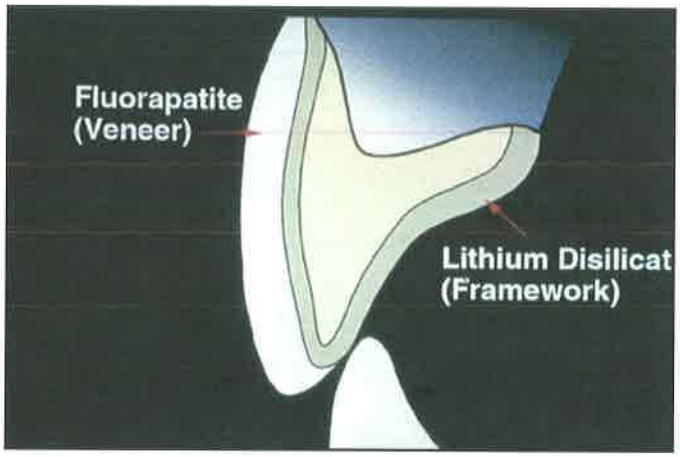
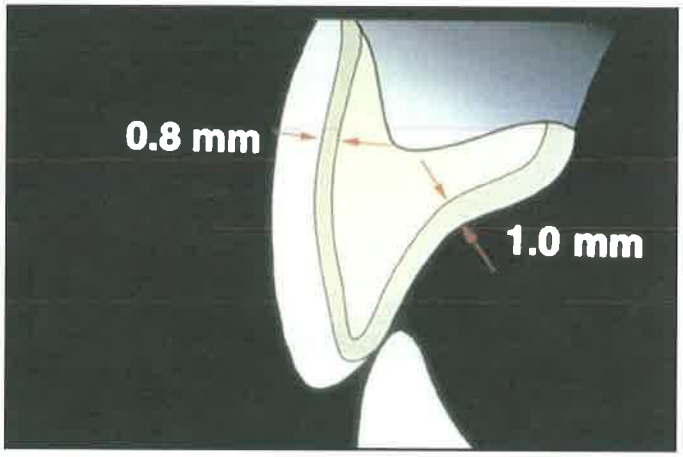
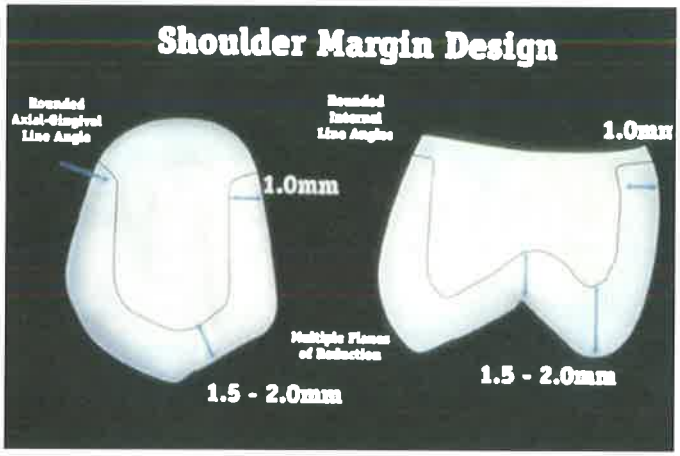
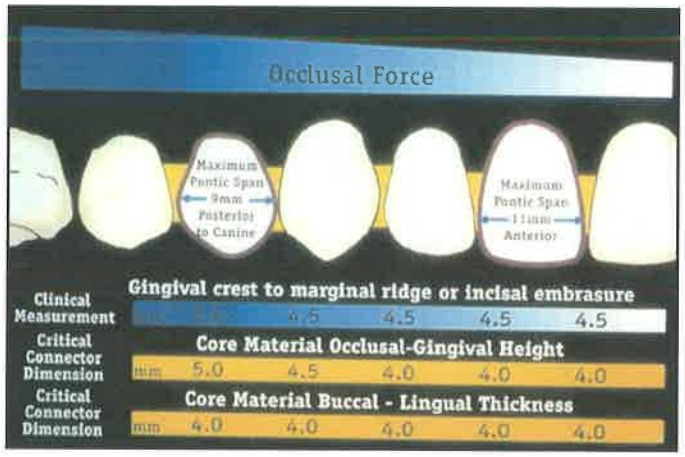
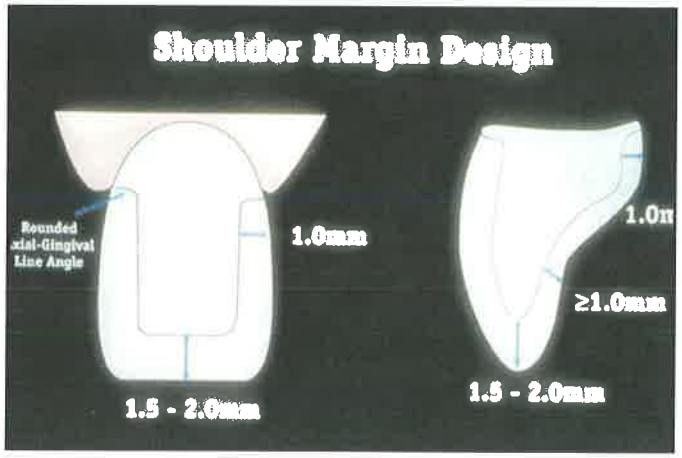


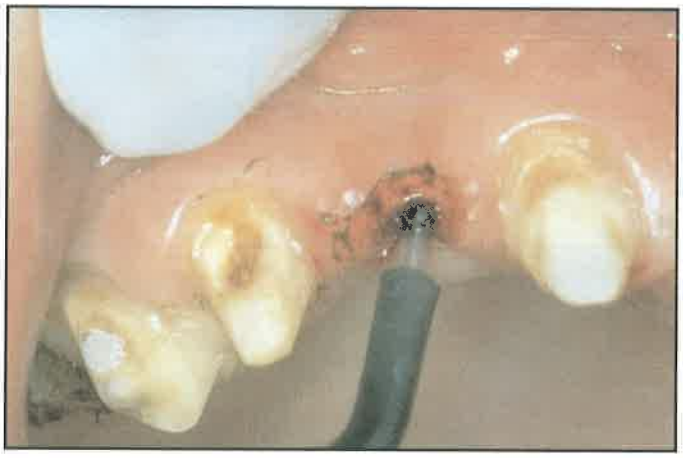

Fluorapatite
(Veneer)
Lithium Disilicat
(Framework)


0.8 mm
1.0 mm


Shoulder Margin Design
Rounded Axial-Gingival Line Angle
1.0mm
Rounded Internal Line Angles
1.0mm
Multiple Planes of Reduction
1.5 - 2.0mm
1.5 - 2.0mm


Occlusal Force
Maximum Pontic Span 9mm Posterior to Canine
Maximum Pontic Span 11mm Anterior
Clinical Measurement
Gingival crest to marginal ridge or incisal embrasure
4.5 4.5 4.5 4.5
Critical Connector Dimension
Core Material Occlusal-Gingival Height
mm 5.0 4.5 4.0 4.0 4.0
Critical Connector Dimension
Core Material Buccal - Lingual Thickness
mm 4.0 4.0 4.0 4.0 4.0


Shoulder Margin Design
Rounded Axial-Gingival Line Angle
1.0mm
1.0m
≥1.0mm
1.5 - 2.0mm
1.5 - 2.0mm



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## Cosmetic Courses by the "Magicians"

| | |
|---|---|
| Dr. Bill Dickerson | (702) 878 - 1977 |
| Dr. David Hornbrook | (619) 463 - 7797 |
| Dr. Steven Haase | (602) 661 - 1200 |
| Dr. Larry Rosenthal | (212) 794 - 9600 |
| Dr. Ross Nash | (704) 364 - 4711 |
| Dr. Jeff Kohler | (602) 893 - 0888 |

**Periodontal Disease, Inflammation & Halitosis!**

- **"The presence of Inflammation or hemorrhage within the oral cavity will accentuate the putrefaction process and the resultant intensity and quality of the odor!"**

**Halitosis: Knowing when "Bad Breath" signals systemic disease" Geriatrics, Vol. 48, #8, 8/93**

**Periodontal Disease, Inflammation & Halitosis!**

- **"Saliva from individuals with periodontitis putrefies more rapidly and odor is more disagreeable in comparison to saliva in healthy individuals!"**

**Oral Malodor & Periodontitis**
**Journal of Perio. 1/94-Vol. 65, #1**

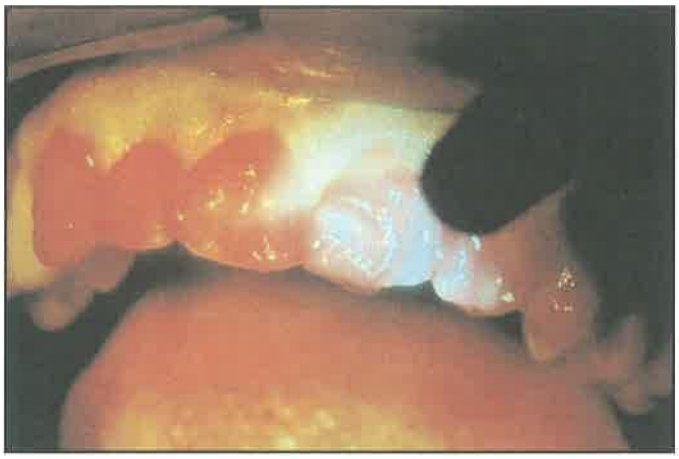
## Periodontal Disease, Inflammation & Halitosis!

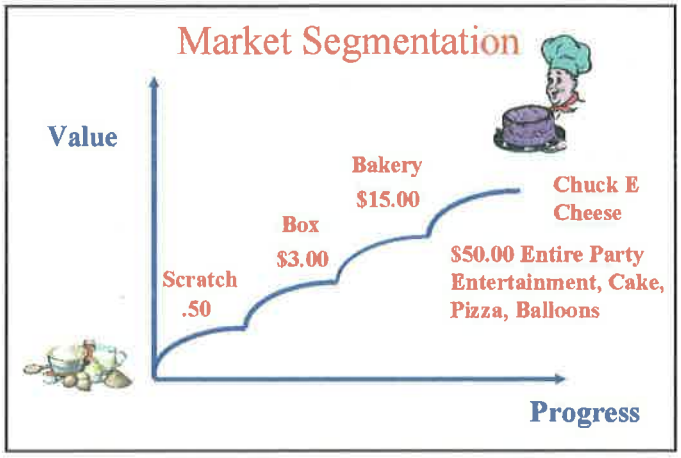
- "Saliva from individuals with periodontitis putrefies more rapidly and odor is more disagreeable in comparison to saliva in healthy individuals!"

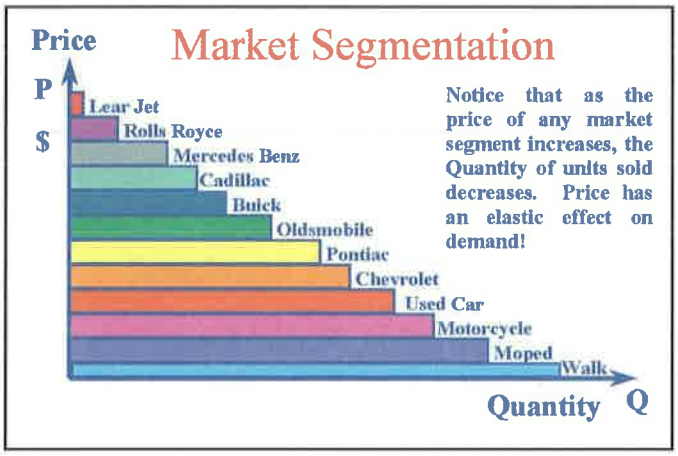
Oral Malodor & Periodontitis
Journal of Perio. 1/94-Vol. 65, #1

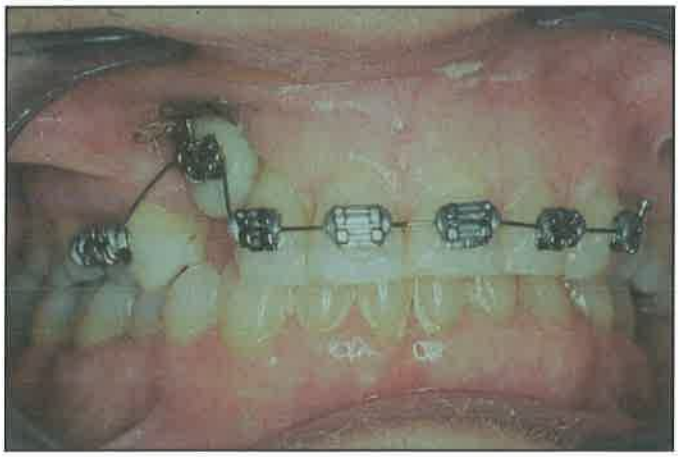
There are people who will spend time to save money, and people who will spend money to save time! Those are two different markets!

Arno Penzias, Nobel Laureate
Bell Labs Chief Scientist, 1998



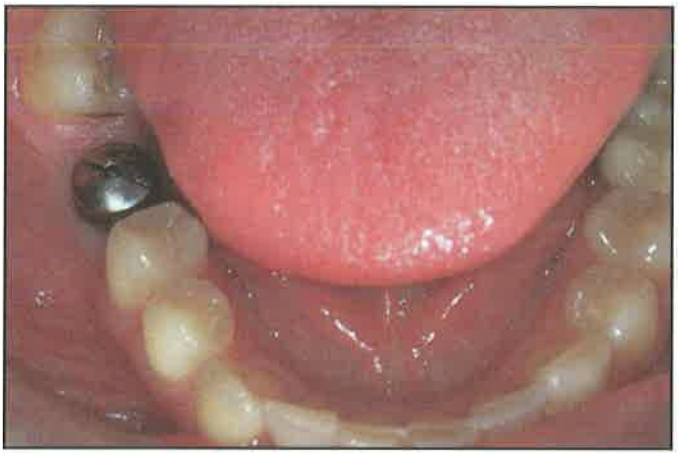

Market Segmentation
Value
Scratch
.50
Box
$3.00
Bakery
$15.00
Chuck E
Cheese
$50.00 Entire Party
Entertainment, Cake,
Pizza, Balloons
Progress

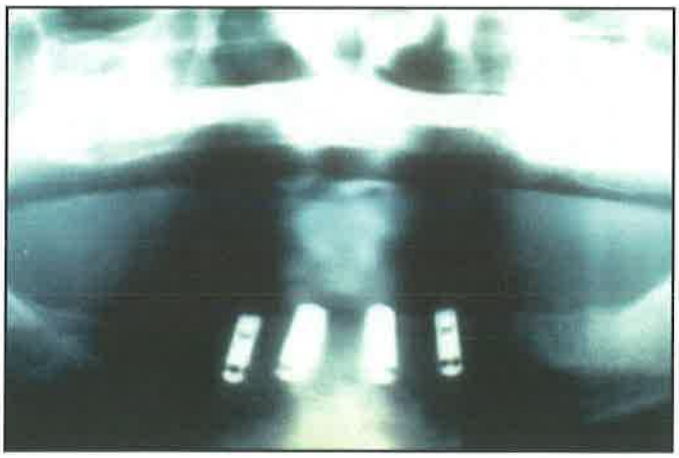

Price
P
$
Market Segmentation
Lear Jet
Rolls Royce
Mercedes Benz
Cadillac
Buick
Oldsmobile
Pontiac
Chevrolet
Used Car
Motorcycle
Moped
Walk
Notice that as the price of any market segment increases, the Quantity of units sold decreases. Price has an elastic effect on demand!
Quantity Q

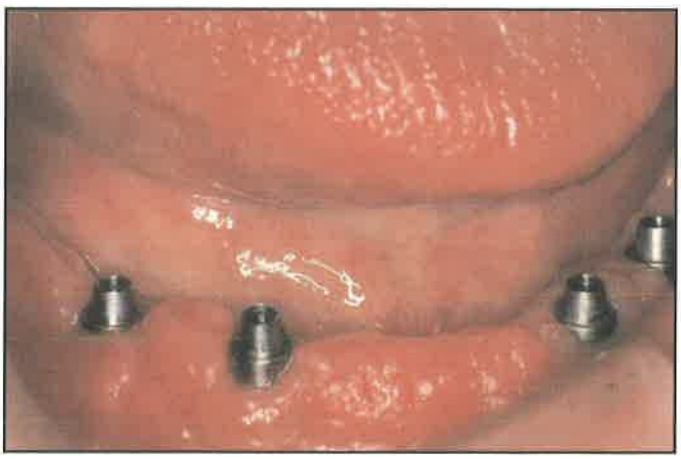


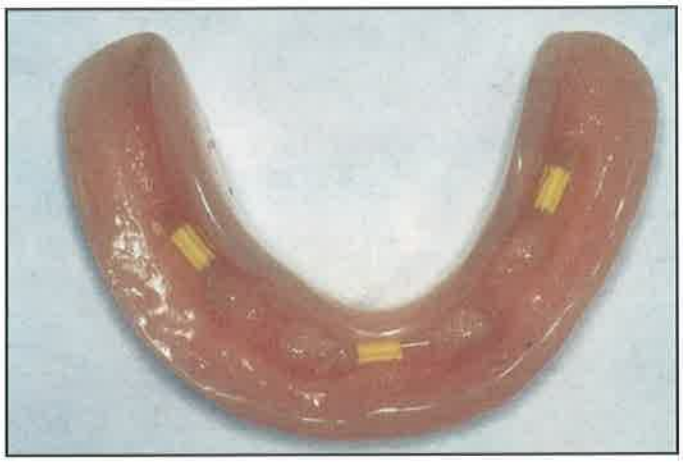
## Orthodontic Courses by the "Gurus" of Orthodontics

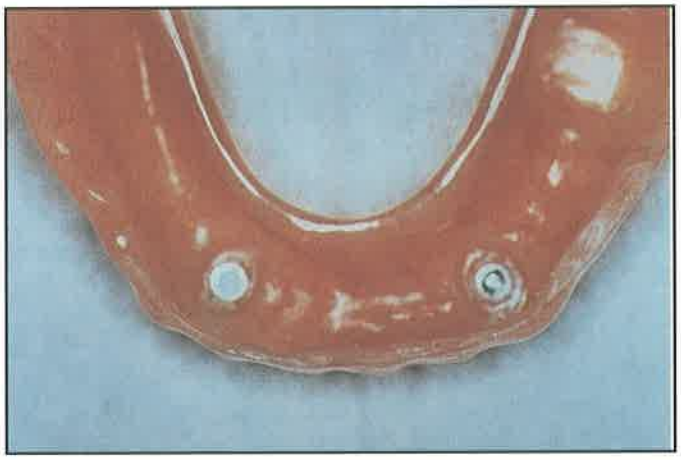
| | |
|---|---|
| Brock Rondeau DDS | 519.455.4110 |
| Richard Litt DDS | 810.646.5220 |
| Robert Garety DDS | 918.652.4404 |

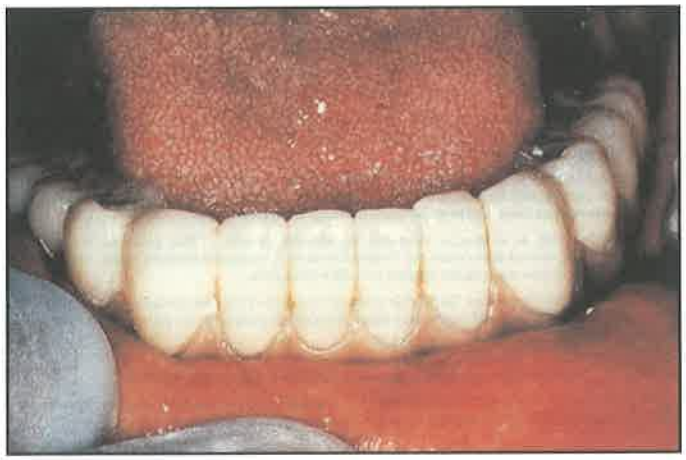


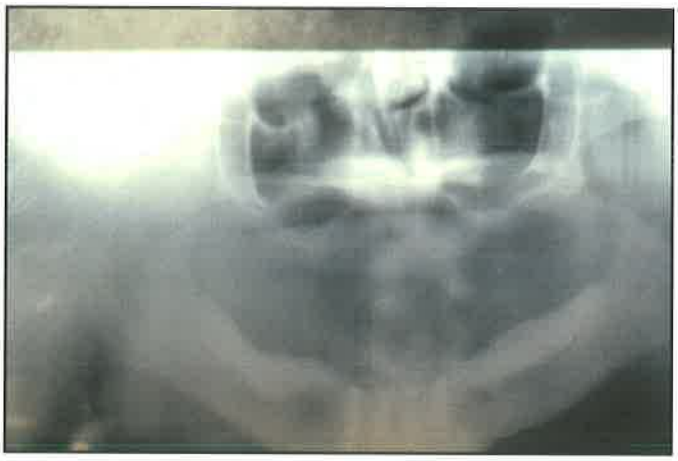












Patient Education Sheet #TD

Materials Used for Tooth Restorations

This information is provided to help you make better decisions about the use of materials in tooth restoration in your mouth. Many types of metals are used in dentistry for the replacement and rehabilitation of oral structures. Most of these metals are considered to be inert when placed by the body while others have been restricted as potential toxins or allergens in some people. Plastic and ceramic are used extensively in tooth restoration and have not had adverse biologic responses.

Which type of tooth restoration is best for you? The following information is provided to help you make that decision.

Restoration of Parts of Single Teeth ("Fillings")

Silver amalgam (an alloy which contains silver, tin, copper, zinc, and about 50% mercury) has been used for approximately 160 years for the restoration of teeth. It has been a highly successful, completely material. Use of mercury in the body has been established above its harmful limits, but amalgam use is still supported strongly by the American Dental Association and other groups worldwide. A small percentage of people in the overall population may be allergic to the elements in silver amalgam. You do have several options.

Your Choices for Fillings

a. Silver Amalgam - Average longevity is 15 years, often other; low initial cost; best to small to medium sized restoration of posterior teeth.

b. Gold Inlays and Onlays. Average longevity 20 years to life; gold color; moderate to high initial cost; may be used in any size restoration in any location where metal is not displayed.

c. Resin Composite (plastic). Average longevity 10-15 years; tooth colored; moderate cost; best used in small to medium size restorations for any tooth; All are one day placement.

d. Resin (plastic). Average longevity (exposed) 15-20 years; tooth colored; moderate to high initial cost; best in medium sized restorations for posterior teeth; indirect two-appointment placement.

e. Ceramic Inlays/on. Average longevity 10-15 years; tooth colored; moderate high initial cost; best in moderate sized restoration for any tooth; two-appointment placement.

Crowns or Fixed Prosthesis ("Bridges")

Gold alloys have been used for many years for the construction of crowns or fixed bridges. They provide excellent, strong, long lasting service. Three major types of alloys are now available:

a. High Noble Metal. Mostly gold, also palladium, silver; occasionally platinum, zinc, copper.

b. Noble Metal. Mostly palladium, also silver and gold.

c. Base Metal. Mostly nickel, also chromium or cobalt and other base metals.

All of the above metals are used either as the sole constituent of a crown, or as a base on which porcelain is fired (baked). Most people have no allergic responses to the base metals. If you have known allergies to metals, please tell us. We usually use noble or high noble metals. The cost of these is usually but higher than base metals.

Your Choices for Bridges

a. Metal Acrylic (high noble, noble, or base metal). Longevity 20 years to life; gold or "silver color; moderate to high initial cost; may be used in any area where metal display is not objectionable.

b. Porcelain Fused to Metal. Longevity 10-20 years; tooth colored; moderate to high initial cost; may be used in any area where extreme stress or grinding habits are not present.

c. Ceramic Fine Metal containing crowns (anything over a three unit bridge constructed from ceramic alone is not advisable). Longevity 10-20 years; moderate to high initial cost; may be used in any area where extreme stress or grinding habits are not present.

## Patient Education Sheet #TD21

### Porcelain Veneers

We have placed porcelain veneers on your teeth. These restorations were placed with the finest materials and techniques available today. You should be aware of the following things about your restoration because, as with a fine automobile or watch, only your continuing care and concern can assure optimum service longevity.

**Chewing:** As with natural teeth, avoid chewing excessively hard foods on the veneered teeth (hard candy, ice, bones, etc.) because under extreme forces, the porcelain material can be broken from the teeth.

**Recall:** Visit us for examinations and check-ups at your regular six-month examination periods or during recommended recall visits. Often problems that are developing with the veneers can be found at an early stage and repaired easily, whereas waiting for a longer time may require redoing the entire restoration.

**Preventative Procedures:** To provide optimum longevity for your restorations, and to prevent future dental decay or supporting tissue breakdown, please use one of the following preventive procedures.

___ Brush with a toothpaste containing fluoride and floss after eating and before bedtime.
___ With a fluoride rinse, swish vigorously for at least 30 seconds - ideally immediately before bedtime.

**The Future:** We expect that you will receive several years of service from these veneers; however, certain situations occasionally occur that necessitate restoration replacement. Extreme force or trauma can break porcelain veneers just as it can break natural teeth. Use care in sports or other potentially traumatic situations. Do not bite extremely hard objects with a single tooth. Breakage usually requires remaking the restoration, but occasionally it can be repaired.

Call us if you notice any changes or have any questions about your veneers.

## Patient Education Sheet #TD22

### Composite Veneers

We have placed composite veneers on your teeth. These restorations were placed with the finest materials and techniques available today. You should be aware of the following information about your restorations.

**Chewing:** As with your natural teeth, avoid chewing excessively hard foods on the veneered teeth (hard candy, ice, bones, etc.) because the resin material can be broken from the tooth under extreme force. In the event that a breakage occurs, contact us.

**Recall:** Visit us at regular six-month examination periods. Often problems that are developing around the veneers can be found at an early stage and repaired easily. Waiting for a longer time may require redoing the entire restoration.

**Preventative Procedures:** To provide optimum longevity of your restorations and to prevent future dental decay and supporting tissue breakdown, please use the following preventive procedures:

___ Brush and floss after eating and before bedtime.
___ With a recommended fluoride rinse, swish vigorously for at least 30 seconds daily.

**The Future:** We expect that you will receive several years of service from these veneers. Please call us if you notice any changes or have any questions about your veneers.

## Patient Education Sheet #TD25

### Removal of Superficial Spots on Teeth

There are many reasons for superficial white, brown, gray, or orange spots that appear on tooth surfaces. In some cases, heredity is the cause. Cigarettes, coffee and tea also can cause superficial spots. Tetracycline has been shown to cause stains that range in color from yellow to orange to brown to blue-gray. (Tetracycline ingested between the ages of four months prior to birth to nine months after birth can often affect primary teeth - and, if taken during the first nine years of life, can affect permanent teeth with superficial spotting.)

Regardless of their origin, these spots are objectionable (unsightly), and may be removed in one or more of the following ways:

**Microabrasion:** For removal of a small amount of the discolored tooth structure an abrasive solution is the most conservative method used. This method, microabrasion, which is painless (requiring no anesthetics), is usually very fast, relatively inexpensive, and produces a permanent result. We will advise you if this procedure is appropriate for the superficial spots on your teeth.

**Restorations:** Spots or discolorations which go deeper may be eliminated through small restorations.

**Veneers/Bonding:** If there are multiple or very deep discolorations, thin custom-made pieces of plastic or porcelain called veneers can be bonded to the surfaces of the teeth to cover the spots. Veneers provide an excellent appearance and have a longevity of several years.

We recommend beginning with conservative microabrasion if possible. If this is successful, additional treatment is not necessary. When the spots are too deep, small restorations may be needed; if the spots or discolorations are very deep, veneers will be recommended at the outset.

NOTE: Smoking, coffee, and tea stains are usually superficial and will be removed by the hygienist at your routine cleaning.

## Patient Education Sheet #TD27

### Limited Warranty

### COMPOSITE FILLINGS

People always ask us, "How long should this last?" In our office, we strive for perfection and satisfaction, which is why we are happy to provide you this warranty, something few other offices offer. Let us remember in today's technology almost everything we have learned is on the preventive side. Instead of going to the dentist every few years for "Drill, Fill and Bill," let's try preventative dentistry. If you spend 4 minutes in the morning and 4 minutes in the evening brushing, flossing and doing any other special treatments your dentist and hygienist have recommended *and* let your dentist or hygienist professionally clean your teeth, check for decay, apply a fluoride treatment, or apply sealants, you can prevent most or all disease. This is why all our warranties will be null and void if we don't see you for your regular 6 month check-ups. With 6 month check-ups, your teeth and gums are winners!

1. When a tooth has a cavity the dentist removes the decay and fills the hole with a composite filling, which is ideally no more than 50% of the tooth. The tooth is what supports the filling. When you get a cavity that takes up 60% or more of the tooth, a crown is indicated. A crown covers the entire tooth and holds the tooth together. Sometimes we place a filling thinking there is enough tooth to hold the filling when actually there is not. The tooth then starts to break away because it can no longer support the filling. In this case we will credit the cost of the filling toward the cost of a crown and build up. In addition, for a period of 5 years from the date of service, we will refund the cost of a composite filling due to breakage, misfit or decay at no cost to the patient.

2. This warranty will be null and void if the patient does not maintain his/her 6 month continuing care cleaning appointments.

## Patient Education Sheet #TD29

### Tooth-Colored Restorations

We have placed tooth-colored restorations in your teeth. The resin material used is a plastic with small "filler" particles of glass-like material—the finest and most up to date materials available today. These restorations will serve you well for several years; however, you should be aware of the following.

Chewing. As with natural teeth, avoid chewing excessively hard foods on the restored teeth (hard candy, ice, raw carrots, bones, etc.) because extreme force can cause the resin material to be broken from the tooth - just as it can in a natural tooth. In the event that a breakage occurs, replacement of a restoration is not difficult.

Recalls. Visit us at regular six-month examination periods. Often problems that are developing around the restorations can be detected at an early stage and repaired easily. Waiting a longer time may require redoing the entire restoration. This could be a problem with the warranty, i.e. "I never got a call or postcard and you said you'd tell me when to return."

Preventive Procedures. To provide optimum longevity for your restorations and to prevent future dental decay and supporting tissue breakdown, please brush and floss after eating and before bedtime. We do recommended you swish vigorously with mouthwash for at least 30 seconds daily.

Please call us if you notice any change in your tooth-colored restorations, or if you have any questions at all about them.

## Patient Education Sheet #TD43

### For Fresh Breath and Optimum Oral Health, follow all of these steps two times per day with Oxyfresh products:

1. Use OOLITT (tongue scraper) 3 - 4 times going as far back on tongue as possible and pulling forward.
2. Place two capfuls of Oxyfresh Mouthrinse in Oxycare 3000 reservoir. Fill reservoir with very warm water. Be sure to irrigate into gums around the base of your teeth between your teeth, under bridgework if present, your palate, and as far back on your tongue as possible.
3. Thoroughly brush teeth and gums with a tear-sized drop of Oxyfresh toothpaste. Brush your tongue as far back as possible with another tearsized drop of Oxyfresh toothpaste. Empty excess from mouth, but do not rinse with water. Never leave the cap off the toothpaste.
4. Swish vigorously with one capful of Oxyfresh Mouthrinse for two minutes. Empty excess from mouth, but do not rinse with water. Since saliva activates the mouthrinse, never place your mouth on the bottle or cap.
5. Work Oxygene Gel under the tissue and between the teeth from both the cheek and tongue sides. Leave the gel in place. Do not wipe or rinse off. Do not eat or drink for 30 minutes for best results.

## Patient Education Sheet #TD18

### Limited Warranty

### CROWN OR BRIDGE

People always ask us, "How long should this last?" In our office, we strive for perfection and satisfaction, which is why we are happy to provide you this warranty, something few other offices offer. In today's technology almost everything we have learned is on the preventive side. Instead of going to the dentist every few years for "Drill, Fill and Bill," let's try preventative dentistry. You can prevent most or all disease if you spend 4 minutes in the morning and 4 minutes in the evening brushing, flossing and doing any other special treatments your dentist and hygienist have recommended and let your dentist or hygienist professionally clean your teeth, check for decay, apply a fluoride treatment, or apply sealants. Our warranties must be null and void if we don't see you for your regular 6 month check-ups. With 6 month check-ups, your teeth and gums are winners!

1. For a period of 5 years from the date of service, we will refund the cost of a crown or bridge due to breakage, misfit, or decay at no cost to the patient."

2. This warranty is null and void if the patient does not maintain his/her 6 month continuing care cleaning appointments.

"Gold and porcelain crowns are the same for practically all cases except that porcelain can chip. Approximately one (1) out of every 100 porcelain crowns chip and need replacement. This will never happen with gold crowns. If your porcelain crown chips in the first five (5) years, we will replace it free. However, if it chips after the five-year period, you will be charged the regular fee for a new crown. This should be taken into consideration when choosing between a porcelain or a gold crown.

## Patient Education Sheet #TD45

### Composites VS Amalgam Fillings

Here at (Your Name) we are dedicated to providing the highest quality of dental care possible for our patients. This includes filling cavities with white composite material only (as opposed to mercury containing amalgam fillings).

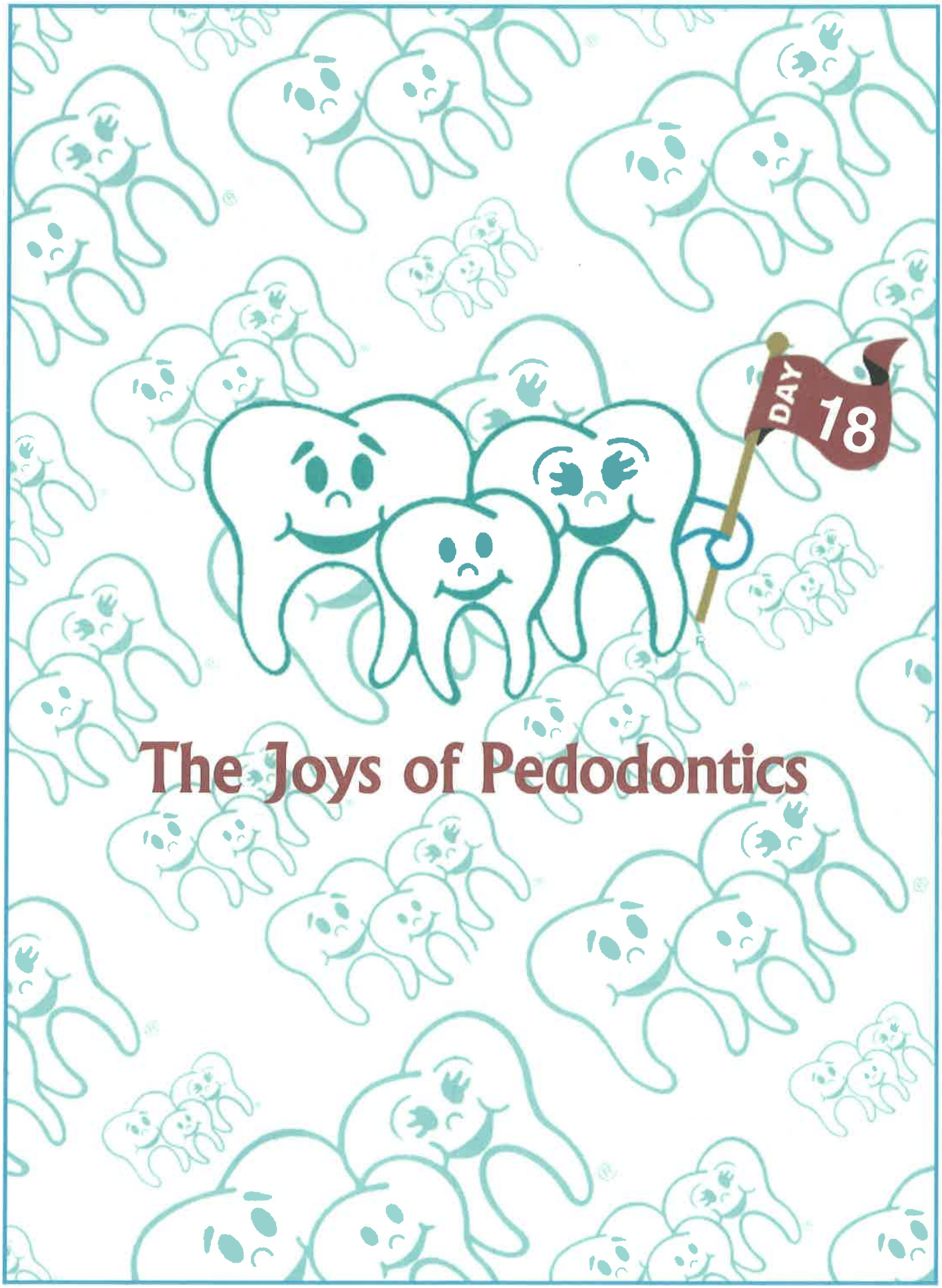
The average amalgam is 50% mercury bonded to 30% silver and a bit of copper, tin, and zinc.

We, at (Your Name), do not use amalgams for the following reasons:

1. A tooth colored filling is stronger because it actually bonds to your tooth. The composite bonds all the remaining walls of the tooth together. Because amalgams do not bond to tooth structure, there is a gap between the filling and the tooth which significantly decreases the strength of the tooth. This gap provides a pathway for bacteria and acids to get into and cause further decay.
2. Amalgam fillings expand and contract so much, they create a wedge in the tooth leading to a weakened tooth structure. The tooth, over time will eventually break apart and the only thing remaining in your mouth will be the filling.
3. Silver fillings are ugly. We like to give people beautiful teeth.

Currently insurance companies cover 80% of amalgam fillings but do not cover 80% of composite fillings. Although we realize there is an increased cost to our patient, we feel that the quality of dental care associated with composite fillings greatly outweighs the added cost incurred.

(Your Name) will always offer our patients leading edge technology with a caring and professional attitude. We will only recommend to you what is best for your dental health and what we provide for ourselves and our families.




# The Joys of Pedodontics

Your 30 Day Dental MBA
Day 18

# The Joys of Pedodontics

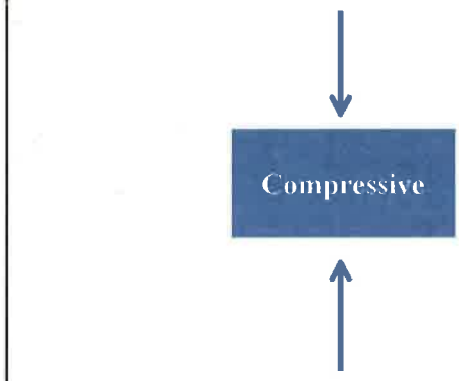
## Continental Drift

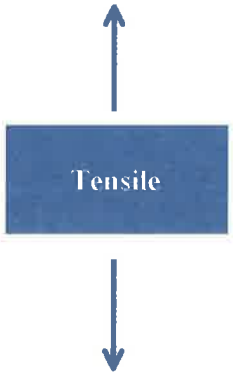
**Tectonic plates either crash together (convergence), slide horizontally past each other (transform), or pull apart (divergence).**

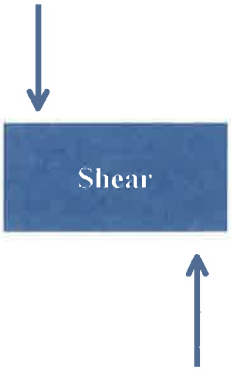
*A Brief History of Science*, Consultant Editor John Gribbon, 1998

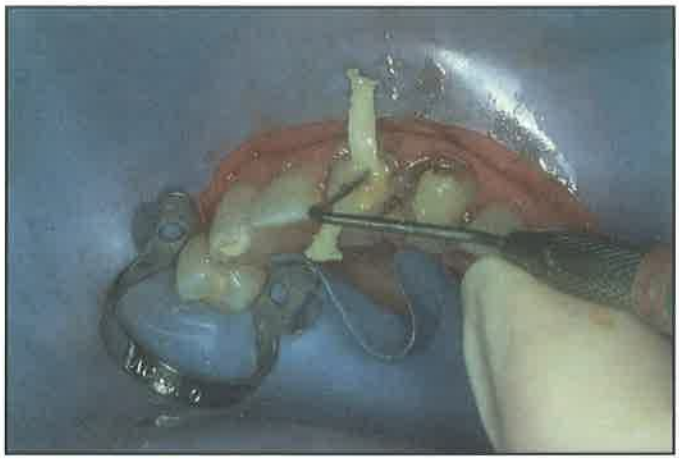
**At 5:12 a.m. on April 18, 1906, a section of the San Andreas Fault snapped near San Francisco. In Marin County, just north of the city, the rocks on the Pacific side of the fault moved over 20 feet (six meters) to the north in forty seconds!**

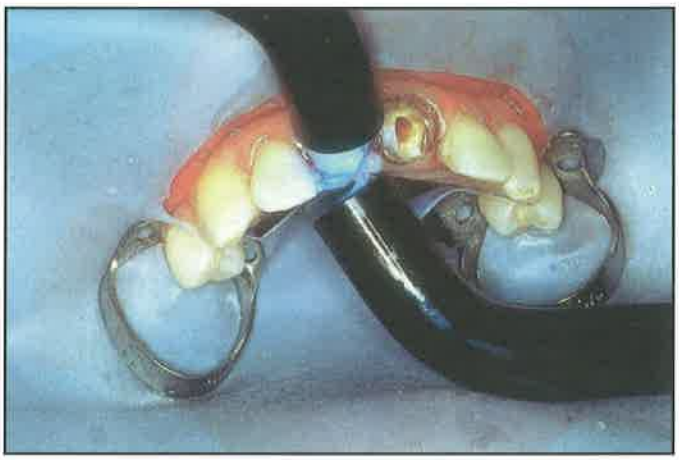
*A Brief History of Science*, Consultant Editor John Gribbon, 1998



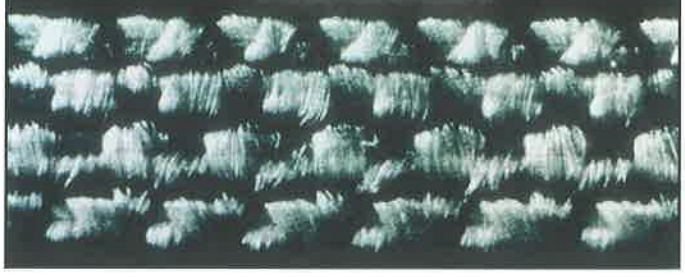



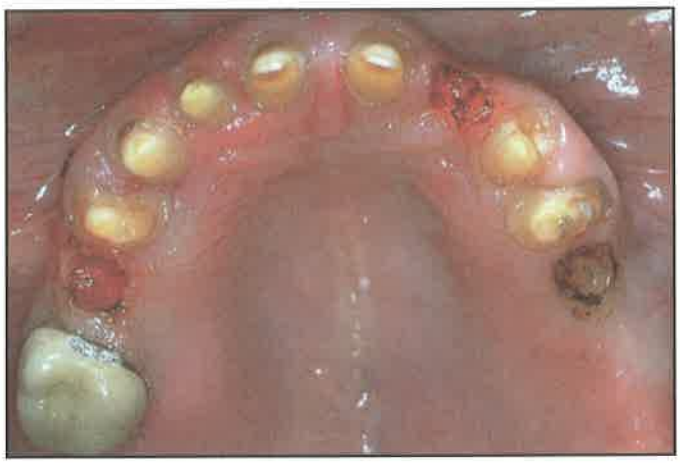



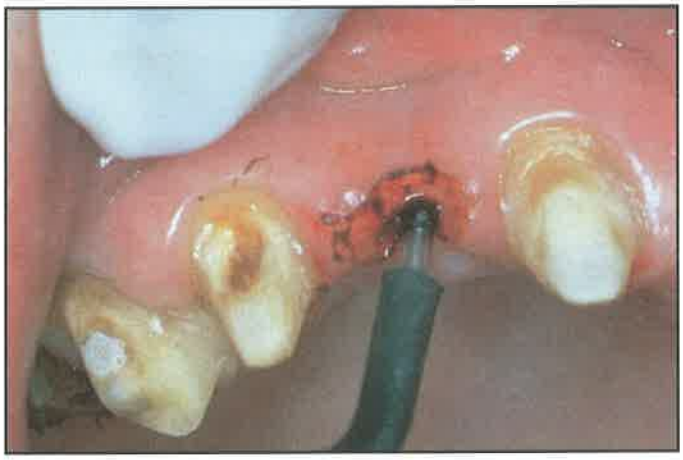


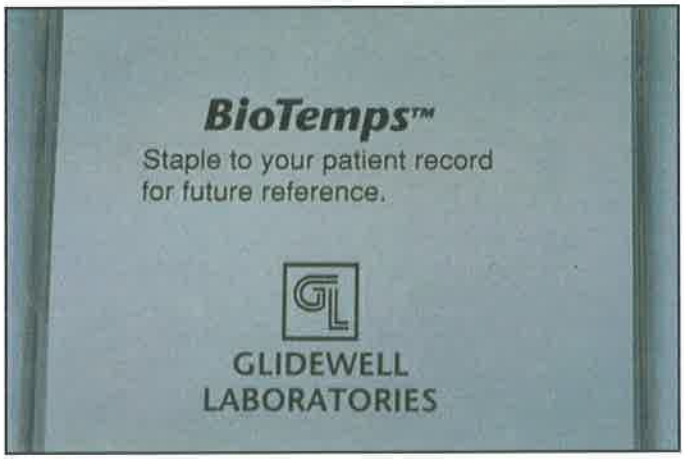


**RIBBOND®**
1402 3rd Ave., Suite 1030
Seattle, WA 98101-2118
1-800-624-4554






BioTemps™
Staple to your patient record
for future reference.
GLIDEWELL
LABORATORIES

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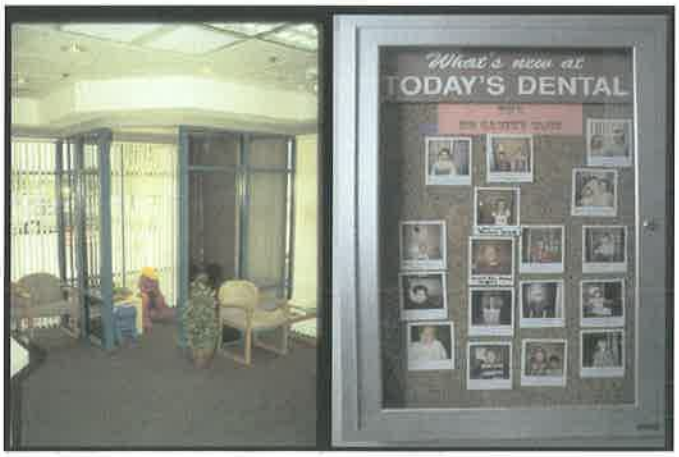
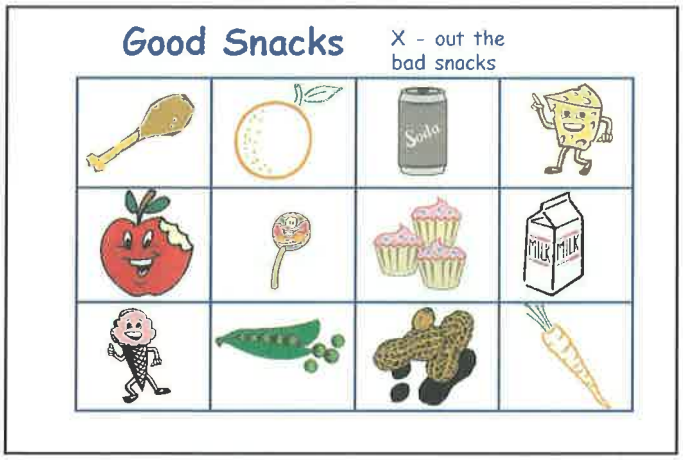
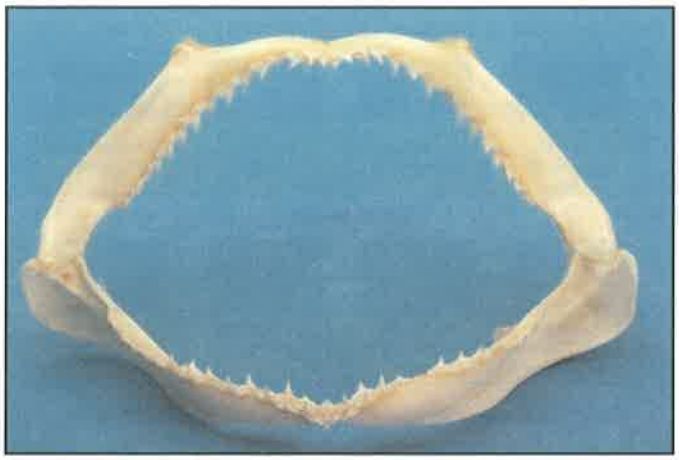

What's new at
TODAY'S DENTAL

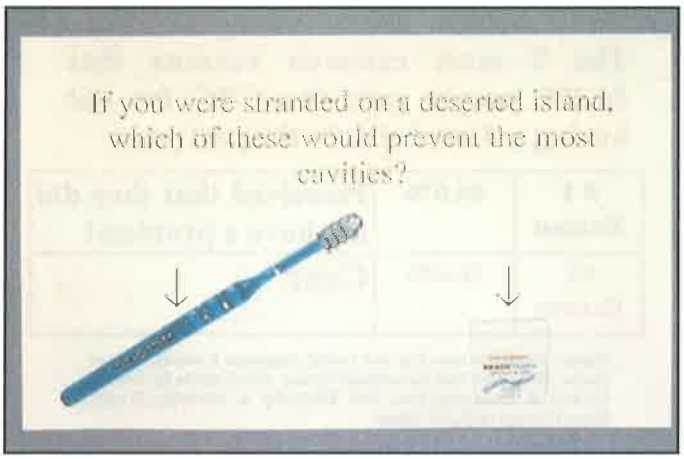
Be a Dental Office
DETECTIVE!


Good Snacks
X - out the bad snacks
Soda
MILK
MILK



JUICE
DIET COLA
PLANTERS

COLA


If you were stranded on a deserted island, which of these would prevent the most cavities?

DENTIST
Barbie

## Positive Reinforcement

| Stimulus | Desirable Behavior | Presentation of Attractive Consequence | Repetition of Desirable Behavior |
|---|---|---|---|
| Example: Possibility of Pay Raise | High Performance | Pay Raise Awarded | Continued High Performance |

## Avoidance

| Stimulus | Desirable Behavior | Removal of Aversive Consequence | Repetition of Desirable Behavior |
|---|---|---|---|
| Example: Threat of Reprimand and for tardiness | Punctual Behavior | No Reprimand Given | Continued Punctuality |

**Source: Organizational Behavior, 4th Edition, Moorhead/Griffin**

## Extinction

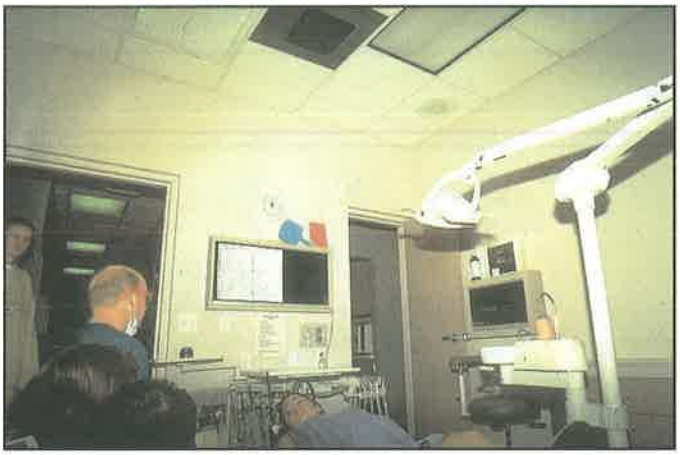
| | | | |
|---|---|---|---|
| Example: Possibility of recognition for Boasting | Frequent boasting | No recognition given | Less frequent boasting |

## Punishment

| | | | |
|---|---|---|---|
| Example: Threat of reprimand for smoking in office | Smoking in office | Reprimand given | Less smoking in office |

**Source: Organizational Behavior, 4th Edition, Moorhead/Griffin**

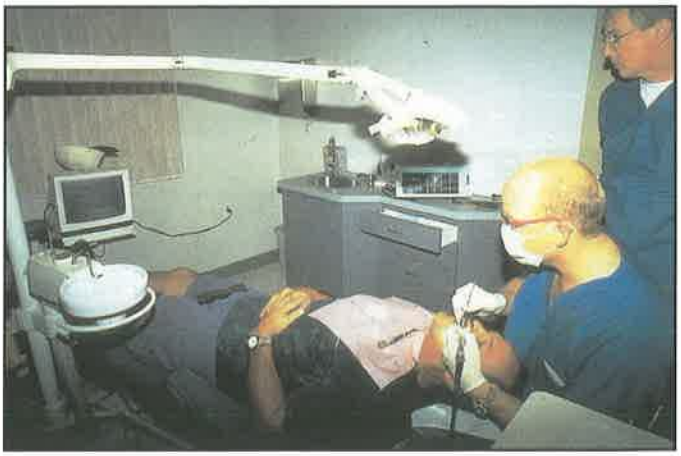
**Source: Dr. Farran's Patient Education Sheets**



**The 2 most common reasons that 56,399 people gave the CDC for not having a dental visit in the past year:**

| | | |
|---|---|---|
| # 1 Reason | 44.6% | Perceived that they did not have a problem! |
| #2 Reason | 26.6% | Cost! |

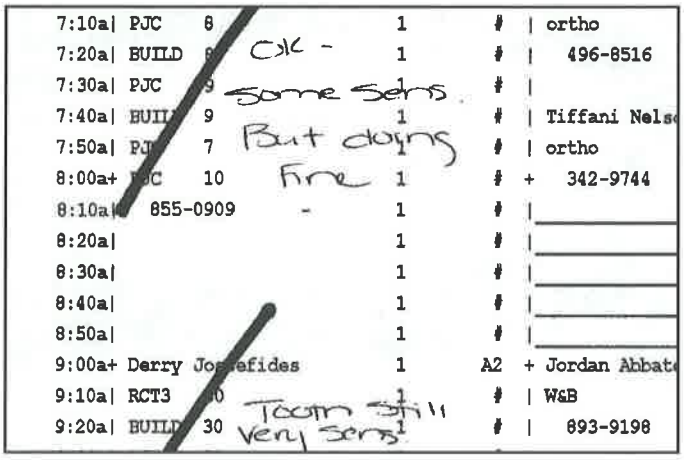
**Source: Dental Service Use and Dental Insurance Coverage United States, Behavioral Risk Surveillance System 1995 Centers for Disease Control & Prevention Dec. 19th Morbidity & Mortality Weekly Report Survey of 56,399 Adults**

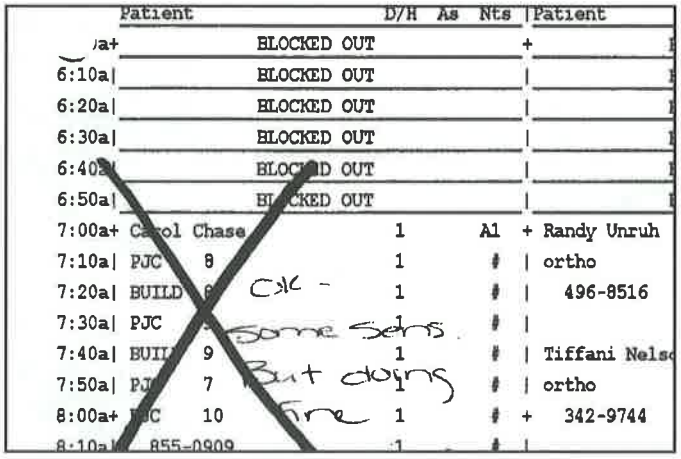


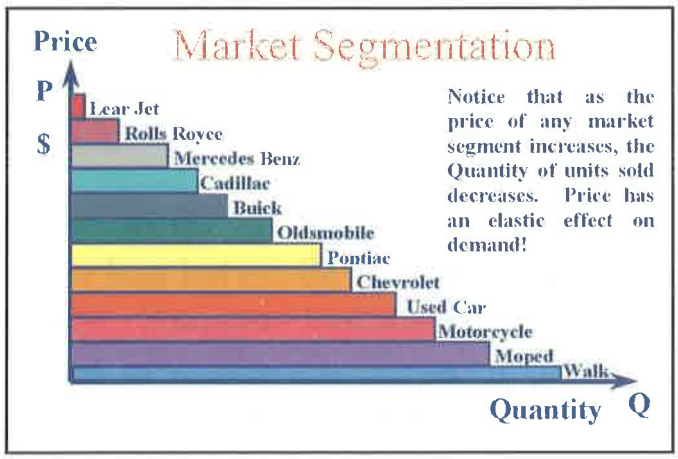
**If a patient sees and understands what's happening, they <u>want</u> treatment!**

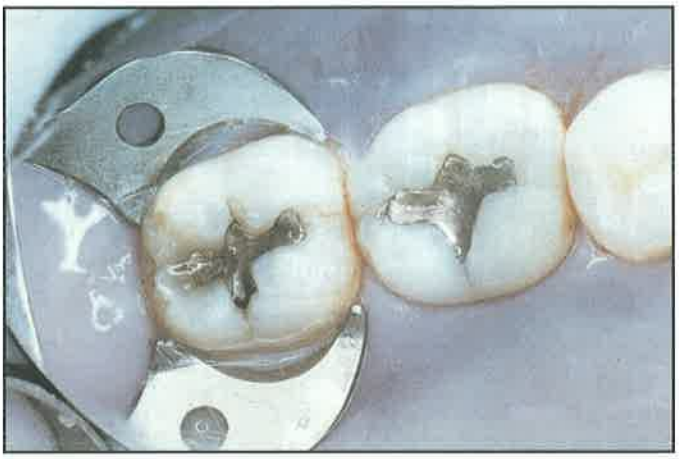
**If they can't see it, then the communication is all verbal and you haven't established rapport with them!**

Dr. Gordon Christensen





If Mr. & Mrs. Piglet ask why their child has such rotten teeth you should tell them that they should have learned from their parents past mistakes and used birth control!

## Practice What You Preach

Get your own mouth and all your staff's mouths to optimum dental health in a fashionable cosmetic way today. You can start practicing on all of your staff today!

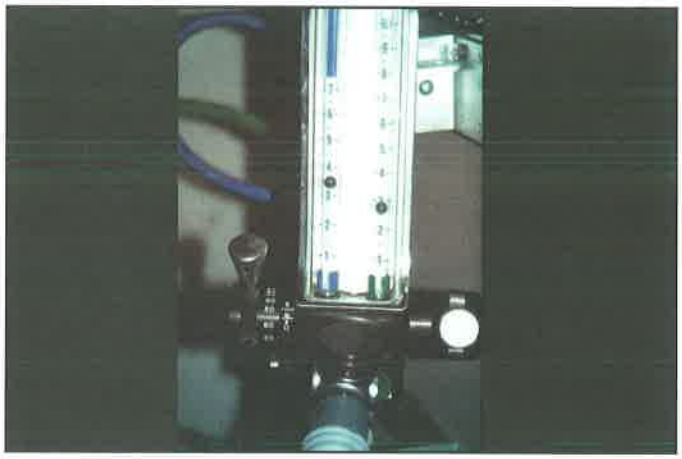
Howard's mandibular left quadrant before

Howard's mandibular left quadrant after

If I can do it, so can you!

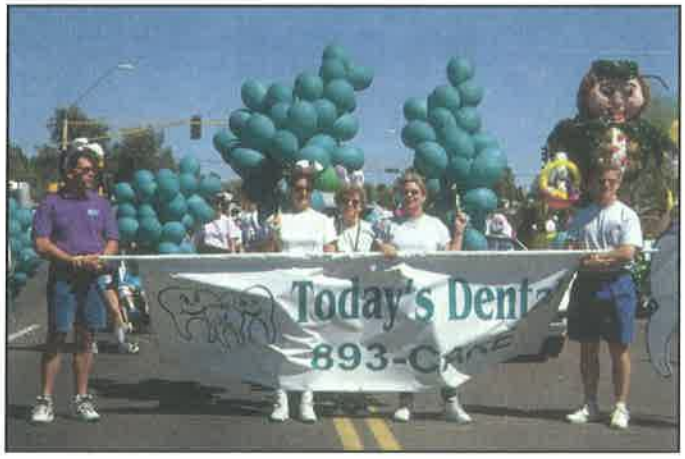
**Photos courtesy of David Hornbrook, DDS**

ACT
FLUORIDE
PreviDent

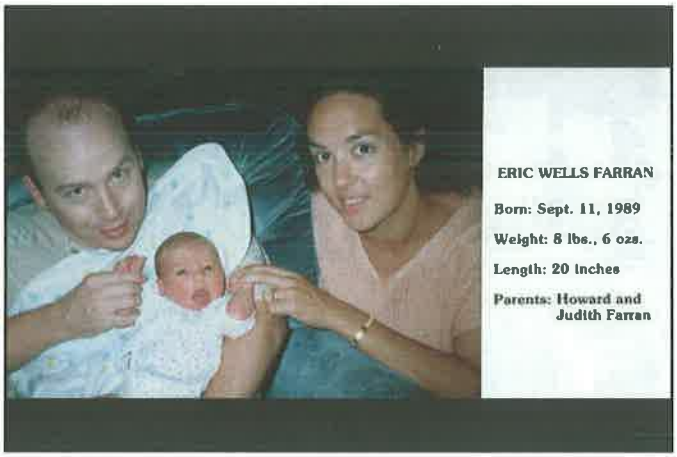


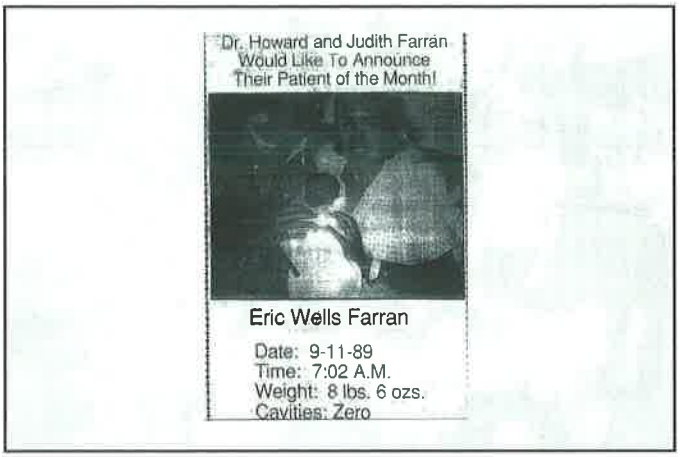
You deserve a PERFECT Smile!

Mountain View Lutheran Float Brings Home The Honors
P.C.'s Café at Mountainside
4025 East Chandler Blvd.

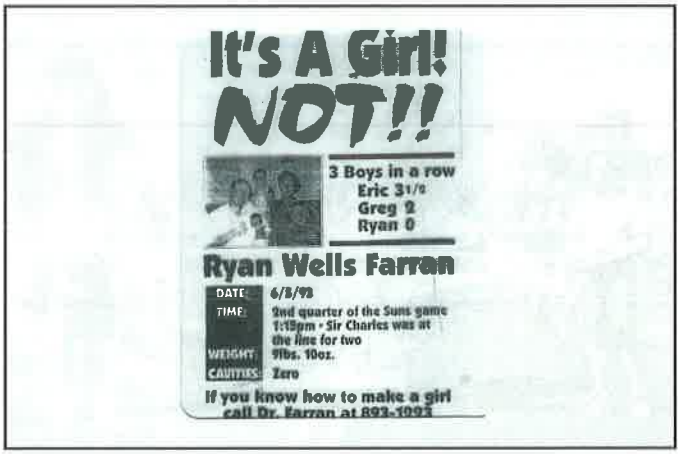

Today's Dent
893-CARE

DRATS . . . I FORGOT TO BRUSH MY TEETH
LET'S GET ACQUAINTED
$35.00


ERIC WELLS FARRAN
Born: Sept. 11, 1989
Weight: 8 lbs., 6 ozs.
Length: 20 inches
Parents: Howard and Judith Farran


Dr. Howard and Judith Farran Would Like To Announce Their Patient of the Month!
Eric Wells Farran
Date: 9-11-89
Time: 7:02 A.M.
Weight: 8 lbs. 6 ozs.
Cavities: Zero

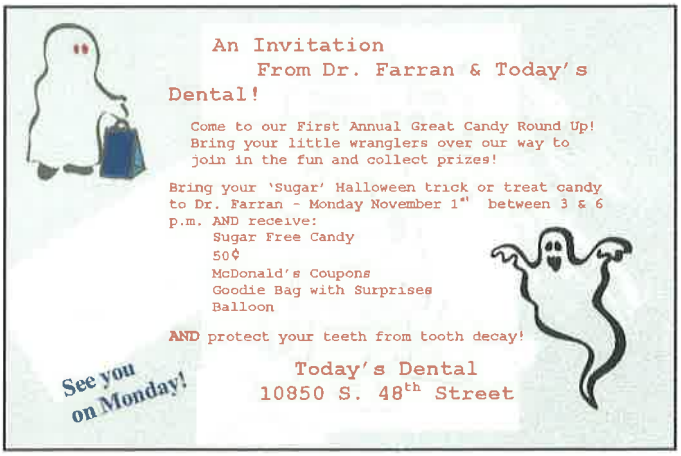
Dr. Howard and Judith Farran would like to announce their Patient of the Month
Gregory Wells Farran DDS 2B

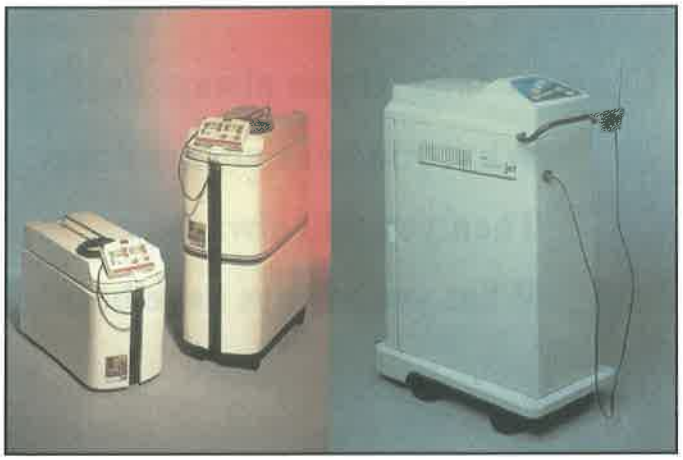

It's A Girl!
NOT!!
3 Boys in a row
Eric 3 1/2
Greg 2
Ryan 0
Ryan Wells Farran
DATE: 6/8/92
TIME: 2nd quarter of the Suns game 1:15pm - Sir Charles was at the line for two
WEIGHT: 9lbs. 10oz.
CAVITIES: Zero
If you know how to make a girl call Dr. Farran at 893-1093

IT'S A BOY

Three Valley cities are living in decay
VIEWPOINT

Fighting for fluoride
12/17/91
Valleywide water treatment urged


An Invitation From Dr. Farran & Today's Dental!
Come to our First Annual Great Candy Round Up! Bring your little wranglers over our way to join in the fun and collect prizes!
Bring your 'Sugar' Halloween trick or treat candy to Dr. Farran - Monday November 1st between 3 & 6 p.m. AND receive:
Sugar Free Candy
50¢
McDonald's Coupons
Goodie Bag with Surprises
Balloon
AND protect your teeth from tooth decay!
See you on Monday!
Today's Dental
10850 S. 48th Street



## What About The Sealants?

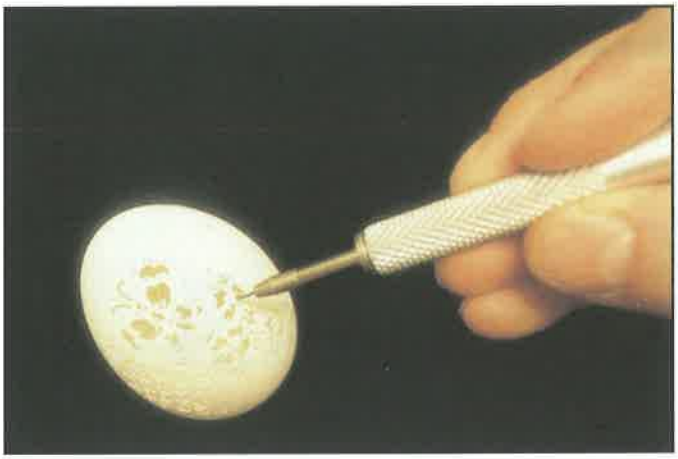
Subject: Sealants, Technique for Improved Retention

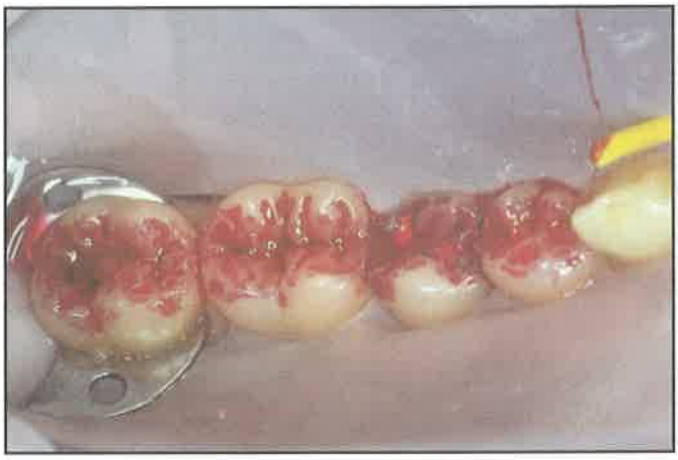
Pits & Fissure in teeth are filled with debris and dental plaque in spite of attempts of practitioners to clean these areas before sealant placement. Conventional mechanical means are inadequate international research shows up to 30% of sealants have failed by 3 years of service.

Source: CRA Newsletter, December 1988

**Scanning electron microscopic observation of gaps and fractures in sealants suggests failure or degradation of adhesion. Gaps and unetched areas may cause failure rate totaling more than 21% after only 6 months!**

Futasuki M. Kubota K. Yeh Y – C, Park K. Moss SJ.
Early loss of Pit and fissure sealant: a clinical and SEM study,
J Clinical Pediatric Dent 1995, 99 - 104



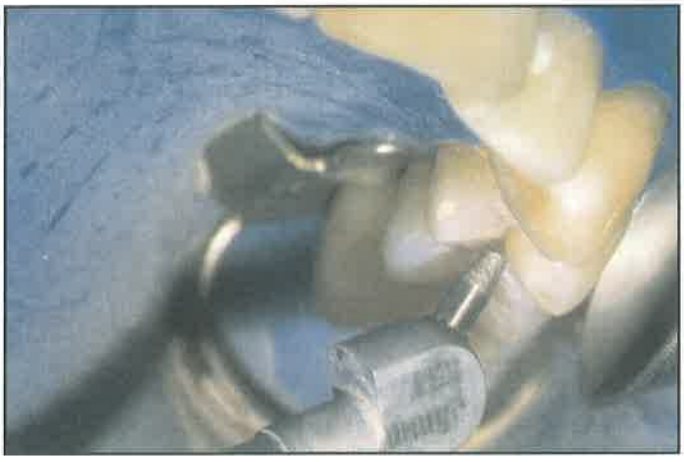


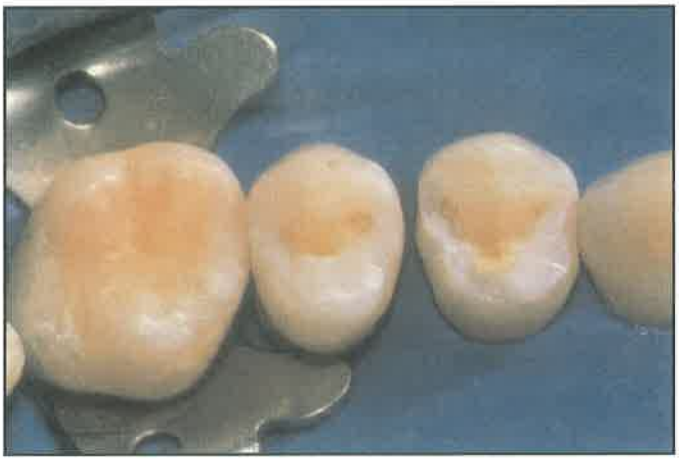
**Consider this:** If you always do
What you have always done,
Then you will always be
What you always have been!

**METHODOLOGY WITHOUT RATIONALE IS LIKE MEMORY WITHOUT UNDERSTANDING**

**Michael Buonocore**

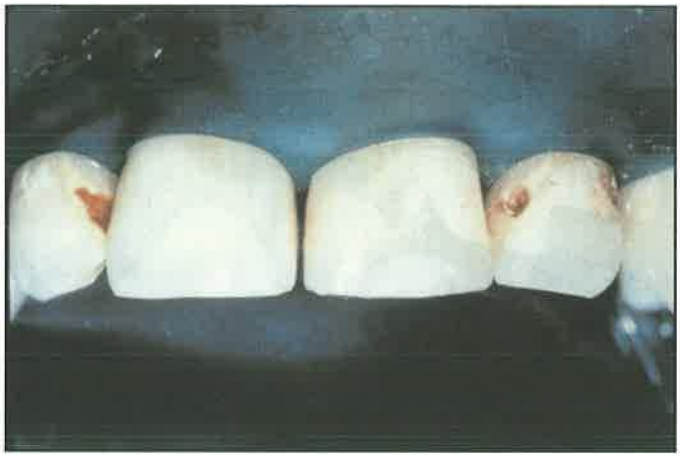
**Today is the tomorrow we talked about yesterday!**





## Consumerism

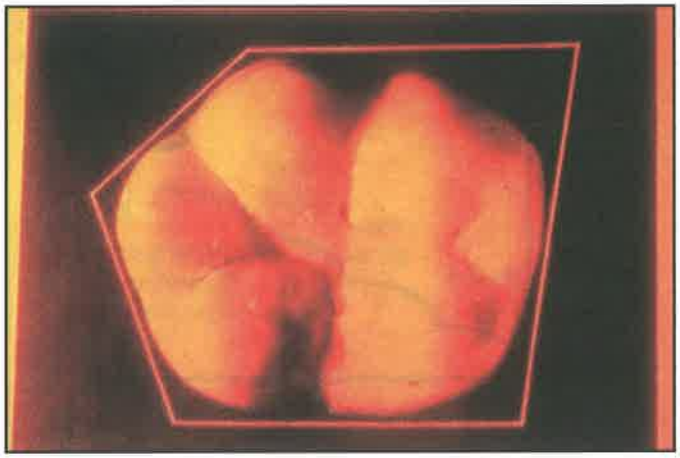
- Sell preventive, over yesterday's "Drill, Fill & Bill"
- Practice M.I.D., (Minimally Invasive Dentistry)
- Don't ever break the Golden Rule!

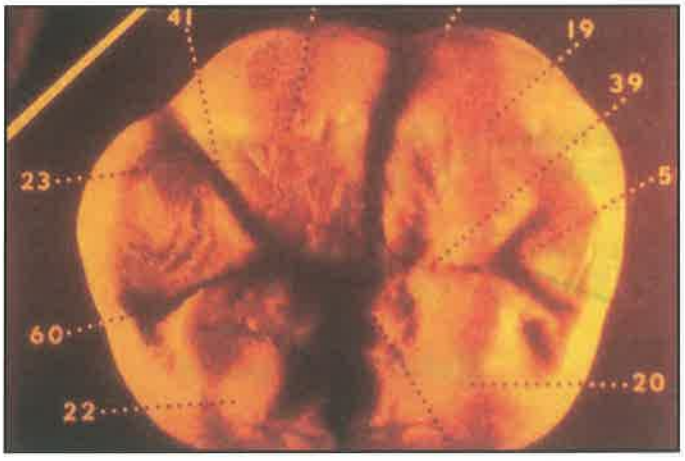


**It is the fate of**
**Yesterday's Heresies**
**to become**
**Today's Truths!**

**Huxley**

60. Distal Pit
61. Buccal Pit
62. Central Pit
63. Carabelli Pit
64. Incisal Ridge
65. Mesial Marginal





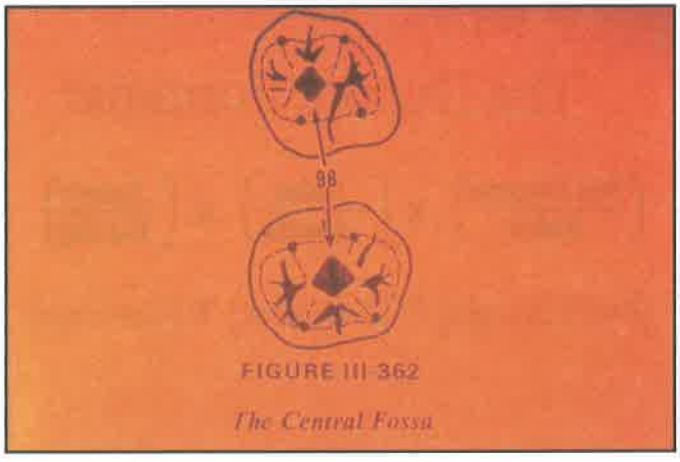
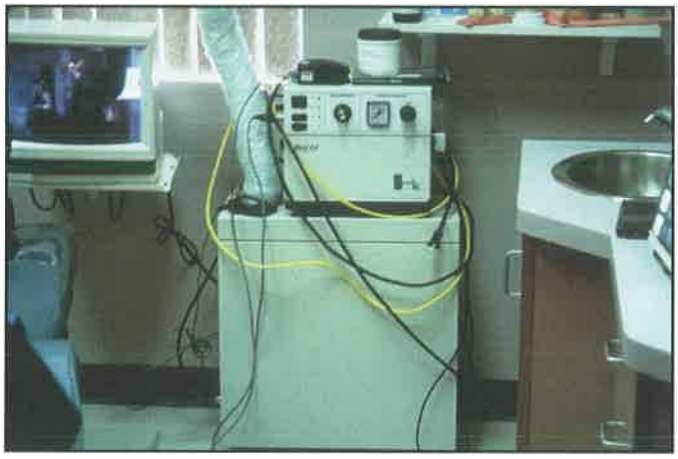
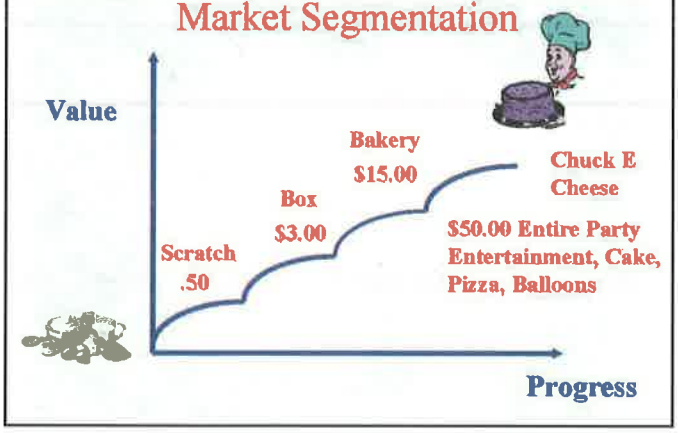




FIGURE III-362

*The Central Fossa*



## Market Segmentation




**How can I afford micro air abrasion?**

| | | | | |
|---|---|---|---|---|
| 8 Sealants | X | $30 each | = | $240 |
| 8 Occlusal Composites | X | $90 each | = | $720 |

$720
− $240
$480

**Isn't $480 the amount of the lease payment?**

## The Dupont Formula:

$$\left[\frac{\text{Net Income}}{\text{Sales}}\right] \times \left[\frac{\text{Sales}}{\text{Assets}}\right] \times \left[\frac{\text{Assets}}{\text{Equity}}\right]$$

[Profit Margin] X [Turnover] X [Leverage]

## The Dupont Formula

$$\left[\frac{\text{Net Income}}{\text{Sales}}\right] \times \left[\frac{\text{Sales}}{\text{Assets}}\right] \times \left[\frac{\text{Assets}}{\text{Equity}}\right]$$

$$\left[\frac{\text{Net Income}}{\cancel{\text{Sales}}}\right] \times \left[\frac{\cancel{\text{Sales}}}{\text{Assets}}\right] = \left[\frac{\text{Net Income}}{\text{Assets}}\right] = \text{ROA}$$

**Return On Assets**

## The Dupont Formula

$$\left[\frac{\text{Net Income}}{\text{Sales}}\right] \times \left[\frac{\text{Sales}}{\text{Assets}}\right] \times \left[\frac{\text{Assets}}{\text{Equity}}\right]$$

$$\left[\frac{\text{Net Income}}{\cancel{\text{Sales}}}\right] \times \left[\frac{\cancel{\text{Sales}}}{\cancel{\text{Assets}}}\right] \times \left[\frac{\cancel{\text{Assets}}}{\text{Equity}}\right] = \left[\frac{\text{Net Income}}{\text{Equity}}\right] = \text{ROE}$$

**Return On Equity**

## Warranties

- Warranty for five years.
- Provides patients with piece of mind.
- Reduces confrontation.
- Conditional-free repair or replace.
- The patient must return at least one time every year for a continuing care cleaning, X-rays & exam or the warranty is VOID.
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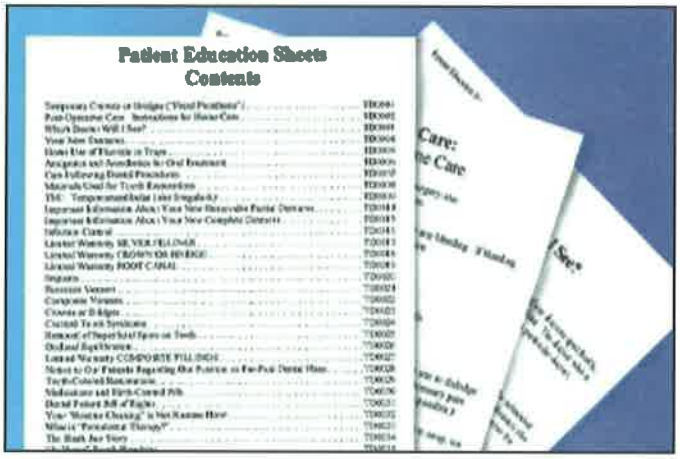



Patient Education Sheet #TD36

Limited
Warranty
Sealants

People always ask us "How long should this last? In our office, we strive for perfection and satisfaction which is why we are happy to provide you with this warranty, something few other offices offer. Let us remember in today's technology, almost everything we have learned is on the preventive side. Instead of going to the dentist every few years for "Drill, Fill and Bill," let's try preventative dentistry. If you spend four minutes in the morning and four minutes in the evening brushing, flossing and doing any other special treatments your dentist and hygienist have recommended and let your dentist or hygienist professionally clean your teeth, check for decay, apply a fluoride treatment, or apply sealants, you can prevent most or all disease. With six-month check-ups your teeth and gums are winners!

1. Dental sealants are thin plastic coatings which are applied to the chewing surfaces of the back teeth to prevent decay. Most tooth decay in children and adolescents occurs on the chewing surfaces of these back teeth or molars. This is because molars have irregular surfaces with pits and grooves which tend to trap food and bacteria debris. Sealants flow into and coat these pits and grooves so that bacteria cannot multiply and cause decay.
2. The teeth most likely to benefit from sealant application are the first and second molars just after they have erupted and before they have had a chance to decay. Children between the ages of 5 and 14 benefit most from sealants.
3. A sealant application can last for as long as five years and often longer. Sealants should be checked regularly and reapplied when they appear to have worn off. Because teeth are most susceptible to decay when they are young, preventing decay during the first 5 to 14 years after a tooth erupts is critical.
4. This warranty is null and void if the patient does not maintain his/her six month continuing care cleaning appointments.

Sealants

**What are Dental Sealants?**
Dental sealants are thin plastic coatings which are applied to the chewing surfaces of the back teeth to prevent decay. Most tooth decay in children and adolescents occurs on the chewing surfaces of these back teeth, which are called molars. This is because molars have irregular surfaces with pits and grooves which tend to trap food and bacteria debris. Sealants flow into and coat these pits and grooves so that bacteria cannot multiply and cause decay.

**Why is Sealing a Tooth Better Than Filling a Cavity?**
Sealants help maintain sound teeth. Decay destroys the structure of the tooth. Each time a tooth is filled or a filling is replaced, additional tooth structure is lost. Amalgam fillings last an average of six to eight years before they need to be replaced. Appropriate use of sealants can save time, money, and the discomfort associated with restorative dental procedures.

**How are Sealants Applied?**
Applying sealants is quite simple and may be done by a dentist or a dental hygienist. First, the teeth are cleaned. Then the teeth to be sealed are dabbed with a very mild acid solution similar in strength to vinegar or lemon juice. This roughens the tooth surface very slightly so that the sealant will bond to it properly. After the tooth is prepared, the sealant is painted onto the tooth. It flows into the pits and grooves and hardens in about 60 seconds. After sealing, bacteria cannot reach the pits and grooves, and therefore cannot cause decay. Applying sealants requires no drilling or removal of the tooth surface. Tooth structure is left intact; healthy teeth are protected from decay causing bacteria.

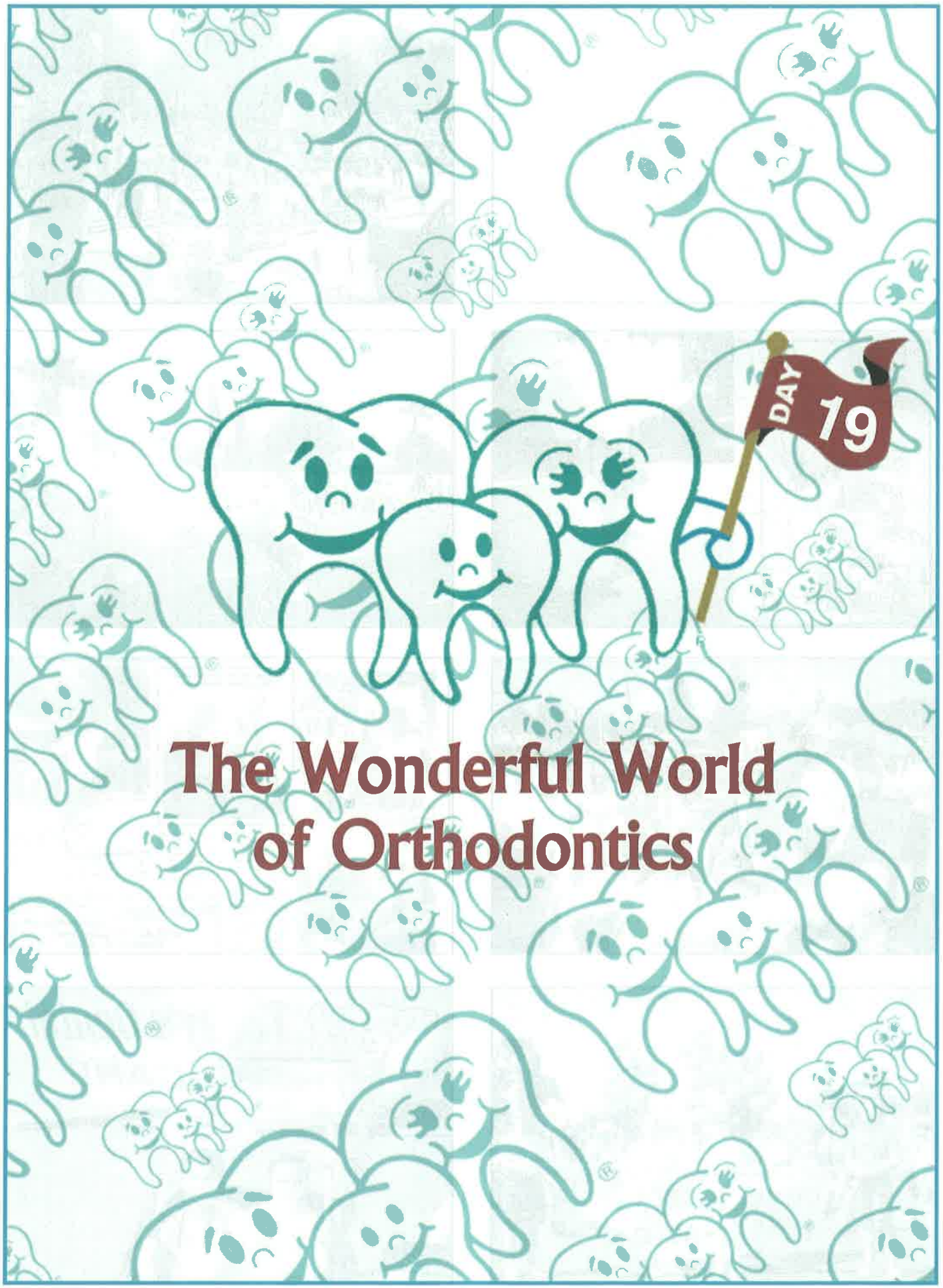
**How Long Will Dental Sealants Last?**
A sealant application can last five years and often **times** even longer. Sealants should be checked regularly and reapplied when they appear to have worn off. Because teeth are most susceptible to decay when they are young, preventing decay during the first 5 to 14 years after a tooth erupts is critical.

**How do Sealants Fit into a Preventive Dentistry Program?**
For maximum benefit, sealants should be used as part of a child's total preventive dental care. A dentist should examine the child's teeth and gums regularly to check bite, tooth eruption, and the condition of both hard and soft tissues. A complete preventive dentistry program also includes brushing and flossing, use of fluorides, good nutrition, and regular dental check-ups.

**Do Sealants Cost More Than Fillings?**
The cost of sealing a tooth is consistently less than the cost of having a tooth filled.

**Will Sealants Replace Fluoride?**
No! Fluorides such as those used in fluoridated water, fluoride toothpaste, and fluoride mouth rinse help prevent decay on the smooth surfaces of teeth; however, fluorides have less effect on the rough, pitted chewing surfaces of the back teeth where food particles and decay producing bacteria are trapped. Sealants are effective on the uneven chewing surfaces.

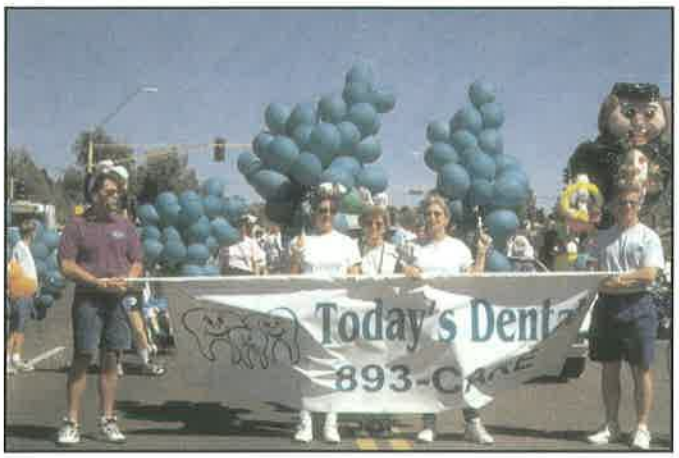
**Have Sealants Been Thoroughly Tested?**
Yes! Thousands of children across the United States and in other countries have had their teeth sealed in controlled clinical studies. These studies have shown sealants to be effective, easy to apply, inexpensive and non-toxic. That's why sealants have been recommended by the American Dental Association, the National Institute of Dental Research, and the American Public Health Association.



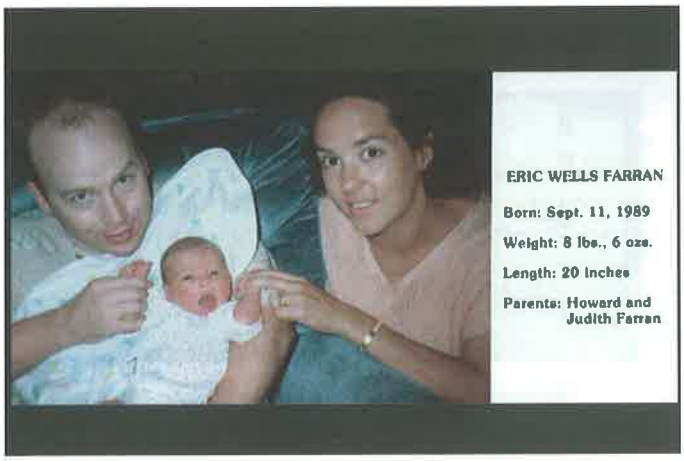

# The Wonderful World of Orthodontics

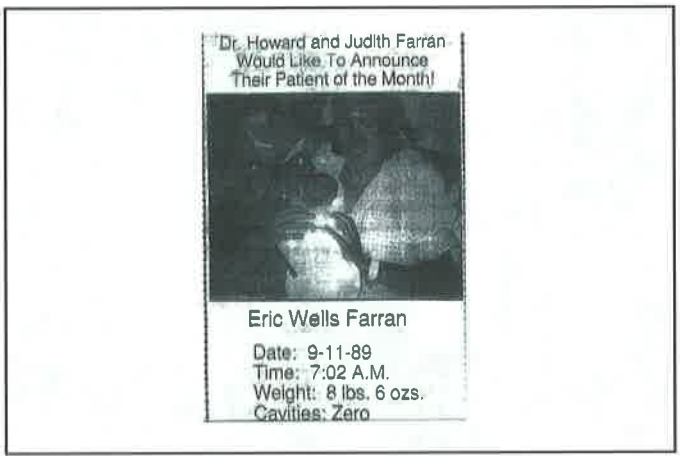
Your 30 Day Dental MBA
Day 19

# The Wonderful World of Orthodontics

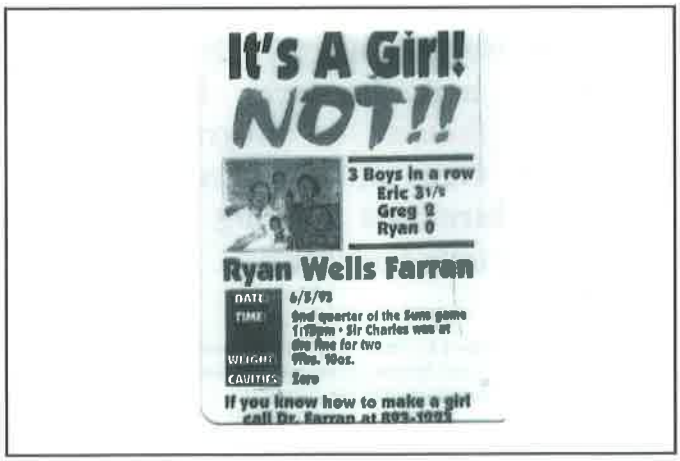


DRATS . . . I FORGOT
TO BRUSH MY TEETH
LET'S GET ACQUAINTED!
$35.00


ERIC WELLS FARRAN
Born: Sept. 11, 1989
Weight: 8 lbs., 6 ozs.
Length: 20 inches
Parents: Howard and
Judith Farran


Dr. Howard and Judith Farran
Would Like To Announce
Their Patient of the Month!
Eric Wells Farran
Date: 9-11-89
Time: 7:02 A.M.
Weight: 8 lbs. 6 ozs.
Cavities: Zero

Dr. Howard and Judith Farran
would like to announce their
Patient of the Month
Gregory Wells Farran DDS 2B


It's A Girl!
NOT!!
3 Boys in a row
Eric 3 1/2
Greg 2
Ryan 0
Ryan Wells Farran
DATE
6/5/93
TIME
WEIGHT
CAVITIES
Zero

# Three Valley cities are living in decay

By Dr. Howard E. Farran II

VIEWPOINT

Last Wednesday at 4 p.m. was the 50th anniversary of water fluoridation. As a dentist in Arizona, it is a confusing day.

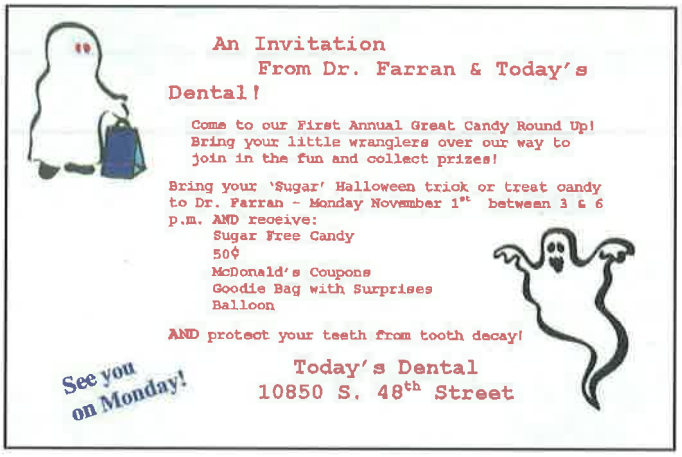
Although water fluoridation, an effort *Consumer Reports* has called the best public health measure ever enacted, is



FARRAN

was a 3-year-old girl, and she needed four root canals, four fillings and four crowns. Why? Because up until last week, Chandler had refused to fluoridate its water.

Chandler joined Phoenix, Tucson and Glendale as cities successfully fluoridated thanks to the efforts of the Arizona Citizens for Better Dental Health, the group I co-founded.



## What About The Sealants?

Subject: Sealants, Technique for Improved Retention

Pits & Fissure in teeth are filled with debris and dental plaque in spite of attempts of practitioners to clean these areas before sealant placement. Conventional mechanical means are inadequate international research shows up to 30% of sealants have failed by 3 years of service.

Source: CRA Newsletter, December 1988

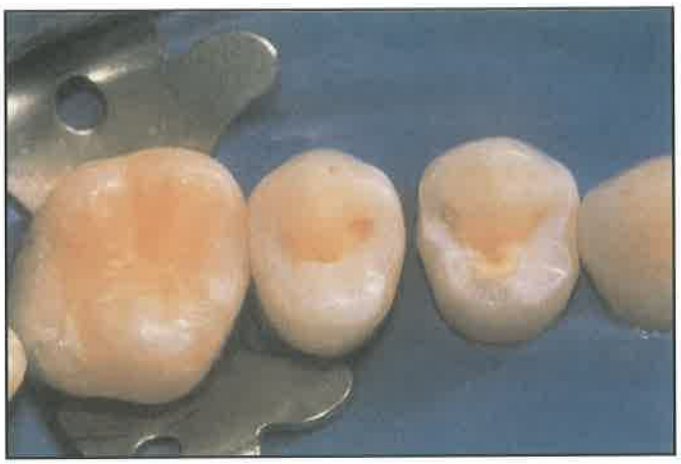
Scanning electron microscopic observation of gaps and fractures in sealants suggests failure or degradation of adhesion. Gaps and unetched areas may cause failure rate totaling more than 21% after only 6 months!

Futasuki M. Kubota K. Yeh Y – C, Park K. Moss SJ.
Early loss of Pit and fissure sealant: a clinical and SEM study,
J Clinical Pediatric Dent 1995, 99 - 104

**METHODOLOGY WITHOUT RATIONALE IS LIKE MEMORY WITHOUT UNDERSTANDING**

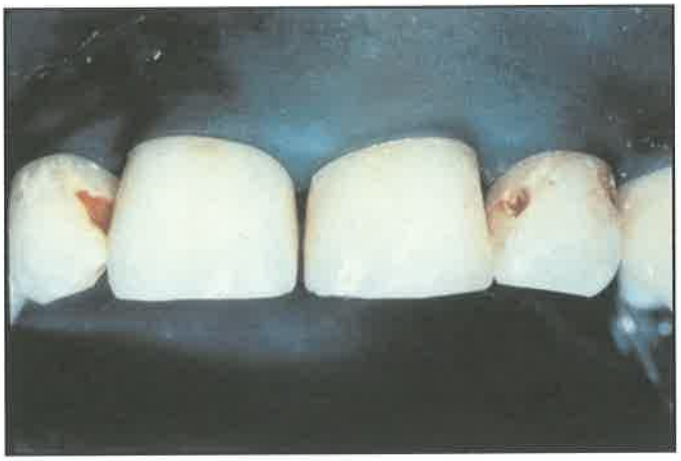
**Michael Buonocore**

**Today is the tomorrow we talked about yesterday!**



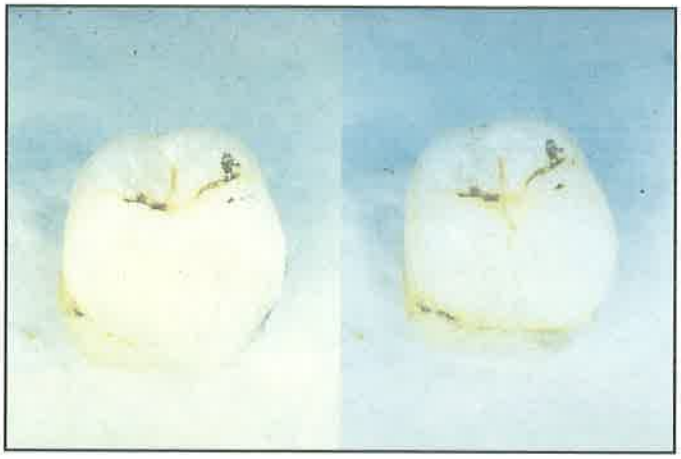
## Consumerism

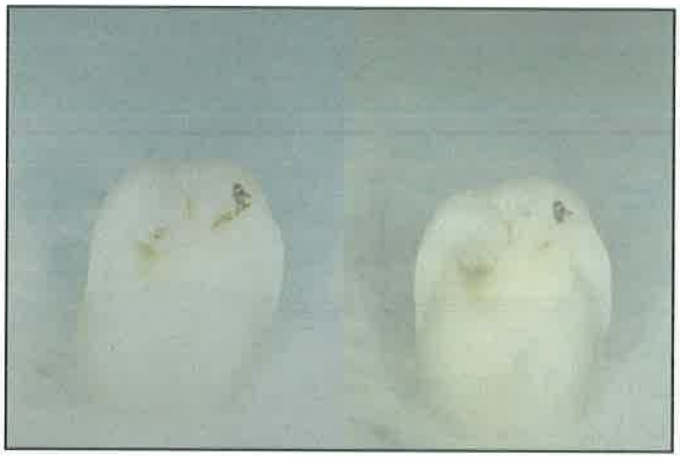
- Sell preventive, over yesterday's "Drill, Fill & Bill"
- Practice M.I.D., (Minimally Invasive Dentistry)
- Don't ever break the Golden Rule!



**It is the fate of**
**Yesterday's Heresies**
**to become**
**Today's Truths!**

**Huxley**





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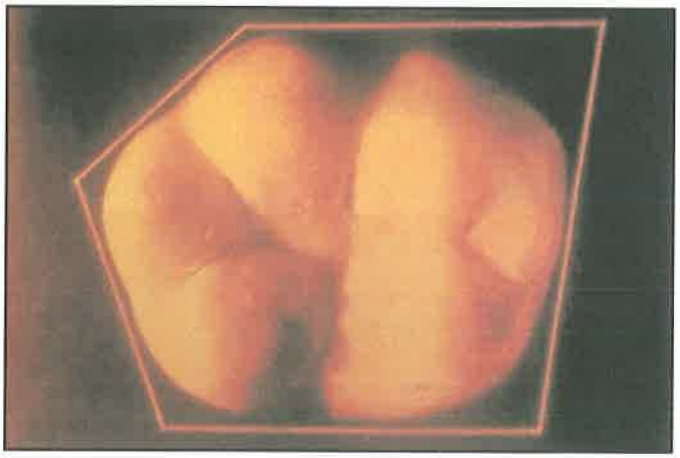

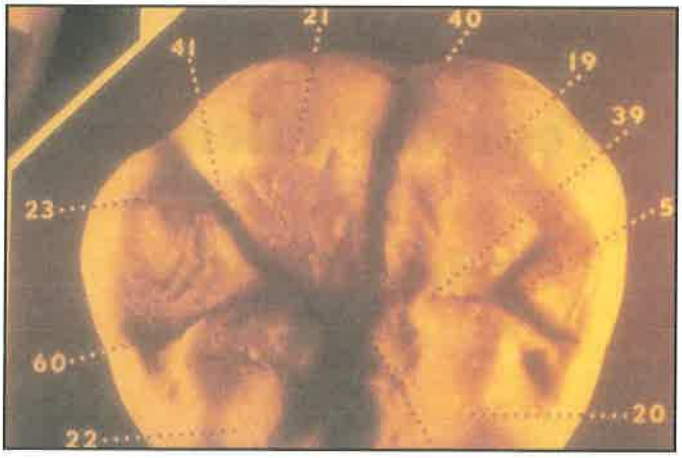

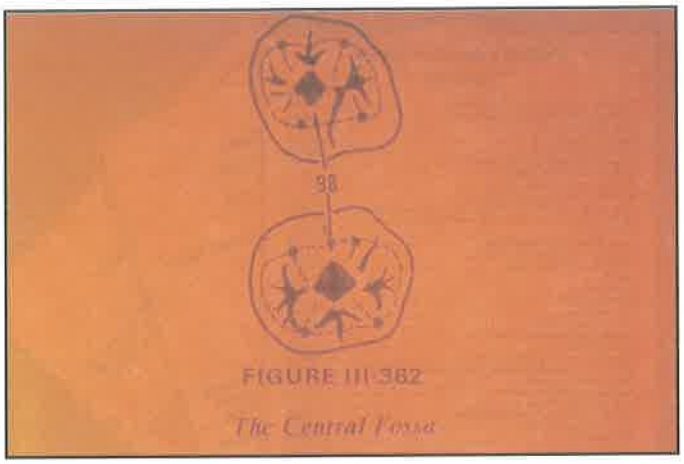


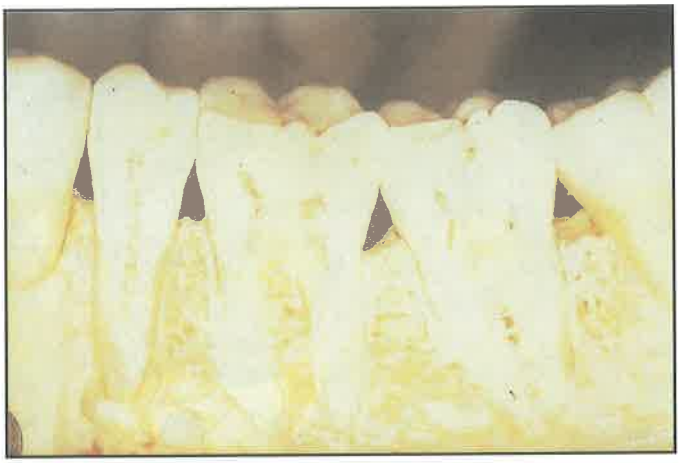

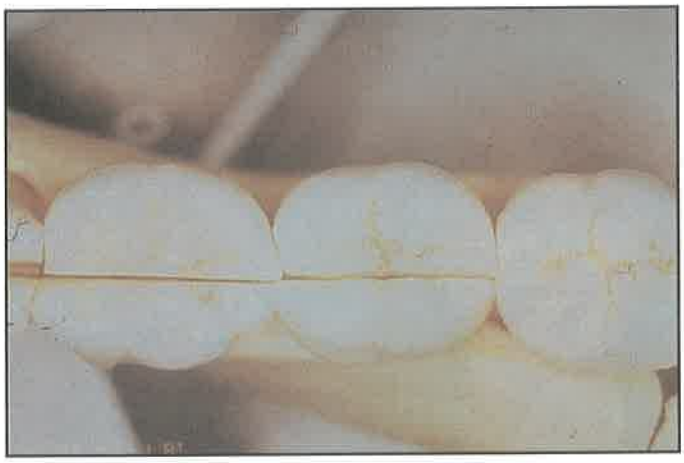

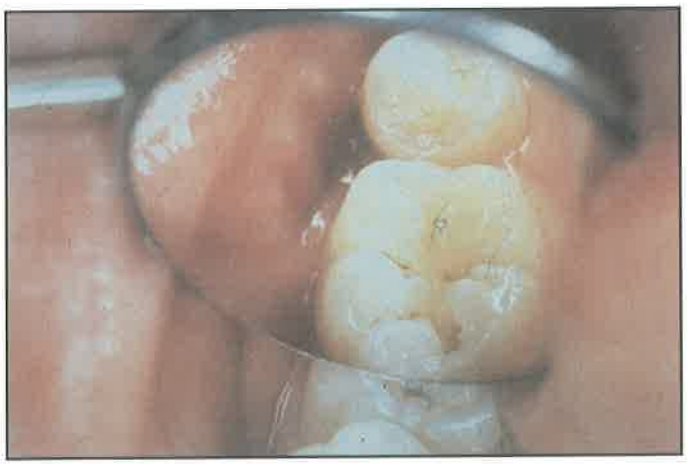

## Warranties

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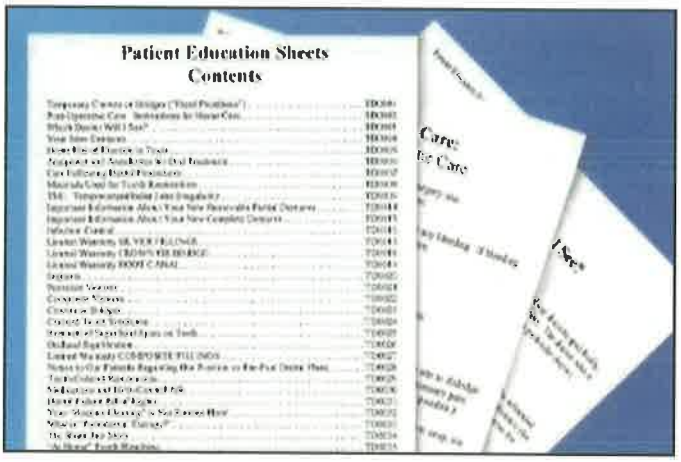
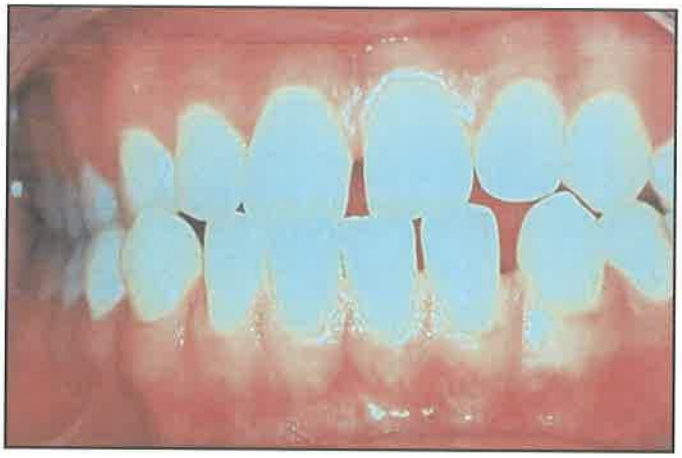
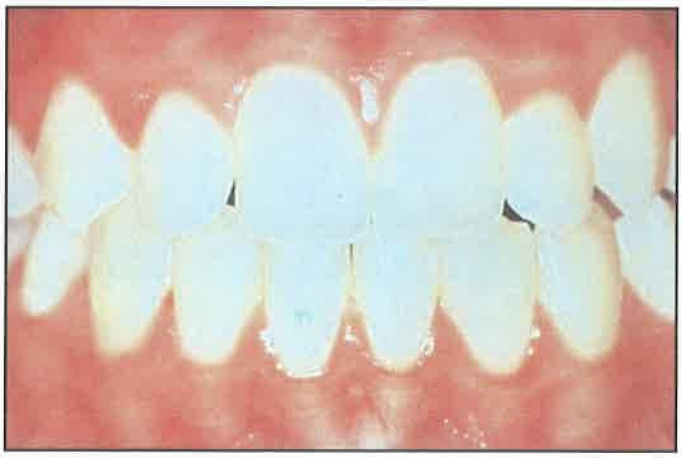

Patient Education Sheets
Contents

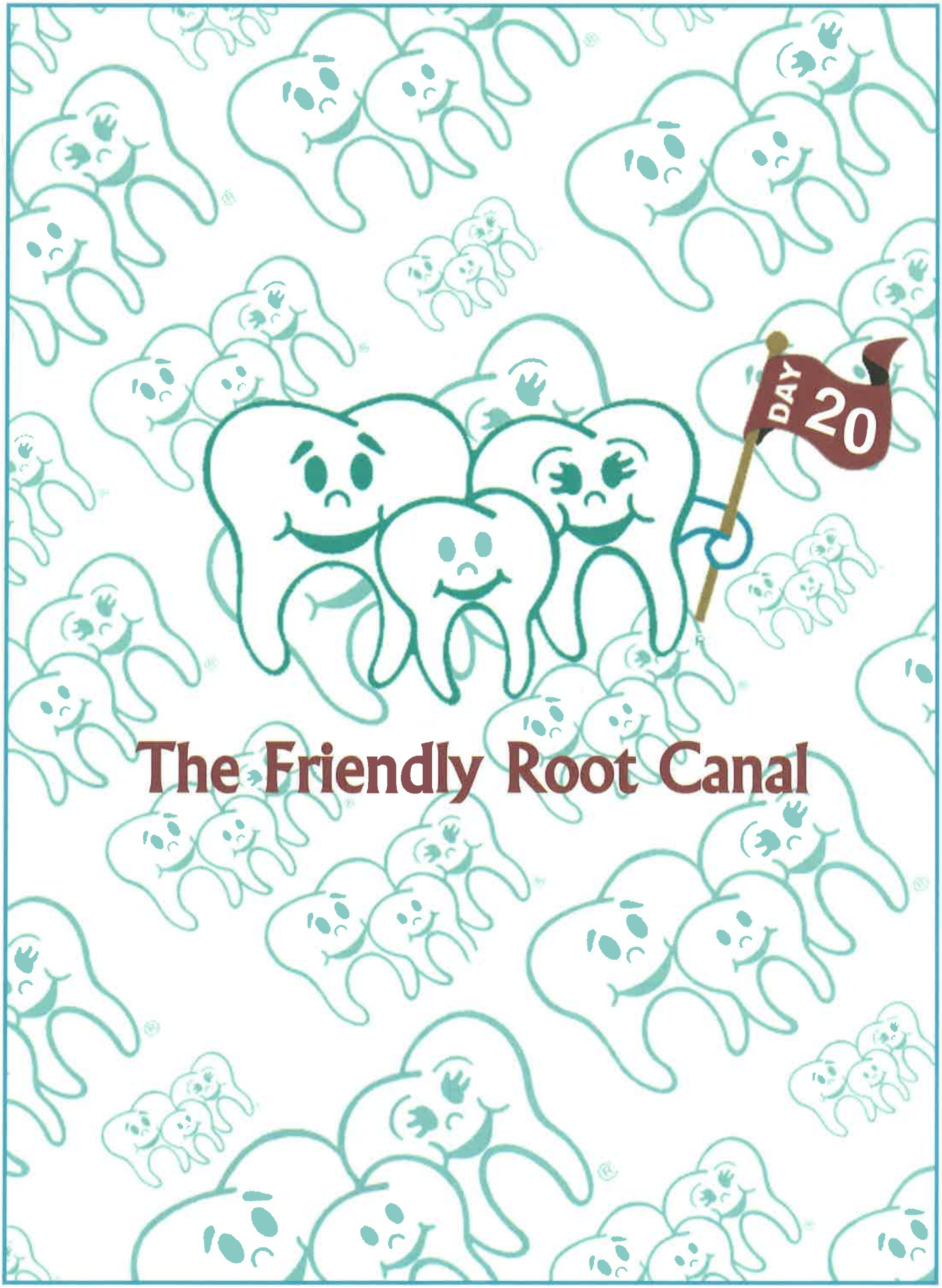


# Because:

**"Because" is a very powerful word. In fact studies at Harvard University show that the use of the word "because" increases case acceptance 60% - 93%!**

**For example, "You need to have this tooth restored because if you don't, it will break and cause you a lot of discomfort and pain."**






# The Friendly Root Canal

Your 30 Day Dental MBA
Day 20

# The Friendly Root Canal

## Percent of US Population with Medical Insurance and % of GNP spent on Healthcare 1940 - 1989

| Year | Total U.S. population | % with medical insurance | % of GNP spent on healthcare |
|---|---|---|---|
| 1940 | 132,164,569 | 9 % | 3.9 % |
| 1950 | 151,325,798 | 5 % | 4.1 % |
| 1960 | 179,323,175 | 60 % | 5.1 % |
| 1970 | 203,302,031 | 82 % | 7.1 % |
| 1980 | 226,542,203 | 75 % | 8.9 % |
| 1990 | 248,709,873 | 86 % | 12.1 % |

Source: New York Times Almanac & *Health against Wealth*, George Anders, Copyright 1996 & World Book Encyclopedia, 1997

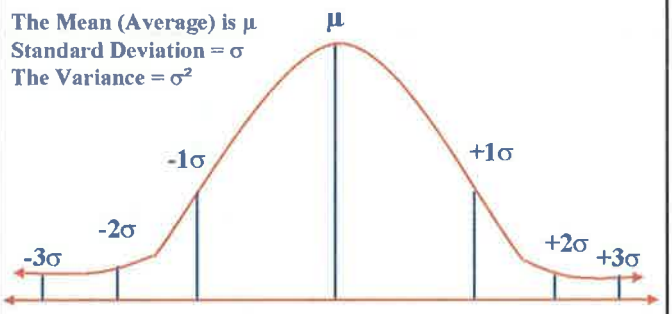
## Dental HMO Coverage by Region

| Region | Covered Lives | Total Population | Share of Population |
|---|---|---|---|
| Northeast | 400,000 | 13,300,000 | 3 % |
| Mid Atlantic | 2,600,000 | 37,1000,000 | 7 % |
| South Atlantic | 3,800,000 | 47,500,000 | 8 % |
| East South Central | 450,000 | 15,000,000 | 3 % |
| West South Central | 2,000,000 | 28,600,000 | 7 % |
| East North Central | 2,700,000 | 45,000,000 | 6 % |
| West South Central | 675,000 | 22,500,000 | 3 % |
| Mountain | 1,200,000 | 15,000,000 | 8 % |
| Pacific / Coast | 7,500,000 | 46,900,000 | 16 % |
| Total | 21,325,000 | 270,900,000 | 8 % |

Source: NADP and Interstudy. All numbers are approximations.

## This is simply a Normal Distribution!

The Mean (Average) is μ
Standard Deviation = σ
The Variance = $\sigma^2$

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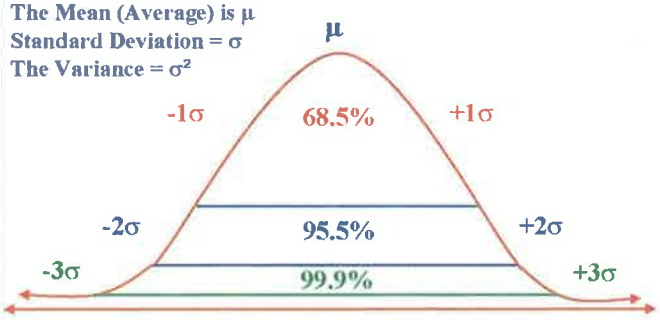
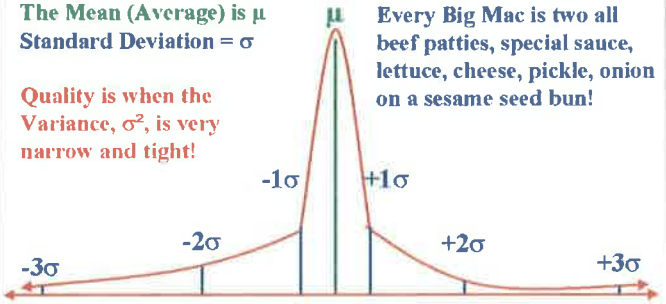



## So what is Quality!

The Mean (Average) is μ
Standard Deviation = σ

Quality is when the Variance, $\sigma^2$, is very narrow and tight!

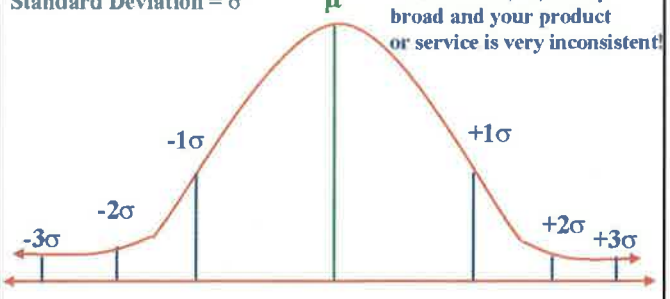
Every Big Mac is two all beef patties, special sauce, lettuce, cheese, pickle, onion on a sesame seed bun!



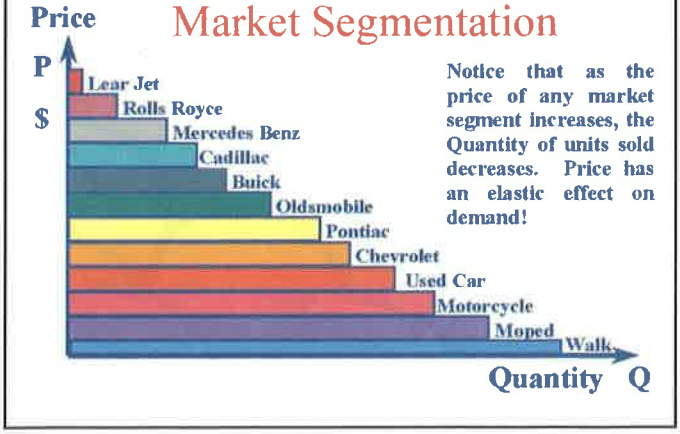

## Low Quality is when you have a large Variance!

The Mean (Average) is μ
Standard Deviation = σ

Low Quality is when the Variance, $\sigma^2$, is very broad and your product or service is very inconsistent!




## Market Segmentation




Notice that as the price of any market segment increases, the Quantity of units sold decreases. Price has an elastic effect on demand!

## Dental HMO Participation

**HMO** Health Maintenance Organization

**CMC** Capitated Managed Care

**14% of dentist participate**

Source: NADP and Interstudy

## In 1992 the United States of America had:

- 19,279 cities, villages, boroughs, and towns!
- 8 cities had a population greater than 1,000,000 people!
- 16,901 of the cities, villages, boroughs, and towns, or 87% of them, had a population of less than 10,000 people!
- 8,675 of the cities, villages, boroughs, and towns, or 45% of them, had not one of the 8 Specialties recognized by the American Dental Association!

Source: The New York Times Almanac, 1998

## In 1992 the United States of America performed 25,400,000 root canals!

| | Endodontist | Family Practice General Dentist |
|---|---|---|
| Percentage of Root Canals Performed | 5 % | 95 % |
| Average Yearly Income | $192,000 | $122,000 |
| Average Number of Patients Seen Per Day | 6 – 8 | 22 – 24 |
| Average Price of a Molar Root Canal | $700 | $500 |

## The Approximate Market Share Percentage for each type of Dental Benefit Program

| | Market Share Percentage | Number of people w/ coverage |
|---|---|---|
| Indemnity Benefits | 35 % | 92 mm |
| Dental PPO Benefits | 6 % | 15 mm |
| Dental HMO Benefits | 9 % | 23 mm |
| No Dental Benefits | 50 % | 130 mm |
| Total | 100 % | 260 mm |

Sources: Actuarial studies, Employer Benefit Plan Review, Delta Dental, National Center for Health Statistics, Dewar Sloan estimates. All numbers are approximations.

## What is the Relative Cost of Dental Insurance?

| | Conventional HMO/CMC Dental Insurance Premium | | Conventional Indemnity Dental Insurance Premium | |
|---|---|---|---|---|
| | Year | Month | Year | Month |
| Family | $335 | $28 | $624 | $52 |
| Single | $144 | $12 | $240 | $20 |

## The dental market is growing on the patient demand side!

| 1960 | 2000 |
|---|---|
| Average adult had 7 teeth at age 65! | Average adult will have 24 teeth at age 65! |

Source: U.S. Dept of Health and Human Services

## Molar Root Canal Courses by the "Gurus" of Endodontics

| | |
|---|---|
| G. John Schoefell DDS<br>Dentistry 2000<br>404 227 3882 | Kit Weathers DDS<br>Patrick Wahl DDS<br>800 222.9515<br>EndoMagic |
| Ben Johnson DDS<br>Thermafil<br>918 493 6598 | John McSpadden DDS<br>615 899 7979 |

## Dental Specialist Net Income by Number of Years Since Graduation

| Years Since Graduation | Annual Income |
|---|---|
| 5 - 9 | $145,000 |
| 10 - 14 | $180,000 |
| 15 - 19 | $225,000 |
| 20 - 24 | $210,000 |
| 25 - 29 | $190,000 |
| 30 - 34 | $180,000 |
| 35 - 40 | $145,000 |

Source: ADA Survey Center, 1996 Survey of Dental Practice

## The number of hours per week that you work drastically affects your net income!

| | | |
|---|---|---|
| Dr. A 40% | 40 + hours a week | Averages $140,000/year |
| Dr. B 44% | 32 + hours a week | Averages $105,000/year |
| Dr. C 14% | 32 or less hours a week | Averages $85,000/year |

Notice: that Doctor A works 25% more hours than Doctor B, yet nets 33% more!

Source: ADA Survey of Dental Practice, 1996.

## Dentist Average Incomes

- The average general dentist earns $122,000 a year
- The average specialist earns $192,000 a year
- The average for all dentists is $135,000 a year
- The Top 25% of dentists earn over $175,000
- The Median dentist earns around $120,000
- The Bottom 25% of dentists earn less than $75,000

Source: ADA Survey Center, 1996 Survey of Dental Practice

## Family Practice General Dentist by the Number of Years Since

### Graduation in 5 year age groups

| Years after grad. | 5 - 9 | 10 - 14 | 15 - 19 | 20 - 24 | 25 - 29 | 30 - 34 | 35 - 40 |
|---|---|---|---|---|---|---|---|
| Production | $290 K | $345 K | $355 K | $370 K | $380 K | $295 K | $225 K |
| Net Profit | $105 K | $125 K | $130 K | $135 K | $140 K | $115 K | $110 K |
| Profit Margin | 36% | 36% | 37% | 36% | 37% | 39% | 49% |

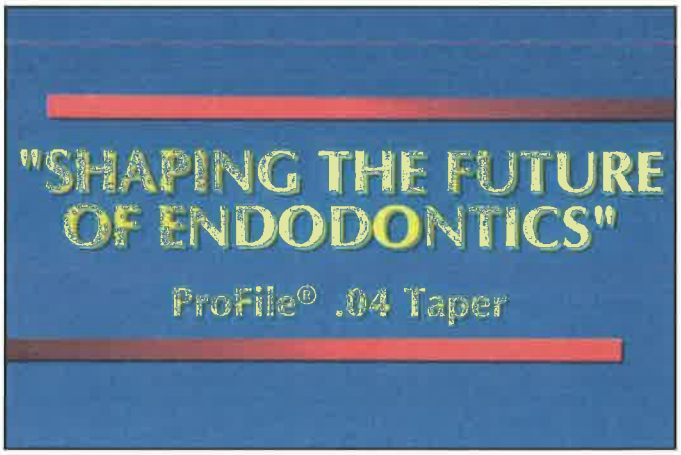
ADA Survey Center, 1996 Survey of Dental Practice.

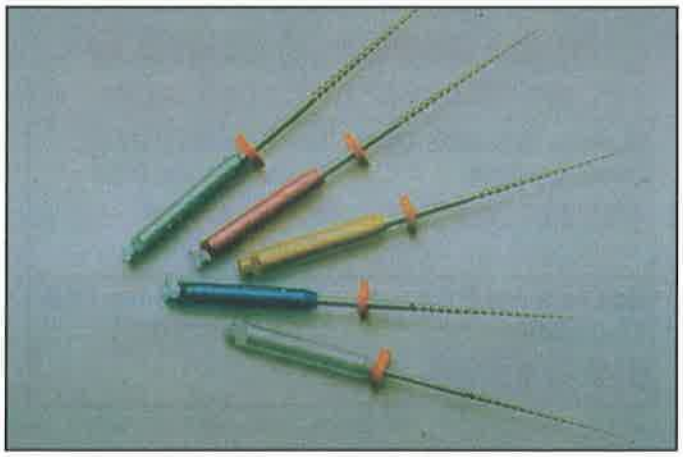
| | Family Practice General Dentist | Specialist |
|---|---|---|
| Number of operatories: | 3.5 | 5 |
| Square feet of dental office: | 1600 | 2300 |
| Have more than one dental office location: | 5% | 35% |

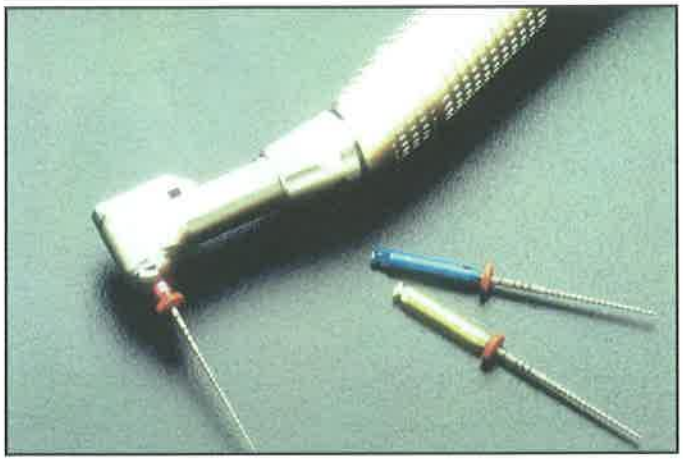
ADA Survey Center, 1996

Your small business is a grape vine:

Concentrate on growing grapes,
which are net income,
not leaves,
which are gross sales.







## Cross Sections

.04 Taper

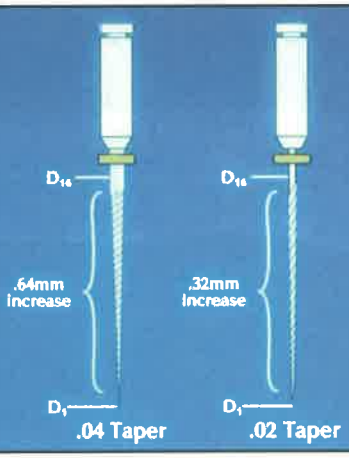
Regular Reamer

## Regular Reamer

- *Self-Threading*
- *Aggressive Cutting Action*

## ProFile .04 Taper Series 29 Rotary Instruments

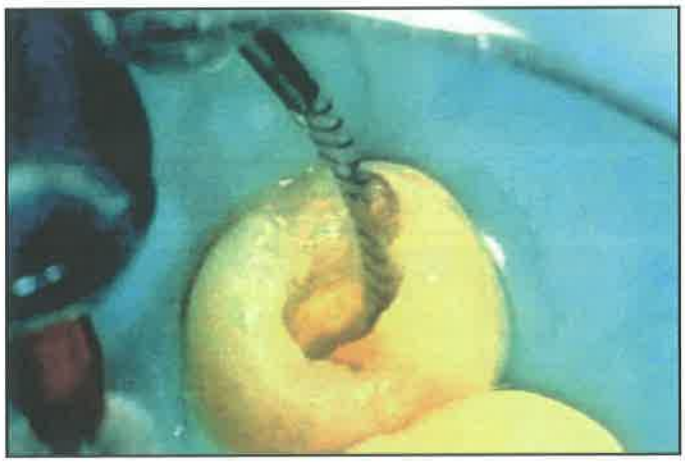
| Size Equivalents | Colors |
|---|---|
| Size #2 = ISO .129 | White |
| Size #3 = ISO .167 | Yellow |
| Size #4 = ISO .216 | Red |
| Size #5 = ISO .279 | Blue |
| Size #6 = ISO .360 | Green |
| Size #7 = ISO .465 | Brown |
| Size #8 = ISO .600 | White |
| Size #9 = ISO .775 | Yellow |
| Size #10 = ISO 1.000 | Red |

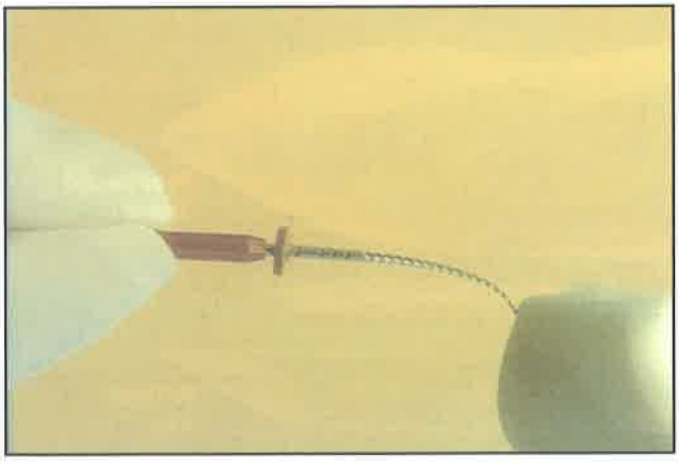


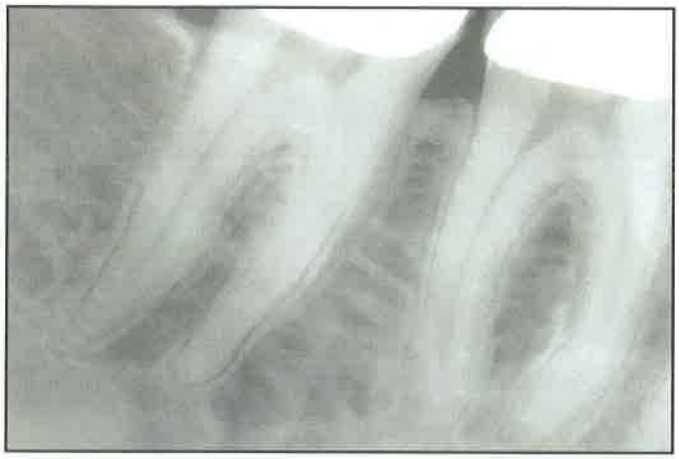

.04 Taper .02 Taper

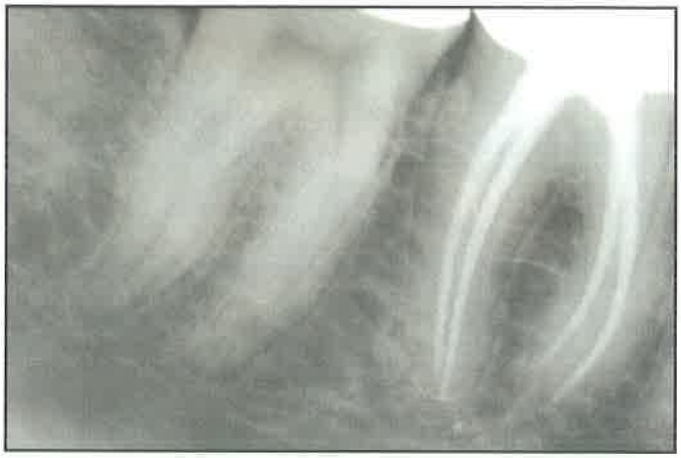
## .04 Taper

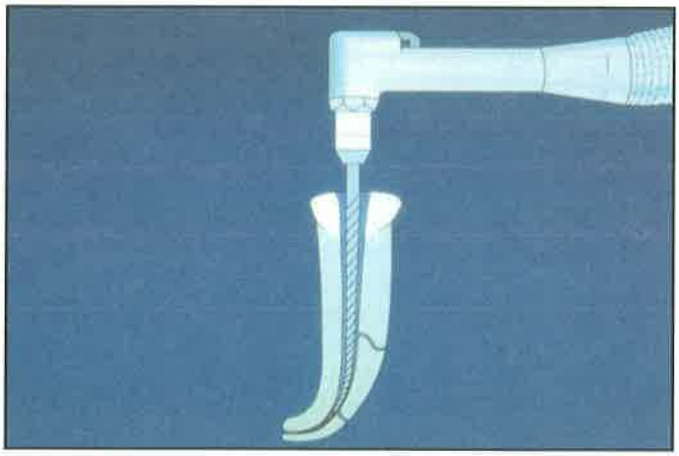
- *Not Self-Threading*
- *Gentle Planing Action*





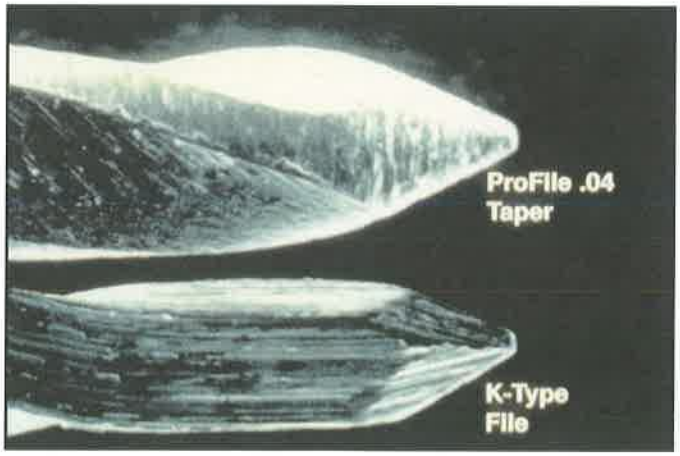






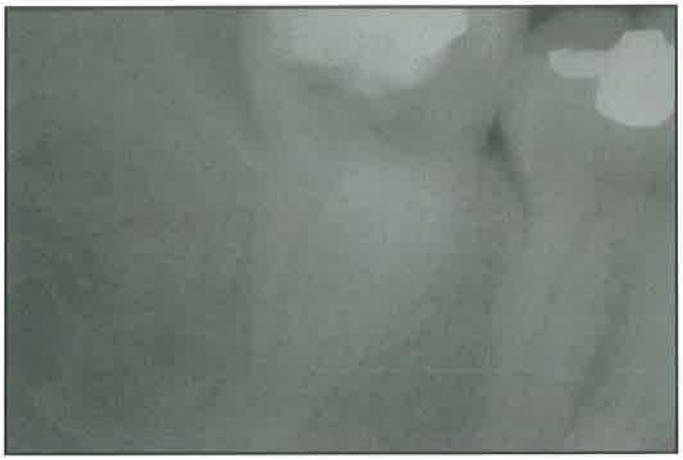
ProFile .04 Taper
Series 29 Rotary Instruments

- *Simple*
- *Sensible*
- *Long Overdue*

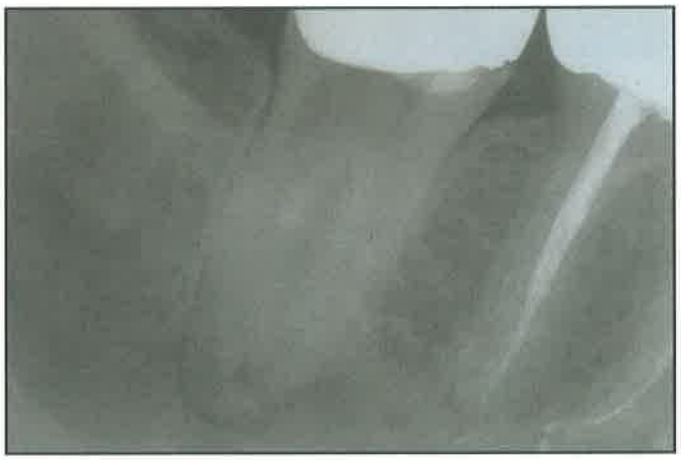


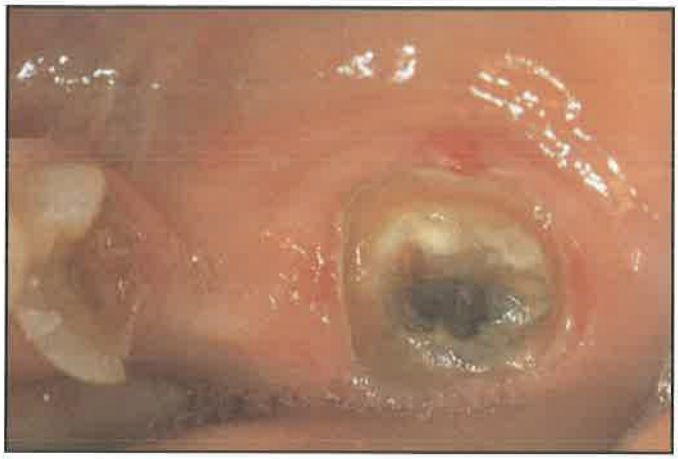

TULSA DENTAL PRODUCTS

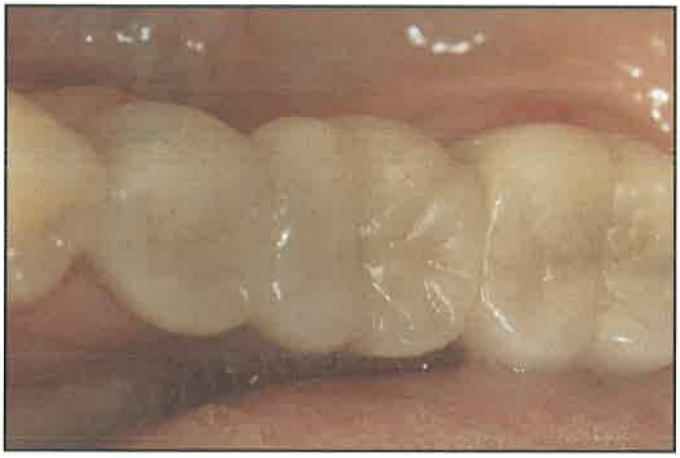
1-800-662-1202



Dr. Brad Gettleman







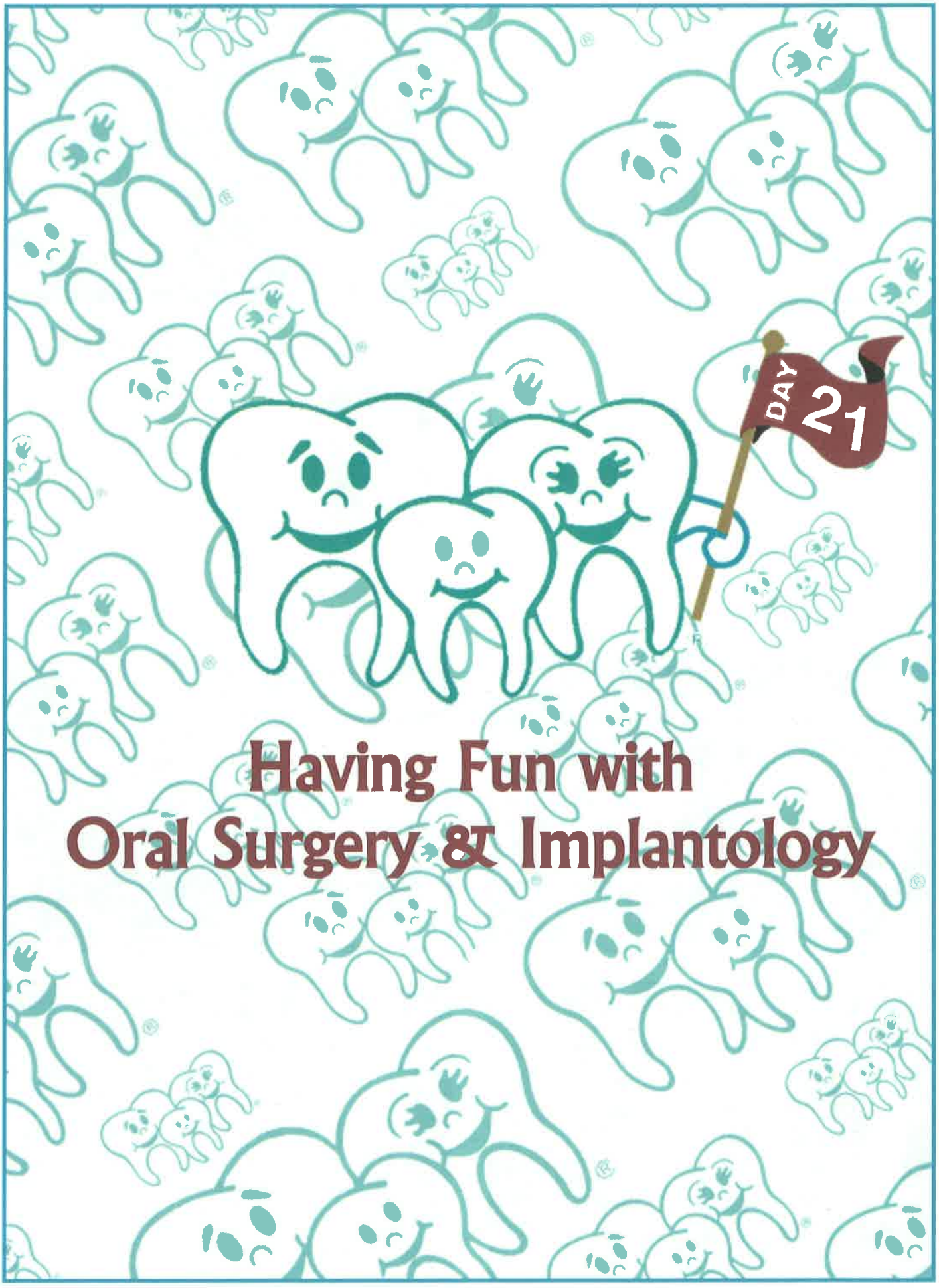
Patient Education Sheet #TD19

Limited
Warranty

## ROOT CANAL

People always ask us, "How long should this last?" In our office, we strive for perfection and satisfaction which is why we are happy to provide you this warranty, something few offices offer. In today's technology, almost everything we have learned is on the preventive side. Instead of going to the dentist every few years for "Drill, Fill and Bill," let's try preventative dentistry. You can prevent most or all disease if you spend 4 minutes in the morning and 4 minutes in the evening brushing, flossing and doing any other special treatments your dentist and hygienist have recommended and let your dentist or hygienist professionally clean your teeth, check for decay, apply a fluoride treatment, or apply sealants. Our warranties must be null and void if we don't see you for your regular 6 month check-ups. With 6 month check-ups your teeth and gums are winners!

1. Do root canals always work? No! A root canal is a therapy not a cure. It has a high success rate but 4% fail. If your root canal fails, we may send you to an endodontist who specializes in root canals and why they fail. If this is your case, for a period of 5 years from the date of service, we will refund the cost of a root canal due to failure. In addition, if the tooth cannot be saved, the cost of the crown and build up placed in our office will also be refunded during that 5 year period.
2. This warranty is null and void if the patient does not maintain his/her 6 month continuing care cleaning appointments.

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► For more information, please call:

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National Directors, Leadership

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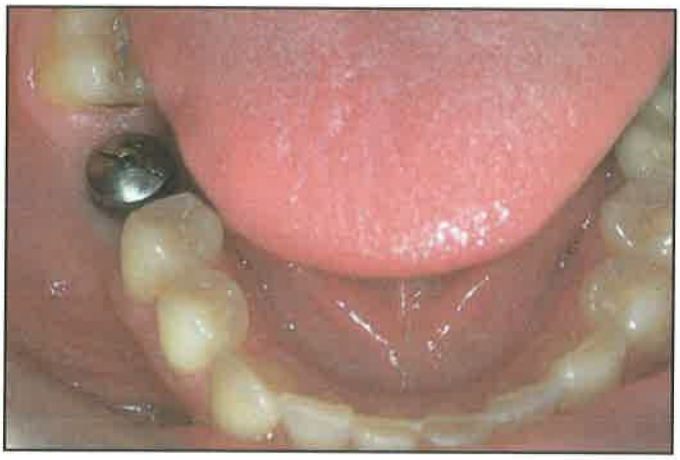
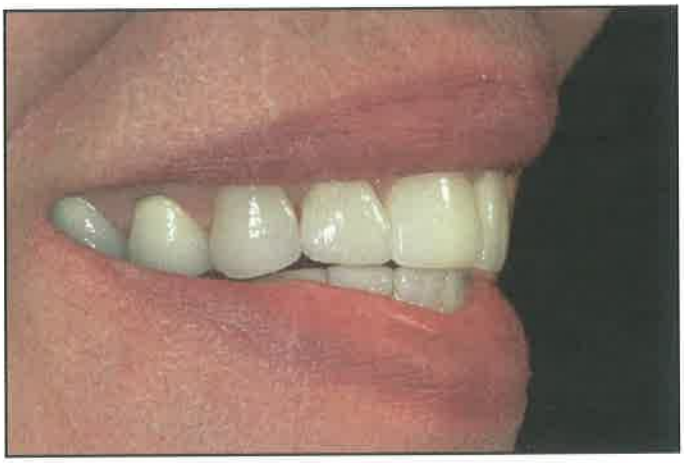
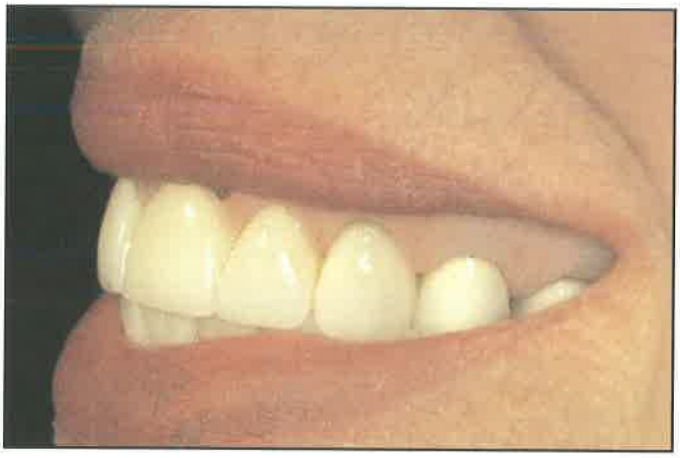
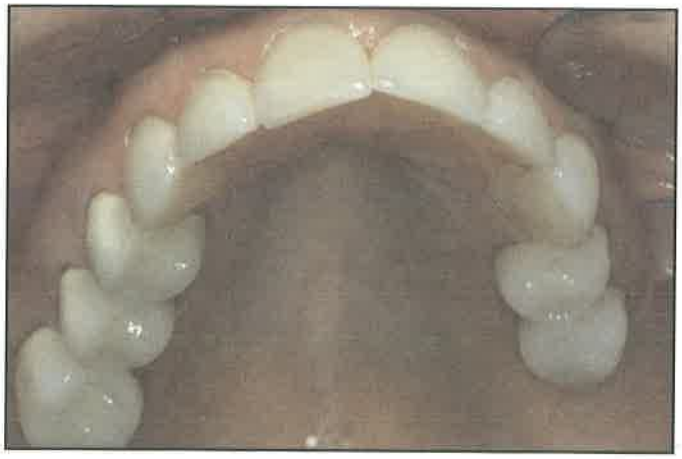
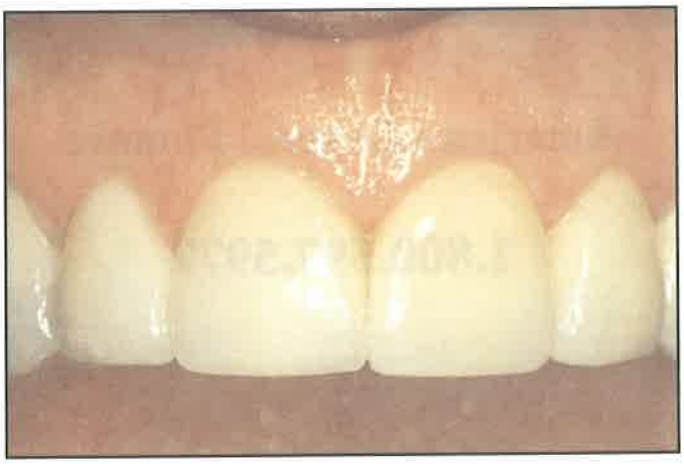
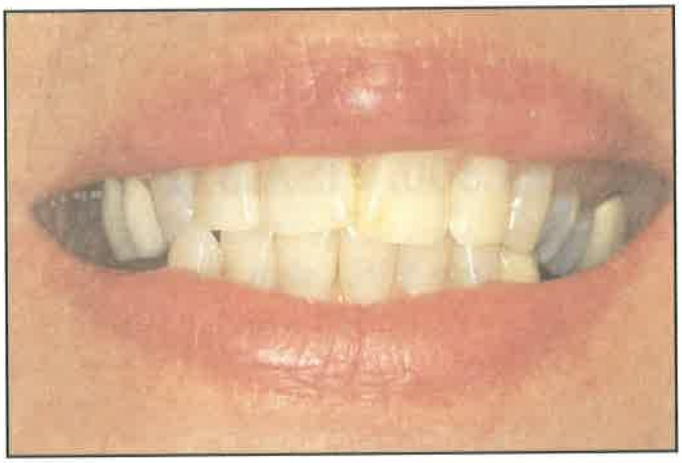












## Your biggest problem!

**The number 1 problem in dentistry today is that dentists still do not clearly explain in written detail the expected expense before the treatment is started. We still have 10's of 1000's of dentists named Dr. Ambiguous saying, "Don't' worry about the fee, we'll work it out!"**

## Not discussing fees before treatment is a human relations crime!

Confrontational interfaces test your confrontational tolerance!

Call VISA at:
1.800.VISA.311

for a free VISA sign for your reception area!

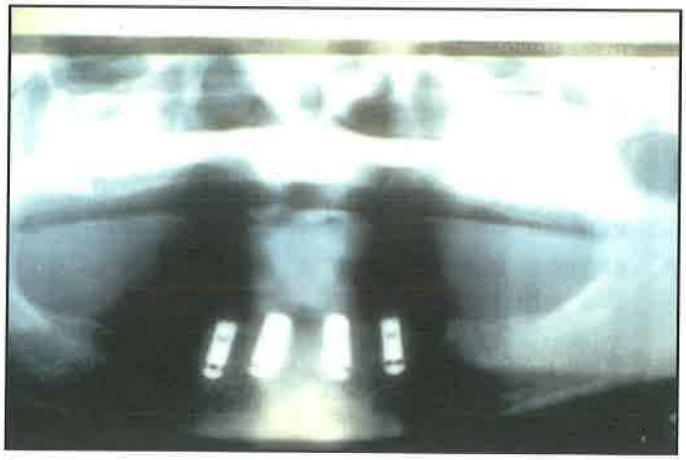
American General Finance

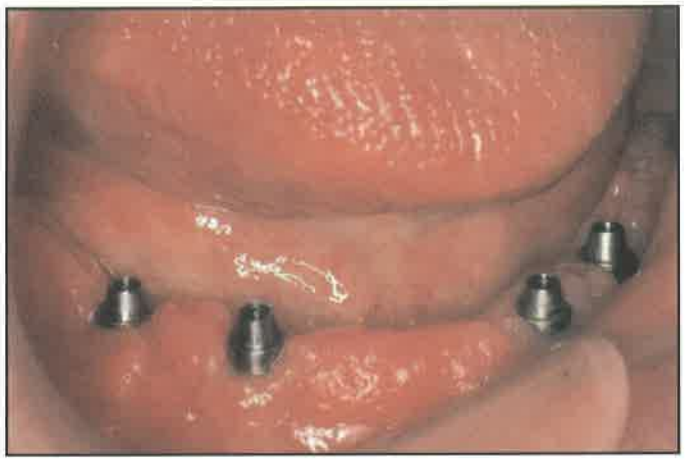
1.800.597.5977

How do I sign up for CareCredit?

1.800.300.3046

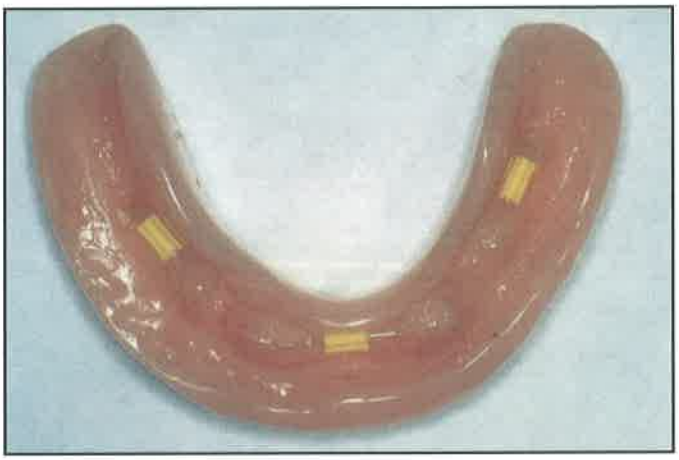
Look up loans in your yellow pages to see who makes consumer loans in your area!

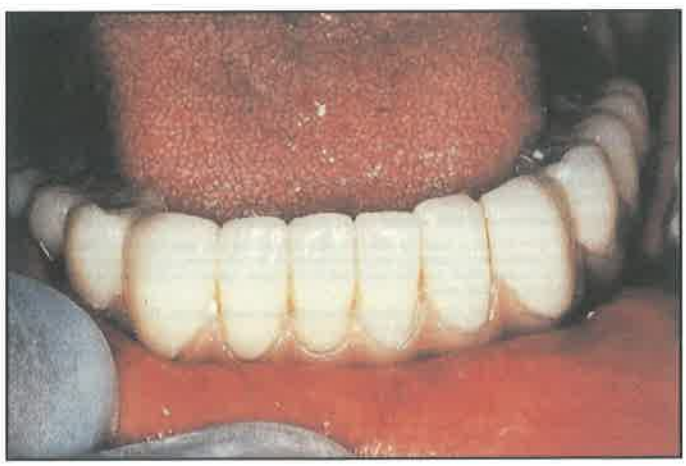


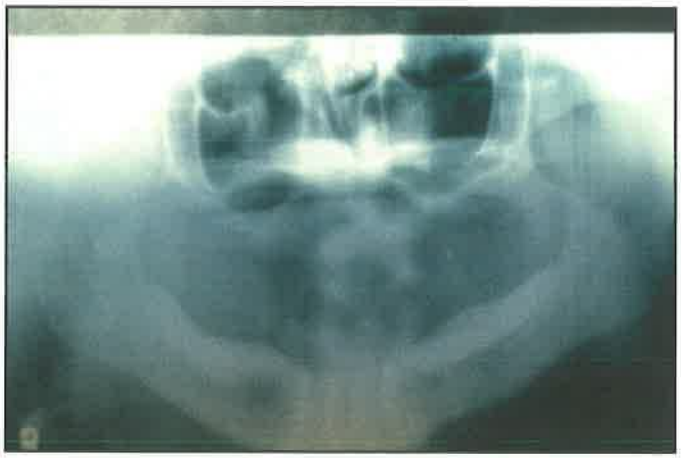


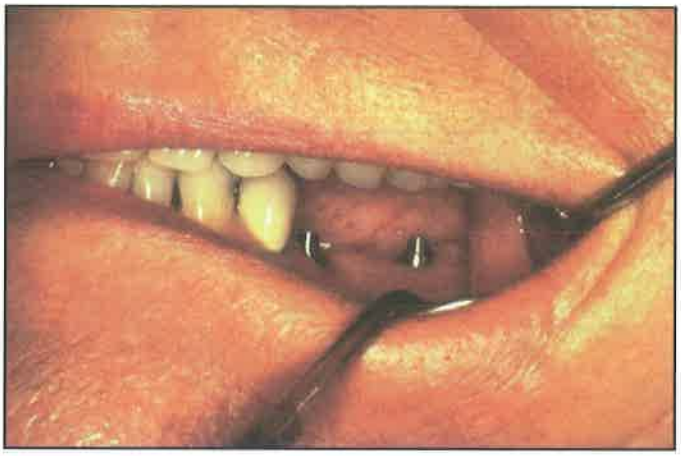
**How do I sign up for CareCredit?**

**1.800.300.3046**









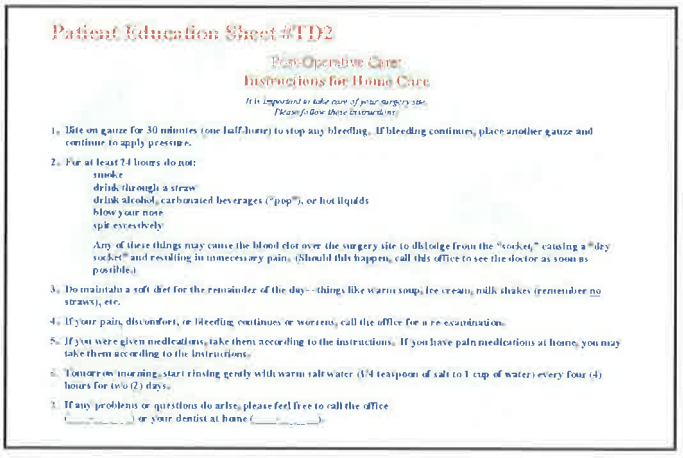
## Patient Education Sheet #TD2

### Post-Operative Care: Instructions for Home Care

*It is important to take care of your surgery site. Please follow these instructions:*

1. Bite on gauze for 30 minutes (one half-hour) to stop any bleeding. If bleeding continues, place another gauze and continue to apply pressure.
2. For at least 24 hours do not:
   - smoke
   - drink through a straw
   - drink alcohol, carbonated beverages ("pop"), or hot liquids
   - blow your nose
   - spit excessively

   Any of these things may cause the blood clot over the surgery site to dislodge from the "socket," causing a "dry socket" and resulting in unnecessary pain. (Should this happen, call this office to see the doctor as soon as possible.)
3. Do maintain a soft diet for the remainder of the day--things like warm soup, ice cream, milk shakes (remember no straws), etc.
4. If your pain, discomfort, or bleeding continues or worsens, call the office for a re-examination.
5. If you were given medications, take them according to the instructions. If you have pain medications at home, you may take them according to the instructions.
6. Tomorrow morning, start rinsing gently with warm salt water (1/4 teaspoon of salt to 1 cup of water) every four (4) hours for two (2) days.
7. If any problems or questions do arise, please feel free to call the office (_____) or your dentist at home (_____).



## Patient Education Sheet #TD4

### Your New Dentures

1. Sore spots may occur under new dentures. Do not cut or grind on the dentures--we will adjust them for you. If the soreness remains more than one day, return to our office with the dentures in your mouth so we can find the sore spot and adjust the denture for you.
2. Don't overwork your dentures, they are artificial. If you had a wooden leg you wouldn't expect to run a mile in four minutes, so take it easy. Learn slowly to use your new teeth. No one can teach you how to wear your dentures. It will take time for you to learn the best technique to chew.
3. Talking and eating will be difficult at first. Your mouth will seem full of water (saliva) and your tongue will feel boxed-in. Don't try to eat a juicy steak, fresh apples, corn on the cob, and similar foods, for the first few weeks. Gradually change from soft foods to harder varieties, but avoid sticky foods.
4. Keep your dentures clean to prevent staining and bad breath. Brush them at least twice a day (in your hand). You may leave the dentures in or out of your mouth at night, depending on your preference. If the dentures are out of your mouth, leave them soaking in a water and mouthwash solution.
5. We do *not* recommend powder adhesives when your dentures become loose (your mouth shrinks--the denture doesn't change). We suggest that you avoid drugstore denture relliners since using them can cause irreparable damage to your mouth. Have a dentist reline your dentures for best results. If you should break, chip or crack your denture, return to our office with all the pieces of the denture. We are usually able to repair your denture.

## Patient Education Sheet #TD7

### Care Following Oral Surgery

1. **Proper Care of Blood Clot:** For three (3) hours, maintain gentle pressure by biting on the gauze sponge that has been placed over the surgical area. If needed, replace gauze with another as provided.
2. **Do Not Rinse** or use a mouthwash for at least 36 hours, but brush carefully. After 36 hours, rinse gently with warm salt water, using a concentration of 1/4 teaspoon of table salt in 8 ounces of warm water, two to three (2–3) times daily. The use of commercial mouthwashes during the healing period is *not* encouraged.
3. **Pain:** Following dental surgery, discomfort should be controlled by the medication prescribed. Follow the directions. If pain persists, call us at the office. Your comfort is important to us.
4. **Toothbrush:** Use it carefully but thoroughly. A clean mouth heals faster.
5. **Eating, Drinking and Smoking:** Avoid alcoholic beverages and smoking until healing is well established. Adequate food and fluid intake following surgery is important. *Do not consume liquids through a straw.* If your regular diet is too difficult, you may supplement it with liquids. Should you find yourself unable to chew solid foods of any kind, call us.
6. **Avoid All Excessive Activity:** Do not do things that will raise your blood pressure. Go home, lie down and rest. Do not disturb (pick at) the surgical area.
7. **Sutures:** If sutures were used in your treatment, be sure to return for their removal on the appointment date given.
8. **Other Instructions:**

_____

_____

_____

## Patient Education Sheet #TD15

**Important Information About**
**Your New Complete Dentures**

We have done our best to provide you with well-fitted, functional, and aesthetically pleasing dentures. We feel confident that after a few weeks of adjustment, you will enjoy years of satisfaction and use. In the meantime, the following is information you need to know.

1. Your First Few Weeks. New dentures always feel strange when first placed in your mouth. Several days or even a few weeks will be required for you to feel accustomed to them.
2. Sore Spots. Your mouth will most likely have a few sore spots about 24 hours after you first put your new dentures in. Such sore spots can be relieved by your doctor with very little effort. An initial readjustment appointment should be made, and another appointment about seven days later will usually eliminate any other sore areas.
3. Chewing. The new "bite" or occlusion will not feel comfortable for a period of days. We will adjust the contacting surfaces of your teeth after 24 hours, and again in about one week after the dentures have "settled" into place.
4. Upper vs. Lower Denture. Your upper denture will rest comfortably in place with moderate-to-strong "suction." Although your lower denture will have good stability, it is infrequent that "suction" can be expected on a lower denture. We suggest that you avoid denture adhesives unless you have extreme difficulty.
5. Cleaning the Dentures - and Your Mouth. Your dentures can be cleaned easily by using a denture brush and a toothpaste. Denture soaks are also useful for the denture. Brush your gums with a regular toothbrush once per day to toughen and clean them. You may leave the dentures in or out of your mouth at night, depending on your preference. If they are out of your mouth, leave them soaking in a water-and-mouthwash solution.
6. The Future. Your jaw bones and gums shrink up to 1/32 of an inch per year when your teeth are missing. This is one of the main disadvantages of dentures. Because of this shrinkage, you should plan to have your dentures and oral tissues evaluated by us *once per year*. We will inform you when relining or rebasing of the dentures is necessary. Wearing ill-fitting dentures for too long without refitting can cause severe bone loss and very serious oral disease. Even dentures that "fit" comfortably need to be checked along with your tissue.

We look forward to helping you adjust to and enjoy your new dentures!

## Patient Education Sheet #TD14

**Important Information About**
**Your New Removable Partial Dentures**

We have done our best to provide you with well-fitted, functional, and aesthetically pleasing partial dentures. We feel confident that after a few weeks of adjustments, you will enjoy years of satisfaction and use. In the meantime, the following is important information.

1. Your First Few Weeks. New dentures always feel strange when first placed in your mouth. Several days or even a few weeks will be required for you to become accustomed to them.
2. Sore Spots. Your mouth will most likely have a few sore spots about 24 hours after you first put your new partial dentures in. An initial readjustment appointment should be made and another appointment, about seven days later, will usually eliminate any other sore areas.
3. Chewing. The new "bite" or occlusion will not feel comfortable for a period of days. We will adjust the contacting surfaces of your teeth after 24 hours, and again in about one week after the dentures have "settled" into place.
4. Cleaning the Dentures - and Your Mouth. Your partial dentures can be cleaned easily by using a denture brush and a toothpaste. Use special care to clean parts of the partial that contact any natural teeth. Both the partial denture and the natural teeth *must* be kept very clean on a daily basis to reduce the chance of new dental decay starting. Use a toothpaste that contains fluoride. Denture soaks are also useful for the denture. Brush your gums with a regular toothbrush once per day to toughen and clean them. You may leave the dentures in or out of your mouth at night, depending on your preference. If they are out of your mouth, then leave them soaking in a water-and-mouthwash solution.
5. The Future. Your jaw bones and gums shrink up to 1/32 of an inch per year when your teeth are missing. This is one of the main disadvantages of dentures. Because of this shrinkage, you should plan to have your dentures and oral tissues evaluated by us *at least every six (6) months*. We will inform you when relining or rebasing of the dentures is necessary. Wearing ill-fitting dentures for too long without refitting can cause severe bone loss and very serious oral disease.

## Patient Education Sheet #TD20

**Implants**

We have just completed the prosthesis for your oral implants. Such implants have been placed successfully for over 25 years. The following information will be interesting and useful for you relative to future expectations for your implants and the prosthesis placed on them.

Acceptance of dental implants by bone and gum tissue has been excellent, however a few implants fail. Additionally, the prosthesis that have been placed over the implants are subject to wear and/or breakage. Any of the following conditions that occur require your immediate attention. Please contact us if any of the following conditions occur:

1. Feeling of looseness
2. Peculiar
3. Clicking or metallic snap while eating
4. Breaking a piece of the prosthesis
5. Redness in the gum tissue around the implant
6. Feeling of the bite being different
7. Pain

We have done our best to provide to you the highest quality service available. The continuing success of the implant and prosthesis is up to you. Please do the following items checked:

1. Visit us for examination, scaling, and polishing at least once every six months.
2. Clean the implant daily, especially before bedtime using:
   - ___A. Floss
   - ___B. Bridge cleaner
   - ___C. Tooth brush
   - ___D. Interphak mechanical toothbrush
   - ___E. Peridex

Your failure to accomplish thorough cleaning of the implant prosthesis daily will compromise it's longevity significantly. We expect years of service from this therapy. Over a number of years, you will gradually wear out the prosthesis portion.

**If your specialists refer to themselves as specialists and are too proud to admit that they are dentists, then they will not co-diagnose each patient and create a two way referral road!**

## Panos for Referrals

- Keeps x-ray dollars in-office!
- Keeps patients happy - referred doctor can diagnose and prepare treatment plan before the initial appointment saving patient time!
- Added patient value - oral cancer screening for example!
- Monthly production more than pays for monthly payment!

## Do your Panos and Cephs in house

- This will add more patient value by being able to add in a panographic oral cancer screening.
- The monthly pano/ceph revenue more than pays for the monthly lease payment.
- Keep your radiographic dollars in house.
- This will keep your patients happy. When your patients are referred to a specialist with their radiographic records sent in advance, this will save your patients precious time.

## Dentist Hours Per Week

| | | |
|---|---|---|
| Dr. A 40% | 40 plus hours a week | Averages $140,000/year |
| Dr. B 44% | 32 plus hours a week | Averages $105,000/year |
| Dr. C 14% | 32 hours a week or less | Averages $85,000/year |

Source: ADA Survey of Dental Practice, 1996.

## The number of hours per week that you work drastically affects your net income!

| | | |
|---|---|---|
| Dr. A 40% | 40 + hours a week | Averages $140,000/year |
| Dr. B 44% | 32 + hours a week | Averages $105,000/year |
| Dr. C 14% | 32 or less hours a week | Averages $85,000/year |

**Notice: that Doctor A works 25% more hours than Doctor B, yet nets 33% more!**

Source: ADA Survey of Dental Practice, 1996.

## Dentist Average Incomes

- The average general dentist earns $122,000 a year
- The average specialist earns $192,000 a year
- The average for all dentists is $135,000 a year
- The Top 25% of dentists earn over $175,000
- The Median dentist earns around $120,000
- The Bottom 25% of dentists earn less than $75,000

Source: ADA Survey Center, 1996 Survey of Dental Practice

## Family Practice General Dentist by the Number of Years Since Graduation in 5 year age groups

| Years after grad. | 5 - 9 | 10 - 14 | 15 - 19 | 20 - 24 | 25 - 29 | 30 - 34 | 35 - 40 |
|---|---|---|---|---|---|---|---|
| Production | $290 K | $345 K | $355 K | $370 K | $380 K | $295 K | $225 K |
| Net Profit | $105 K | $125 K | $130 K | $135 K | $140 K | $115 K | $110 K |
| Profit Margin | 36% | 36% | 37% | 36% | 37% | 39% | 49% |

ADA Survey Center, 1996 Survey of Dental Practice.

## Dental Specialist Net Income by Number of Years Since Graduation

| Years Since Graduation | Annual Income |
|---|---|
| 5 - 9 | $145,000 |
| 10 - 14 | $180,000 |
| 15 - 19 | $225,000 |
| 20 - 24 | $210,000 |
| 25 - 29 | $190,000 |
| 30 - 34 | $180,000 |
| 35 - 40 | $145,000 |

Source: ADA Survey Center, 1996 Survey of Dental Practice

| | Family Practice General Dentist | Specialist |
|---|---|---|
| Number of operatories: | 3.5 | 5 |
| Square feet of dental office: | 1600 | 2300 |
| Have more than one dental office location: | 5% | 35% |

ADA Survey Center, 1996

## Funding your IRA, 401K, or any other retirement plan is always a top priority!

If you start funding a $2,000 per year IRA at age 25, the total amount you will have deposited by age 65 is $80,000, but it will have grown to $973,704 – and will earn you an annual interest only income of $116,379 per year!

$2,000 per year is only $5.48 per day!

$2.74 for the husband and $2.74 for the wife.

This could be your fast food lunch!

Everyone should hear Greg Stanley 602 934-2108

## The Dupont Formula:

$$\left(\frac{\text{Net Income}}{\text{Sales}}\right) \times \left(\frac{\text{Sales}}{\text{Assets}}\right) \times \left(\frac{\text{Assets}}{\text{Equity}}\right)$$

$$\text{Profit Margin} \times \text{Turnover} \times \text{Leverage}$$

# The Dupont Formula

$$\left(\frac{\text{Net Income}}{\text{Sales}}\right) \times \left(\frac{\text{Sales}}{\text{Assets}}\right) \times \left(\frac{\text{Assets}}{\text{Equity}}\right)$$

$$\left(\frac{\text{Net Income}}{\cancel{\text{Sales}}}\right) \times \left(\frac{\cancel{\text{Sales}}}{\text{Assets}}\right) = \left(\frac{\text{Net Income}}{\text{Assets}}\right) = \text{ROA}$$

**Return On Assets**

# The Dupont Formula

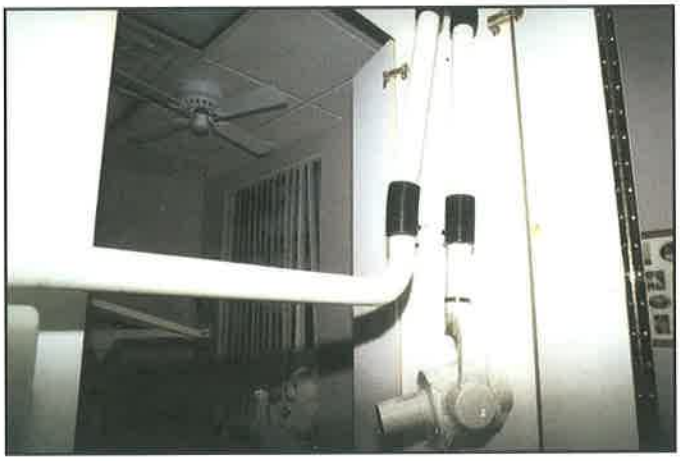
$$\left(\frac{\text{Net Income}}{\text{Sales}}\right) \times \left(\frac{\text{Sales}}{\text{Assets}}\right) \times \left(\frac{\text{Assets}}{\text{Equity}}\right)$$

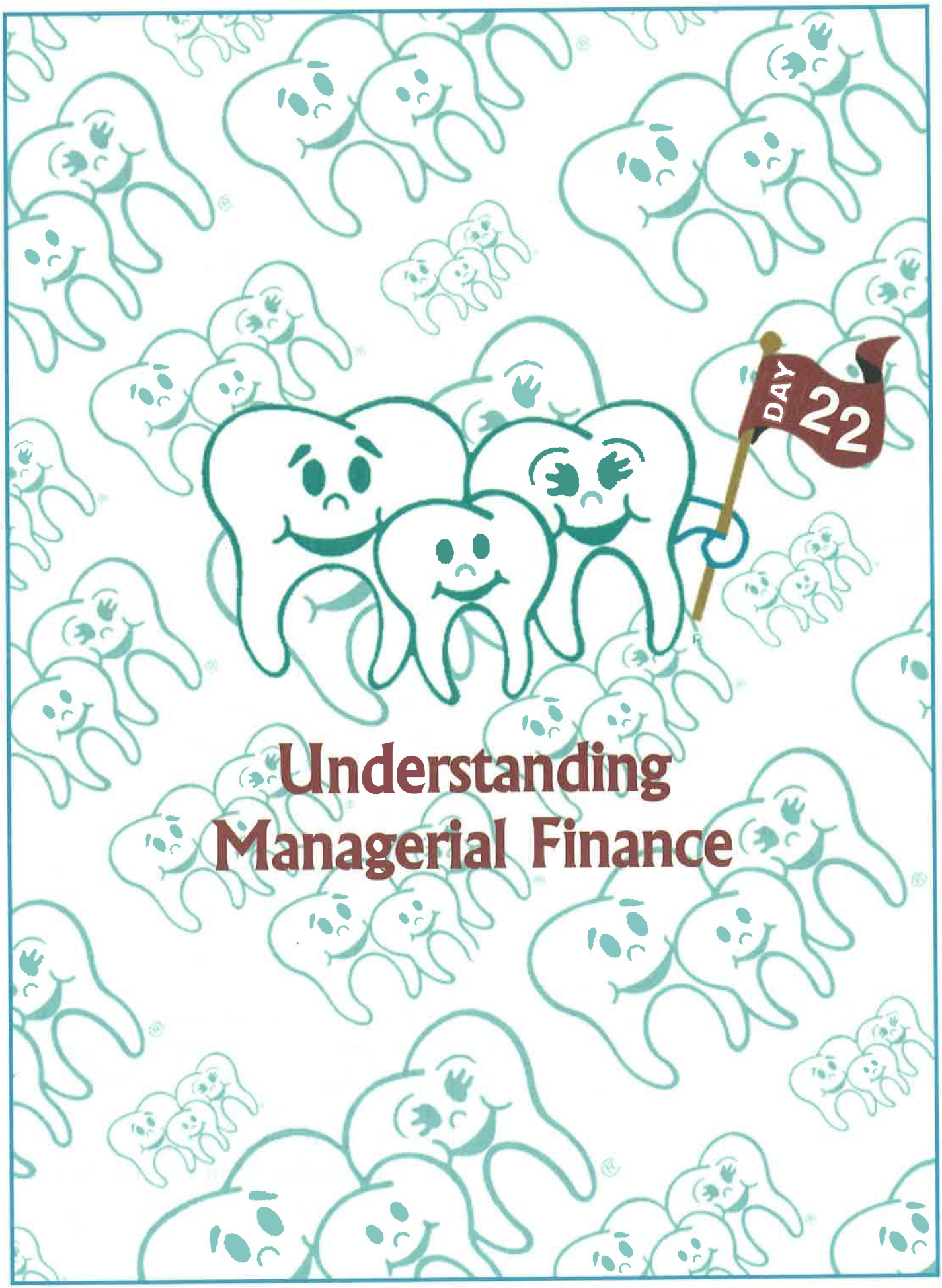
$$\left(\frac{\text{Net Income}}{\cancel{\text{Sales}}}\right) \times \left(\frac{\cancel{\text{Sales}}}{\cancel{\text{Assets}}}\right) \times \left(\frac{\cancel{\text{Assets}}}{\text{Equity}}\right) = \left(\frac{\text{Net Income}}{\text{Equity}}\right) = \text{ROE}$$

**Return On Equity**

**Your small business is a grape vine:**

**Concentrate on growing grapes,**
**which are net income,**
**not leaves,**
**which are gross sales.**






# Understanding Managerial Finance

Your 30 Day Dental MBA
Day 22

# Understanding Managerial Finance

- Buffet took the helm of Berkshire in 1964, when its book value per share was $19.46 and its intrinsic value per share far lower!
- Today, its book value per share is around $20,000 and its intrinsic value far higher!
- The growth rate in book value per share during that period is 23.8% compounded annually!

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham

A cumulation of small managerial stupidities will produce a major stupidity—not a major triumph!

Las Vegas has been built upon the wealth transfers that occur when people engage in seemingly disadvantageous capital transactions!

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham

Double your money 20 times and Appassionatta will be yours!

| | | | |
|---|---|---|---|
| 1 | $2 | 11 | $2,048 |
| 2 | $4 | 12 | $4,096 |
| 3 | $8 | 13 | $8,192 |
| 4 | $16 | 14 | $16,384 |
| 5 | $32 | 15 | $32,768 |
| 6 | $64 | 16 | $65,536 |
| 7 | $128 | 17 | $131,072 |
| 8 | $256 | 18 | $262,144 |
| 9 | $512 | 19 | $524,288 |
| 10 | $1,024 | 20 | $1,048,576 |

Mark Twain's advice from Pudd'nhead Wilson: "Put all your eggs in one basket—and watch that basket!"

Major additional investment in a terrible industry usually is about as rewarding as struggling in quicksand!

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham

Berkshire's dividend policy also reflects Buffett's conviction that a company's earnings payout versus retention decision should be based on a single test: each dollar of earnings should be retained if retention will increase market value by at least a like amount; otherwise it should be paid out!

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham

Select businesses with economic characteristics allowing each dollar of retained earnings to be translated eventually into at least a dollar of market value!

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham

**An investment of $75,000 or more is made 3 - 5 times during the average dental career!**

Howard Farran DDS, MBA, MAGD

**The average dentist spends $30,000 per year on equipment and practice enhancements!**

Howard Farran DDS, MBA, MAGD

**Over time, the skill with which a company's managers allocate capital has an enormous impact on the enterprise's value!**

**A really good business generates far more money than it can use internally!**

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham

**"When a management with a reputation for brilliance tackles a business with a reputation for poor fundamental economics, it is the reputation of the business that remains intact!"**

**"Should you find yourself in a chronically leaking boat, energy devoted to changing vessels is likely to be more productive than energy devoted to patching leaks!"**

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham.

- **Investment success will not be produced by arcane formulae, computer programs or signals flashed by the price behavior of stocks and markets!**
- **Rather an investor will succeed by coupling good business judgement with the ability to insulate his thoughts and behavior from the super-contagious emotions that swirl about the marketplace!**

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham

**"I do not have, never have had, and never will have an opinion about where the stock market, interest rates, or business activity will be a year from now!"**

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham.

**"If something can't go on forever, it will end!"**

Herb Stein

**Graham said that if forced to distill the secret of sound investment into three words, they would be: margin of safety!**

Graham-Newman, The Intelligent Investor

**Investing must be based on an assessment of the relationship between price and value!**

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham

Stock splits have three consequences:

1. They increase transaction costs by promoting high share turnover;
2. They attract shareholders with short-term, market-oriented views who unduly focus on stock market prices!
3. And, as a result of both of those effects, they lead to prices that depart materially from intrinsic business value!

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham.

- You should ignore political and economic forecasts!
- They are an expensive distraction for many investors and businessmen!
- Thirty years ago no one could have foreseen the huge expansion of the Vietnam War, wage and price controls, two oil shocks, the resignation of a president, the dissolution of the Soviet Union, a one-day drop in the Dow of 508 points, or treasury bill yields fluctuating between 2.8% and 17.4%!

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham.

**"He lied like a finance minister on the eve of devaluation!"**

## Money

Money is a nominal means of exchange of value between persons trading freely in an uncoerced environment!

Money brings out the highest extreme emotions in people. You mention it and it is either great or evil. You either gravitate towards pleasure and money or you avoid it like pain, debt & fear!

Whenever I see a serious lack of money I see crime, drugs & despair. Whenever I see a good amount of money I see people getting up every morning and giving their best try at a good day's work!

## Value

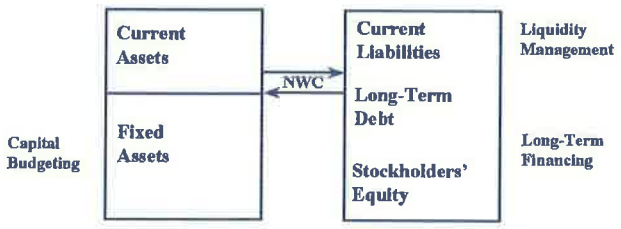
**Value creation is created when you buy assets that generate more cash than they cost!**

**The Poor and the middle class invest in consumption through the use of borrowed money in the form of credit card debt, car payments, and a home mortgage!**

**The first sign that you are poor or middle class is that the largest so called "investment" that you have is your home!**

## What is Corporate Finance?

■ *Balance-Sheet View of the Firm*




Arizona State University, FIN 502, Professor M. Lemmon

**Legalize prayer in school and algebra in church!**

## Corporate Financial Management

- **Capital Budgeting:** What fixed assets or long-term investment projects should the firm pursue?
- **Liquidity Management:** How should the firm manage its net working capital, and how can it ensure that it always has sufficient cash to meet obligations?
- **Financing/Dividends:** What mix of debt vs equity and internally-generated versus external capital should the firm use? How should the company return cash to shareholders?



## Forms Of Business Organization

**Sole Proprietorship And Partnership**

- Difficult to obtain large amounts of capital
- Unlimited liability
- Limited Life
- Inexpensive to form
- No corporate income tax



## Forms Of Business Organization

**Corporation**

- A legal fiction; separate from its owners and managers
- Unlimited life
- Easy transferability of ownership (liquidity)
- Limited liability
- Access to capital
- Double taxation



## Corporate Organizational Form

The Corporation Is Characterized By The Separation Of Ownership And Control

- Who owns the firm?
- Who runs the firm?

View The Firm As A Nexus Of Contracts Between Interested Parties

- Shareholders, creditors, customers, suppliers, employees, etc..



## The Goal of the Corporation

- Maximize Profits?
- Survival of the Organization?
- Maximize Resources Available to Corporate Managers?
- Provide Stable Employment and be a good 'Corporate Citizen'?
- Maximize Shareholder Wealth?
  - Most financial economists recommend this!



## The Concept of Value (Wealth)

- Who is wealthier?
  - **Fife:** Has $100,000 in bank and expects no future income... or
  - **Rose:** Has nothing in the bank, but expects $150,000 in 3 years

Need to consider risk, and the time value of money.



## The Concept of Value (Wealth)

**Profits vs. Wealth**

- Short-Term Versus Long-Term
- Risk
- Wealth is the risk-adjusted present value of all current and future cash flows to be received.
- Is maximizing shareholder wealth inconsistent with social welfare?



## Why Shareholder Wealth?

(1) Efficiency

- Adam Smith's "Invisible Hand"
  - Exceptions: 'Externalities' and 'Monopoly Power'.
- In a competitive environment and in the absence of Externalities, maximizing shareholder wealth maximizes the resources available to society.

(2) Management Self-Interest.

- How does Gordon Gecko choose his targets?
- The best defense against a hostile takeover is....

## Shareholders vs. 'Stakeholders'

- Does maximizing shareholder wealth imply taking extreme positions toward other claimants? Does such a firm:
  - Hire employees in the 'day labor' market, with absolutely no implication of continued employment?
  - Refuse to ever make charitable contributions?
  - Try to get as much profit as possible in every customer transaction?
- Maximizing shareholder wealth in fact requires a careful balancing of interests!



## Value Creation

Value Is Created When The Firm Invests In Assets That Generate More Cash Than They Cost

Value = f (Size, Timing, Risk Of Cash Flows)
Cash Flows = f (Investment and Financing Policies)

Steps For Sound Financial Decision Making
- Identification Of Cash Flows
- Size Of Cash Flows
- Timing Of Cash Flows
- Risk Of Cash Flows



## Control of the Corporation (Agency Relationships)

Managers control the day-to-day operating decisions

Managers may have their own objectives which may differ from those of shareholders
- Growth
- Survival
- Perquisites



## Control of the Corporation (Agency Relationships)

How can managers be induced to work in stockholders interest?

- Pay for performance (bonuses, stock ownership plans, and stock options)
- Managerial labor market
- Market for corporate control



## Asset Markets

Real (Physical) Assets
- Products, Real Estate, Machinery, Etc.
- These Assets Generate Cash Flows

Financial Assets
- Claims On The Wealth Or Cash Flows Generated By Real Assets
- Stocks, Bonds, Mortgages, Etc.



## Cash Flow vs. Accounting Numbers

- For finance and financial decisions, the most important item extracted from accounting statements is actual cash flow!
- Important: Finance is based on cash flows, not accounting figures. It is true, nonetheless, that much of the information you need to derive cash flow is available from accounting statements!



## The Two Most Important Accounting Statements

- The Balance Sheet, which provides information regarding the firm's financial position at a point in time.

  The Balance Sheet Identity is:
  - Total Assets = Total Liabilities + Owners Equity
- The Income Statement, which provides information as to the firm's performance over an interval of time.



## Some Key Financial Ratios

- Financial statements contain a wealth of useful information. To briefly illustrate, define the following:
  - I = Income,
  - S = Sales,
  - A = Average Assets,
  - E = Average Owners Equity,
  - p = profit margin = I/S,
  - T = asset turnover = S/A,
  - l = leverage ratio = A/E,
  - ROA = return on assets = I/A,
  - ROE = return on equity = I/E.
  - Note that ROA = (I/S)(S/A) = pT, and ROE = pTL

## Caution: Accounting Income is Not Cash Flow

- For many types of financial analysis and for most decision making, we are most concerned with a company's cash flows!
- Accounting figures include many *accruals*, which reflect the accounting profession's *matching principle*!
- However, cash flow figures can be extracted from accounting statements!



## Sources And Uses Of Cash

- Sources Of Cash
  - Cash Flow From Operations
    - Sales, less costs, expenses, and taxes.
  - Net Increases In Current Liabilities
  - Sales Of Fixed Assets
  - New Issues of Debt or Equity
- Uses Of Cash
  - Net Increases In Current Assets
  - Purchases Of Fixed Assets
  - Payments To Debt Holders
  - Payments To Equity Holders (Dividends and Share Repurchases).



## Sources and Uses, and the Balance Sheet

- Notice that:
  - all examples of 'sources of cash' involve items that would increase a liability or equity account on the balance sheet, or that would decrease an asset account!
  - all examples of 'uses of cash' involve items that would decrease a liability or equity account on the balance sheet, or that would increase an asset account!
- This insight, in combination with the balance sheet identity that assets = liabilities + owners equity, give rise to:



## The Cash Flow Identity

DCash = Sources of Cash - Uses of Cash
(if the cash account is excluded from working capital),
or
Sources of Cash = Uses of Cash
(if the cash account is included with working capital).

Further, any source or use of cash that cannot be identified from the income statement can be identified by changes in balance sheet accounts!



## Application of the Cash Flow Identity: Cash to/from Providers of Capital

- There are several ways to rearrange the cash flow identity. One is:

Cash Flow From Assets (CFA)

=

Cash Flow to Creditors (CFB)

+

Cash Flow to Equity Holders (CFE)

- This just says that the firm's net cash flows go to or come from its two groups of capital providers!



## Cash Flow

- Cash flow from assets (i.e. from the firm) consist of:

Cash flow from operations

–

Additions to fixed assets

–

Additions to net working capital



## Cash Flow from Operations

- Cash flow from operations consists of:

Earnings before interest and taxes (EBIT)

+

Noncash expenses deducted enroute to EBIT, eg. Depreciation.

–

Current taxes paid

Note: Some would recommend deducting the net increase in working capital here, as part of CFO, but RWJ have it broken out separately.



## Additions to Fixed Assets

- Additions to fixed assets consists of:

Purchases of fixed assets

–

Sales of fixed assets

- Additions to net working capital consists of:
  - Change in [current assets - current liabilities]
  - (for this analysis it is most useful to include the cash account with current assets)

## Castle Dental Centers

## Castle Dental Centers

| INCOME STATEMENT | Dec. 97 |
|---|---|
| Revenue | $31,400,000 |
| Cost of Goods Sold | $17,500,000 |
| Gross Profit | $13,900,000 |
| Gross Profit Margin | 44.3% |
| SG&A Expense | $10,600,000 |
| Operating Income | $3,300,000 |
| Operating Margin | 10.5% |
| Nonoperating Income | $100,000 |
| Nonoperating Expense | $2,800,000 |
| Income Before Taxes | $600,000 |
| Income Taxes | $200,000 |
| Net Income After Taxes | $400,000 |
| Total Net Income | ($2,800,000) |
| Net Profit Margin | -- |
| Fully Diluted EPS from Total Net Income ($) | ($0.68) |
| Dividends per Share ($) | $0.00 |

Source: Media General Financial Services, Inc. & Hoovers Online

## Castle Dental Centers

| BALANCE SHEET | Dec. 97 | Dec. 96 | Dec. 95 |
|---|---|---|---|
| Assets | | | |
| Cash | $2,900,000 | $100,000 | $6,400,000 |
| Net Receivables | $8,400,000 | $3,600,000 | $2,700,000 |
| Inventories | 0.0 | 0.0 | 0.0 |
| Other Current Assets | $300,000 | $300,000 | 0.0 |
| Total Current Assets | $12,100,000 | $5,900,000 | $10,100,000 |
| Net Fixed Assets | $5,200,000 | $1,900,000 | $1,400,000 |
| Other Noncurrent Assets | $1,700,000 | $2,300,000 | $800,000 |
| Total Assets | $44,540,000 | $29,100,000 | $12,700,000 |
| Liabilities | | | |
| Accounts Payable | $4,900,000 | $3,800,000 | $2,300,000 |
| Short-Term Debt | $2,600,000 | $1,200,000 | 0.0 |
| Other Current Liabilities | $700,000 | $2,400,000 | $900,000 |
| Total Current Liabilities | $8,200,000 | $9,200,000 | $3,900,000 |
| Long-Term Debt | $2,400,000 | $13,600,000 | $5,100,000 |
| Other Noncurrent Liabilities | $1,100,000 | $1,600,000 | $2,100,000 |
| Total Liabilities | $11,900,000 | $29,100,000 | $12,700,000 |
| Equity | | | |
| Preferred Stock Equity | $1,600,000 | $2,900,000 | $2,900,000 |
| Common Stock Equity | $31,100,000 | 0.0 | 0.0 |
| Total Equity | $32,700,000 | $2,900,000 | $2,900,000 |
| Shares Outstanding | 6,200,000 | 5,800,000 | 5,800,000 |

Source: Media General Financial Services, Inc. & Hoovers Online

## Castle Dental Centers

| CASH FLOW STATEMENT | Dec. 97. | Dec. 96 | Dec. 95 |
|---|---|---|---|
| Net Operating Cash Flow | ($500,000) | ($1,100,000) | ($2,400,000) |
| Net Investing Cash Flow | ($6,500,000) | ($11,600,000) | ($400,000) |
| Net Financing Cash Flow | $9,800,000 | $4,800,000 | $6,400,000 |
| Net Change in Cash | $2,800,000 | ($6,400,000) | $6,400,000 |
| Depreciation and Amortization | $2,100,000 | $1,100,000 | $300,000 |
| Capital Expenditures | ($1,500,000) | ($1,300,000) | ($400,000) |
| Cash Dividends Paid | 0.0 | 0.0 | 0.0 |

Source: Media General Financial Services, Inc. & Hoovers Online

## Castle Dental Centers

| Year | Revenue | Net Income | Net Profit Margin | Number of Employees |
|---|---|---|---|---|
| 1997 | $31,400,000 | ($2,800,000) | -- | 750 |
| 1996 | $19,600,000 | ($1,100,000) | -- | 714 |
| 1995 | $18,300,000 | ($2,400,000) | -- | -- |
| 1994 | $17,100,000 | $800,000 | 4.6% | -- |
| 1993 | $15,100,000 | $800,000 | 5.4% | -- |
| 1992 | $14,000,000 | $1,000,000 | 7.4% | -- |
| 1991 | $9,600,000 | ($300,000) | -- | -- |

Source: Media General Financial Services, Inc. & Hoovers Online

## Coast Dental Services, Inc.

## Coast Dental Services, Inc.

| INCOME STATEMENT | Dec. 98(Prelim) | Dec. 97 | Dec. 96 |
|---|---|---|---|
| Revenue | $34,000,000 | $20,000,000 | $8,100,000 |
| Cost of Goods Sold | -- | $3,800,000 | $2,400,000 |
| Gross Profit | -- | $16,200,000 | $5,700,000 |
| Gross Profit Margin | -- | 81.0% | 70.4% |
| SG&A Expense | -- | $11,800,000 | $3,900,000 |
| Operating Income | -- | $4,400,000 | $1,800,000 |
| Operating Margin | -- | 22.0% | 22.2% |
| Nonoperating Income | -- | $700,000 | 0.0 |
| Nonoperating Expense | -- | 0.0 | $200,000 |
| Income Before Taxes | -- | $5,100,000 | $1,400,000 |
| Income Taxes | -- | $1,700,000 | $500,000 |
| Net Income After Taxes | -- | $3,400,000 | $900,000 |
| Total Net Income | $5,300,000 | $3,400,000 | $900,000 |
| Net Profit Margin | 15.4% | 10.0% | 11.1% |
| Fully Diluted EPS from Total Net Income ($) | $0.68 | $0.56 | $0.24 |
| Dividends per Share ($) | $0.00 | $0.00 | $0.00 |

Source: Media General Financial Services, Inc. & Hoovers Online

## Coast Dental Services, Inc.

| BALANCE SHEET | Dec. 98(Prelim) | Dec. 97 | Dec. 96 |
|---|---|---|---|
| Assets | | | |
| Cash | -- | $46,300,000 | $500,000 |
| Net Receivables | -- | $2,400,000 | $800,000 |
| Other Current Assets | -- | $300,000 | $400,000 |
| Total Current Assets | -- | $49,300,000 | $1,300,000 |
| Net Fixed Assets | -- | $6,000,000 | $1,500,000 |
| Other Noncurrent Assets | -- | $5,000,000 | $3,300,000 |
| Total Assets | -- | $64,300,000 | $5,900,000 |
| Liabilities | | | |
| Accounts Payable | -- | $1,100,000 | $700,000 |
| Short-Term Debt | -- | $500,000 | $800,000 |
| Other Current Liabilities | -- | $700,000 | $1,200,000 |
| Total Current Liabilities | -- | $2,200,000 | $2,700,000 |
| Long-Term Debt | -- | $1,000,000 | $3,800,000 |
| Other Noncurrent Liabilities | -- | 0.0 | 0.0 |
| Total Liabilities | -- | $3,500,000 | $6,500,000 |
| Equity | | | |
| Perferred Stock Equity | -- | 0.0 | 0.0 |
| Common Stock Equity | -- | $61,400,000 | $1,500,000 |
| Total Equity | -- | $61,400,000 | $1,500,000 |
| Shares Outstanding | 7,600,000 | 7,600,000 | 3,500,000 |

Source: Media General Financial Services, Inc. & Hoovers Online

## Coast Dental Services, Inc.

| CASH FLOW STATEMENT | Dec. 98 Prelim. | Dec. 96 | Dec. 95 |
|---|---|---|---|
| Net Operating Cash Flow | -- | $3,200,000 | $2,100,000 |
| Net Investing Cash Flow | -- | ($10,900,000) | ($5,600,000) |
| Net Financing Cash Flow | -- | $53,500,000 | $3,800,000 |
| Net Change in Cash | -- | $45,800,000 | $300,000 |
| Depreciation and Amortization | -- | $900,000 | $300,000 |
| Capital Expenditures | -- | ($3,600,000) | ($500,000) |
| Cash Dividends Paid | -- | 0.0 | 0.0 |

Source: Media General Financial Services, Inc. & Hoovers Online

## Coast Dental Services, Inc.

| Year | Revenue | Net Income | Net Profit Margin | Number of Employees |
|---|---|---|---|---|
| 1997 | $20,000,000 | $3,400,000 | 17.0% | 455 |
| 1996 | $8,100,000 | $900,000 | 11.1% | 190 |
| 1995 | $3,300,000 | $100,000 | 3.0% | 114 |
| 1994 | $1,900,000 | ($100,000) | -- | -- |
| 1993 | $1,200,000 | 0.0 | 0.3% | -- |
| 1992 | $400,000 | $100,000 | 18.6% | -- |

Source: Media General Financial Services, Inc. & Hoovers Online

## Benchmarking off Publicly Traded Dental Management Companies

| Benchmarking Item | Range |
|---|---|
| Number of offices | 30 – 200 |
| Number of dentists employed or affiliated | 39 – 256 |
| % held for management services and fees | 9% - 78% |
| Total company gross revenue | $7,900,000 - $53,300,000 |
| Revenue per dentist | $169,532 - $413,514 |
| Total company net income | ($3,200,000) - $5,300,000 |
| Net income per dentist | ($12,500) - $62,353 |
| Percent of revenue from fee for service | 33% - 100% |
| Percent of revenue from PPO's | 0% - 38% |
| Percent of revenue from capitated managed care | 0% - 53% |
| Percent of total revenue paid to dentists | 14.5% - 23% |
| Percent of total revenue paid to hygienists | 5% - 13.7% |
| Percent of total revenue paid to front and back office labor | 14% - 22% |
| Lab & sundries expense as a percent of income | 10% - 17.7% |
| Rent expense as a percent of income | 5.4% - 9.4% |
| Advertising expense as a percent of income | 0% - 6.4% |
| Depreciation expense as a percent of income | 1.5% - 4.3% |
| General & Administrative | 5.2% - 14.5% |

Sources: 1997 Data from Individual Annual Reports, 10Ks and Phone Conversations with company officials.

## Dental Management Companies Statistics Revenue Sources

| Company name | Fee for Service (including indemnity insurance) | PPO When Split from Fee for Service | Capitated Managed Care When split from PPO |
|---|---|---|---|
| Coast | 66.5% | 33.5% | |
| American Dental Partners | 33% | 14% | 53% |
| Birner | 79.6% | | 20.4% |
| Castle | 50% | 38% | 12% |
| Monarch | 60.8% | | 39.2% |
| Gentle Dental | >82% | | < 18% |
| Dental Care Alliance | 75% - 80% | | 20% - 25% |
| Pentegra | 100% | 0% | 0% |

Sources: 1997 Data from Individual Annual Reports, 10Ks and Phone Conversations with company officials.

## Dental Management Companies Statistics

| Company name | Number owned or affiliated | Number of dentists employed or affiliated | % held for management services** | Revenue | Net Income |
|---|---|---|---|---|---|
| Coast | 90 | 85 | 74% --78% | $34,500,000 | $5,300,000 |
| American Dent. Partners | 100 | 215 | 9% - 29% | $53,300,000 | $1,100,000 |
| Birner | 35 | 53 | 20.3% | $12,700,000 | 0.00 |
| Castle | 55 | | 67.4% | $31,400,000 | ($2,800,000) |
| Monarch | 200 | 111 | 34% | $45,900,000 | $1,800,000 |
| Gentle Dental | 69 | 256 | 15-30% | $43,400,000 | ($3,200,000) |
| Dental Care Alliance | 30 | 39 | 70 – 74% | $7,900,000 | $400,000 |
| Pentegra | 83 | 120 | 15% or 35% | 0.0 | ($1,400,000) |

** Percents vary depending on the form of affiliation with the practice.

Source: 1997 Data from Hoovers Online & Company Annual Reports

## Dental Management Companies Statistics Expenses as a percent of income

| Company name | Lab & Sundries | Rent | Adver-tising | Depre-ciation | Other | G & A |
|---|---|---|---|---|---|---|
| Coast | 11.4% | 7.7% | 6.4% | 2% | 2.2% | 9% |
| American Dental Partners | 10% | 7.5% | 0% | 3% | 9.7% | 5.2% |
| Birner | 17.7% | 8.6% | 3.2% | 43% | NA | 8.4% |
| Castle | 10.5% | 5.4% | 5% | 3.7% | 9.8% | 14.5% |
| Monarch | 10.8% | 5.4% | 3.4% | 4% | NA | 9.9% |
| Gentle Dental | 11.2% | 6.3% | Included in G&A | 4.1% | NA | 8.8% |
| Dental Care Alliance | 15% | 9.4% | 4% | 1.5% | NA | 7.6% |
| Pentegra | | | | | | |

Sources: 1997 Data from Individual Annual Reports, 10Ks and Phone Conversations with company officials.

## Dental Management Companies Statistics Labor Expenses as a percent of income

| Company name | % paid to dentists | % paid to hygienists | % paid to staff (front & back office) | Total Labor |
|---|---|---|---|---|
| Coast | 14.5% | 6.7% | 22% | 43.2% |
| American Dental Partners | | | | |
| Birner | NA | NA | NA | NA |
| Castle | 20% | 13.7% | 14.3% | |
| Monarch | 34.7% DDS & Hyg. | | 16.9% | 51.6% |
| Gentle Dental | 44% DDS, Hyg. & Assist. | | 14% Front office | 58% |
| Dental Care Alliance | 26% - 30% DDS & Hyg. | | 19% | |
| Pentegra | | | | |

Sources: 1997 Data from Individual Annual Reports, 10Ks and Phone Conversations with company officials.

## Dealing with Bias in Capital Budgeting

- Bias is the deviation of the expected value of an estimate from the actual quantity it estimates!
- Biases are systematic (i.e. not due to chance)!
- Awareness of bias does not automatically eliminate it!
- There are two kinds of bias
  - » Cognitive
  - » Motivational

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## Cognitive Bias

**Availability** - The easier information is to recall, the greater the weight put on it!

**Adjustment and anchoring** - Tendency to anchor on an initial estimate and fail to adjust for the actual uncertainty!

**Representativeness** - If an outcome "seems to be" representative of the possibilities it is given greater weight!

**Implicit Conditioning** - Unstated assumptions are not communicated with the estimate. Low probability events are given too much weight!

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## Motivational Bias

**Reasons**

» Fear - What does my boss want to hear? Will I be perceived as indecisive?

**Asymmetric Reward**

» How will I be rewarded for going over/under budget?

**Dishonesty**

» What does the project require to look good?

**Greed** - Will my career benefit?

These biases are controllable, but depend on the culture of the organization and the structure of incentives!

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## EVA and MVA

**STERN STEWART believes that the definitive measure of corporate success is market value added, or MVA!**

**Economic Value Added, or EVA, is closely related! Stern Stewart is aggressively marketing EVA and MVA as the definitive measure of corporate success!**

**What are EVA and MVA?**

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## MVA/EVA/NPV

- MVA= MARKET VALUE OF COMPANY - INVESTED CAPITAL = NPV OF THE FIRM
- EVA = (ROC - DISCOUNT RATE) X CAPITAL = ECONOMIC PROFIT OVER AND ABOVE THE NORMAL RATE OF RETURN
- NPV= PRESENT VALUE OF PROJECTED EVA

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# MVA

- MVA makes sense as the A definitive measure of corporate success, particularly when you define success as maximizing the wealth of shareholders by properly allocating and managing scarce resources! This is the same as maximizing NPV! MVA is a repackaged NPV!

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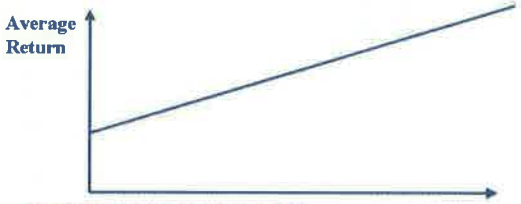
## There is general agreement that average returns should increase with risk.




**But, how should risk be measured?**
**at what rate does the line slope up?**
**is the relation linear?**

Lets look at some key historical evidence.

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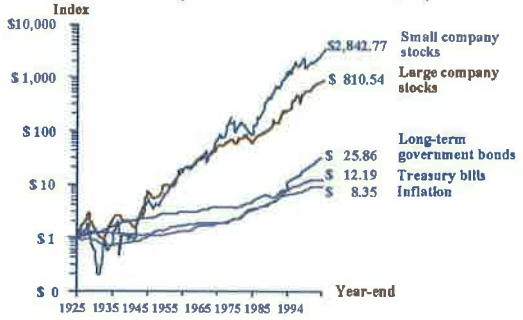
## A $1 Investment in Different Types of Portfolios, 1926-1994 (year-end 1925 = $1.00)




Redrawn from Stocks, Bonds, Bills and Inflation: 1995 Yearbook,™ annual updates work by Roger G. Ibbotson and Rex A. Singuefield (Chicago: Ibbotson Associates). All rights reserved.

$$P = \frac{Div.}{R} \qquad Price = \frac{Dividend}{Discount\ Rate}$$

| Dividend | R | P |
|---|---|---|
| $2 | .10 | $20 |
| $2 | .09 | $22 |
| $2 | .08 | $25 |
| $2 | .07 | $28 |
| $2 | .06 | $33 |
| $2 | .05 | $40 |
| $2 | .04 | $50 |
| $2 | .03 | $66 |
| $2 | .02 | $100 |
| $2 | .01 | $200 |

$$P = \frac{\text{Div.}}{R} \qquad \text{Price} = \frac{\text{Dividend}}{\text{Discount Rate}}$$

| Dividend | R | P |
|---|---|---|
| $2.00 | .05 | $40 |
| $2.10 | .05 | $42 |
| $2.20 | .05 | $44 |
| $2.30 | .05 | $46 |
| $2.40 | .05 | $48 |
| $2.50 | .05 | $50 |
| $2.60 | .05 | $52 |
| $2.70 | .05 | $54 |
| $2.80 | .05 | $56 |
| $2.90 | .05 | $58 |
| $3.00 | .05 | $60 |

$$P = \frac{\text{Div.}}{R} \qquad \text{Price} = \frac{\text{Dividend}}{\text{Discount Rate}}$$

| Dividend | R | P |
|---|---|---|
| $2 | .10 | $20 |
| $2 | .09 | $22 |
| $2 | .08 | $25 |
| $2 | .07 | $28 |
| $2 | .06 | $33 |
| $2 | .05 | $40 |
| $2 | .04 | $50 |
| $2 | .03 | $66 |
| $2 | .02 | $100 |
| $2 | .01 | $200 |

| Dividend | R | P |
|---|---|---|
| $2.00 | .05 | $40 |
| $2.10 | .05 | $42 |
| $2.20 | .05 | $44 |
| $2.30 | .05 | $46 |
| $2.40 | .05 | $48 |
| $2.50 | .05 | $50 |
| $2.60 | .05 | $52 |
| $2.70 | .05 | $54 |
| $2.80 | .05 | $56 |
| $2.90 | .05 | $58 |
| $3.00 | .05 | $60 |

Imagine that you had only $1, which we put in a security that doubled by yearend and was then sold!

Imagine further that we used the after-tax proceeds to repeat this process in each of the next 19 years, scoring a double each time!

At the end of the 20 years, the 34% capital gains tax that we would have paid on the profits from each sale would have delivered about $13,000 to the government and we would be left with about $25,250!

Not bad!

If, however, we made a single fantastic investment that itself doubled 20 times during the 20 years, our dollar would grow to $1,048,576!

Were we then to cash out, we would pay a 34% capital gains tax of roughly $356,500 and be left with about $692,000!

The sole reason for this staggering difference in results would be the timing of tax payments! Interestingly, the government would gain from Scenario 2 in exactly the same 27:1 ratio as we! They would be taking in taxes $356,500 versus $13,000!

Admittedly, it would have to wait for its money!

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham.

## What Determines Beta?

- Beta is a measure of sensitivity to the market!
- Companies with cyclical cash flows will tend to have higher betas!
- Higher operating leverage implies higher betas!
  - operating leverage is the ratio of fixed costs to variable costs!
- Higher financial leverage also means higher equity beta (more on this later)!

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## Total Annual Returns, 1926-1994

| Series | Arithmetic Mean | Risk Premium (relative to U.S. Treasury bills) | Standard Deviation | Distribution |
|---|---|---|---|---|
| Common Stocks | 12.2% | 8.5% | 20.3% | |
| Small Company Stocks | 17.4 | 13.7 | 34.6 | |
| Long-Term Corporate Bonds | 5.7 | 2.0 | 8.4 | |
| Long-Term Government Bonds | 5.2 | 1.5 | 8.8 | |
| Intermediate-Term Government Bonds | 5.2 | 1.5 | 5.7 | |
| U.S. Treasury Bills | 3.7 | | 3.3 | |
| Inflation | 3.2 | | 4.6 | |

-90% 0% +90%

•The 1993 small company stock total return was 142.9 percent

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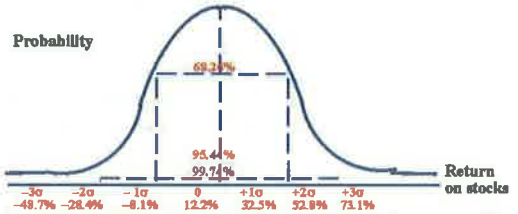
## The Normal Distribution




In the case of a normal distribution, there is a 68.26 percent possibility that a return will be within one standard deviation of the mean. In this example, there is a 68.26 percent probability that a yearly return will be between −8.1 percent and 32.5 percent.

There is a 95.44 percent probability that a return will be within two standard deviations of the mean. In this example, there is a 95.44 percent probability that a yearly return will be between −28.4 percent and 52.8 percent.

Finally, there is a 99.74 percent probability that a return will be within three standard deviations of the mean. In this example, there is a 99.74 percent probability that a yearly return will be between −48.7 percent and 73.1 percent.

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## Summary Statistics for a return probability distribution:

The Expected Return Is A Weighted Sum Of The Possible Returns, where Each Return Is Weighted By Its Probability Of Occurrence, p.

$$\text{Expected Return} = E[R] = \sum_{i=1}^{n} R_i p_i$$

The Variance of Returns Measures the dispersion of returns around the expectation.

$$\text{Variance} = \sigma^2 = \sum_{i=1}^{n} (R_i - E[R])^2$$

The Standard Deviation (STD or σ) Is The Square Root Of The Variance. It Is In The Same Units As The Returns

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## Example

| Probability | Stock A | Stock B |
|---|---|---|
| 0.1 | (25%) | (40%) |
| 0.2 | 5 | 0 |
| 0.4 | 15 | 16 |
| 0.2 | 30 | 40 |
| 0.1 | 45 | 66 |

- $E[R_A] = -25*0.1+5*0.2+15*0.4+30*0.2+45*0.1 = 15\%$
- $E[R_B] = -40*0.1+0*0.2+16*0.4+40*0.2+66*0.1 = 17\%$
- $VAR_A = (-25-15)^2*0.1+(5-15)^2*0.2+(15-15)^2*0.4+(30-15)^2*0.2+(45-15)^2*0.1 = 315$
- $VAR_B = (-40-17)^2*0.1+(0-17)^2*0.2+(16-17)^2*0.4+(40-17)^2*0.2+(66-17)^2*0.1 = 729$
- $STD_A = 17.75\%$ $STD_B = 27\%$

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## Calculating Sample Statistics

- When we want to describe the returns on an asset (e.g. a stock) we usually don't really know the actual probability distribution! But we typically have observations of returns in the past --- that is we have some observations drawn from the probability distribution! We can *estimate* the variance and expected return using the arithmetic mean of past returns and the sample variance!
- Mean = $R = (R_1 + R_2 + R_3 + ... + R_T)/T-$

Sample Variance = $\sigma^2$ = "Average" of $[R_t - R]^2$.

$$\text{Var} = \sigma^2 = \frac{1}{T-1}\sum_{t=1}^{T}(R_t - \bar{R})^2$$



Example: Calculate the arithmetic mean and sample standard deviation of returns on stocks A & B.

| Year | Stock A | Stock B |
|---|---|---|
| 1988 | 15% | 30% |
| 1989 | 0% | -20% |
| 1990 | 5% | 20% |
| 1991 | 20% | 50% |

- $R_A = (.15 + .00 + .50 + .20)/4 = 0.1 = 10\%$
- $R_B = (.30 - .20 + .20 + .50)/4 = 0.2 = 20\%$
- $VAR_A = [(.15 - .1)^2 + (0 - .1)^2 + (.05 - .1)^2 + (.2 - .1)^2]/3$
  $= .00833 = 83.3\%^2$; $STD_A = 9.13\%$
- $VAR_B = [(.3 - .2)^2 + (-.2 - .2)^2 + (.2 - .2)^2 + (.5 - .2)^2]/3$
  $= .0866 = 866\%^2$; $STD_B = 29.4\%$

Lets look at the historical data on mean and std by asset group.



## Systematic / Nondiversifiable Risk

- We know that the returns on different assets are positively correlated with each other on average. This suggests that economy-wide influences affect all assets.
- Examples:
  - Business Cycle
  - Inflation Shocks
  - Productivity
  - Interest rates
- These are economic events that affect all assets. The risk associated with these events is systematic, and does not disappear in well diversified portfolios.



## A word about diversification: Should you buy a balanced portfolio?

Mutual funds and Index funds are a safe and sensible portfolio! But it is not a high risk-winning "rabbit" portfolio! It is a portfolio of someone playing not to lose! Don't get me wrong! It is a better portfolio than more than 70 percent of the population because a safe portfolio is a lot better than no portfolio at all! It is a great portfolio for someone who loves safety! But playing it safe and going "balanced" on your investment portfolio is not the way successful investors play the game! If you have little money and you want to be rich, you must first be "focused" and not "balanced"! If you look at anyone successful, at the start they were not balanced! Balanced people go slow and steady like the turtle! They are the turtle and not the hare! To make progress like the rabbit you must first go "unbalanced"! Thomas Edison was not balanced! He was "focused"! Bill Gates was not balanced! He was "focused"! Donald Trump is "focused"! George Soros is "focused"! George Patton did not take his tanks wide! He focused them and blew through the enemy's weak spots in the German line! The French went wide with the Maginot Line, they were "balanced" and you know what happened to them!

## Measuring Systematic Risk

- How can we estimate the amount or proportion of an asset's risk that is diversifiable or non-diversifiable?
- The Beta Coefficient Is The Slope Coefficient in an OLS Regression of Stock Returns on Market Returns:

$$\beta_i = \frac{\text{Cov}(R_i, R_M)}{\text{Var}(R_M)}$$

- As such, Beta is a measure of sensitivity: it describes how strongly the stock return moves with the market!
  - Example: A Stock with b=2 will on average go up 20% when the market goes up 10%, and vice versa!

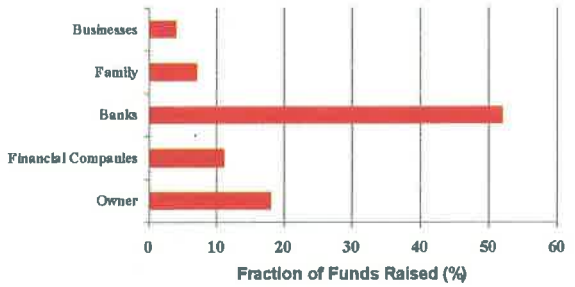


## Recap: What is Beta?

- A measure of the sensitivity of a stock's return to market returns!
- A measure of a stock's systematic risk (relative to the average)!
- A measure of the contribution of this stock to the risk of a diversified portfolio!

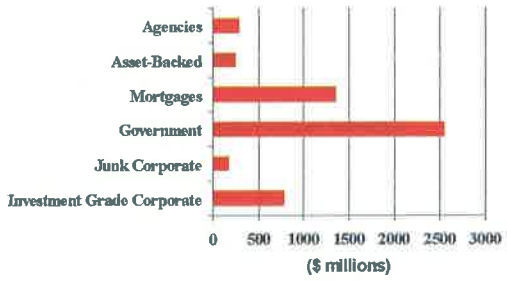


## Where do Small Businesses Get Money?




Source: 1987 SBA survey of firms with less than $500,000 in assets.

## Size of U.S. Bond Market




Source: Merrill Lynch Bond Indices, 10/96

## What is Different Between Debt and Equity?

| Debt | Equity |
|---|---|
| • Fixed Promised payments | • Uncertain residual cash flows |
| • Senior to equity | • Subordinated to debt |
| • Interest is deductible | • Dividends are not deductible |
| • Only get control rights in default | • Comes with control rights (can vote) |



## Capital Structure: How should a firm structure the liability side of the balance sheet?

- Debt vs. Equity
- We have seen how to do capital budgeting when the firm has debt in its capital structure.
- However, we have not figured out how much debt the firm should have.
  - Can the firm create value for shareholders through its financing decisions?
- In particular, should the firm load up with 'low cost' debt?



## One Possible Answer: It Makes No Difference.

- Suppose that there are no taxes, and that the firm's operating cash flows are unaffected by how it finances!
- Modigliani and Miller won the Nobel Prize for showing:
  The value of a firm with debt is in this case equal to the value of the same firm without debt!
- The key to this is that they showed that the expected return on equity rises with leverage according to: (L = leverage ratio -- market value of debt over market value of equity, r denotes expected return, $T_C$ denotes the effective marginal tax rate)!

$$r_{Equity} = r_{Assets} + L(1 - T_C)(r_{Assets} - r_{Debt})$$



## What About Tax Deductions for Interest?

- Interest is tax deductible (dividends are not)!
- This creates a valuable debt tax shield!
- Modigliani and Miller also showed that if the only change in their analysis is the presence of taxes, then:
- The value of a levered firm is:
  - the value of an equivalent unlevered firm +
  - the value of the tax shields from debt!
- Firm Value always rises with borrowing!



## Limits to The Use of Debt

- Given the treatment the U. S. corporate tax code gives to interest payments versus dividend payments, firms have a big incentive to use debt financing!
- Under the MM assumptions with corporate taxes the argument goes to extremes and the message becomes: firms should use 100% debt financing!
- What other costs are associated with the use of debt?
  - Bankruptcy costs and/or financial distress costs!



**The discipline of Mathematics is where "Science" prevails quantitatively to the highest degree and where "Art" is almost never used! The use of "Art" in Mathematics is completely unnecessary, but even more importantly it is dangerous since you start believing the false numbers!**

**From $2 to $3 is a 50% increase!**

**From $3 to $2 is a 33% decrease!**

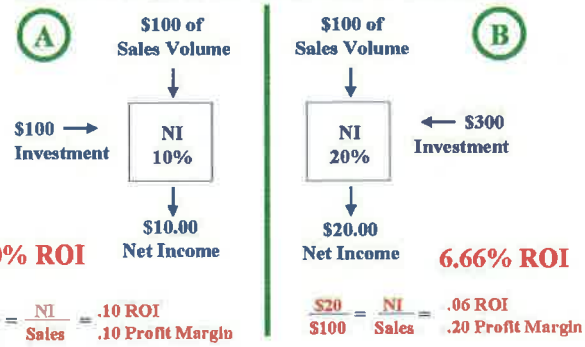
- Taxing corporate profits yet making interest payments on debt tax deductible shows that Congress is 100% schizophrenic!
- Any equitable set of values and beliefs would treat them both the same regardless! This antigrowth policy of double taxing corporations' profits is clearly a peasant class warfare form of ignorance being used by some politicians!
- While the peasants live paycheck to paycheck, with little savings for investment capital, corporations are building the entire lions share of the economy, yet they are penalized!

# Tax loss carry forward is a tax credit!

## Deferred Taxes

| Accelerated For Tax Purposes | Straight-line for financial reporting |
|---|---|

Which business would you rather buy? Which is more important? The Profit Margin or the ROI (Return on Investment)!




| | Month | # of days in month | Most Common Holidays in the USA | Quarters of the Year |
|---|---|---|---|---|
| Q1 | January | 31 | New Years Day | Days closed in the First Quarter = 13.9 |
| | February | 28.25 | * | |
| | March | 31 | * | Days Open in the First Quarter = 76.35 |
| Q2 | April | 30 | * | |
| | May | 30 | Memorial Day | Days closed in the Second Quarter = 14.01 |
| | June | 30 | * | Days Open in the Second Quarter = 76.99 |
| Q3 | July | 30 | Fourth of July | |
| | August | 31 | * | Days closed in the Third Quarter = 15.15 |
| | September | 30 | Labor Day | Days Open in the Third Quarter = 76.85 |
| Q4 | October | 31 | * | |
| | November | 30 | Thanksgiving | Days closed in the Fourth Quarter = 16.15 |
| | December | 31 | Christmas Eve. ½ day Christmas Day ½ day New Years eve | Days Open in the Fourth Quarter = 75.85 |

*In February every fourth year is a leap year with 29 days in February instead of 28, thus 28.25

Beware of past-performance "proofs" in finance: If history books were the key to riches, the Forbes 400 would consist of librarians!

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham.

Free Cash Flow – operating earnings plus depreciation and amortization less normalized capital expenditures!

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham.

**EBDIT – Earnings Before Depreciation, Interest and Taxes!**

**Using this sawed-off yardstick, the borrower ignored depreciation as an expense on the theory that it did not require a current cash outlay!**

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham.

When Richard Branson, the wealthy owner of Virgin Atlantic Airways was asked how to become a millionaire, he had a quick answer: "There's really nothing to it! Start as a billionaire and then buy an airline!"

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham.

## Goodwill: excess of cost over equity in net assets acquired!

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham.

## Goodwill will increase—in current, if not in constant dollars—because of inflation!

**True economic Goodwill tends to rise in nominal value proportionally with inflation!**

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham.

## What a business can be expected to earn on unleveraged net tangible assets is the best guide to the economic attractiveness of the operation!

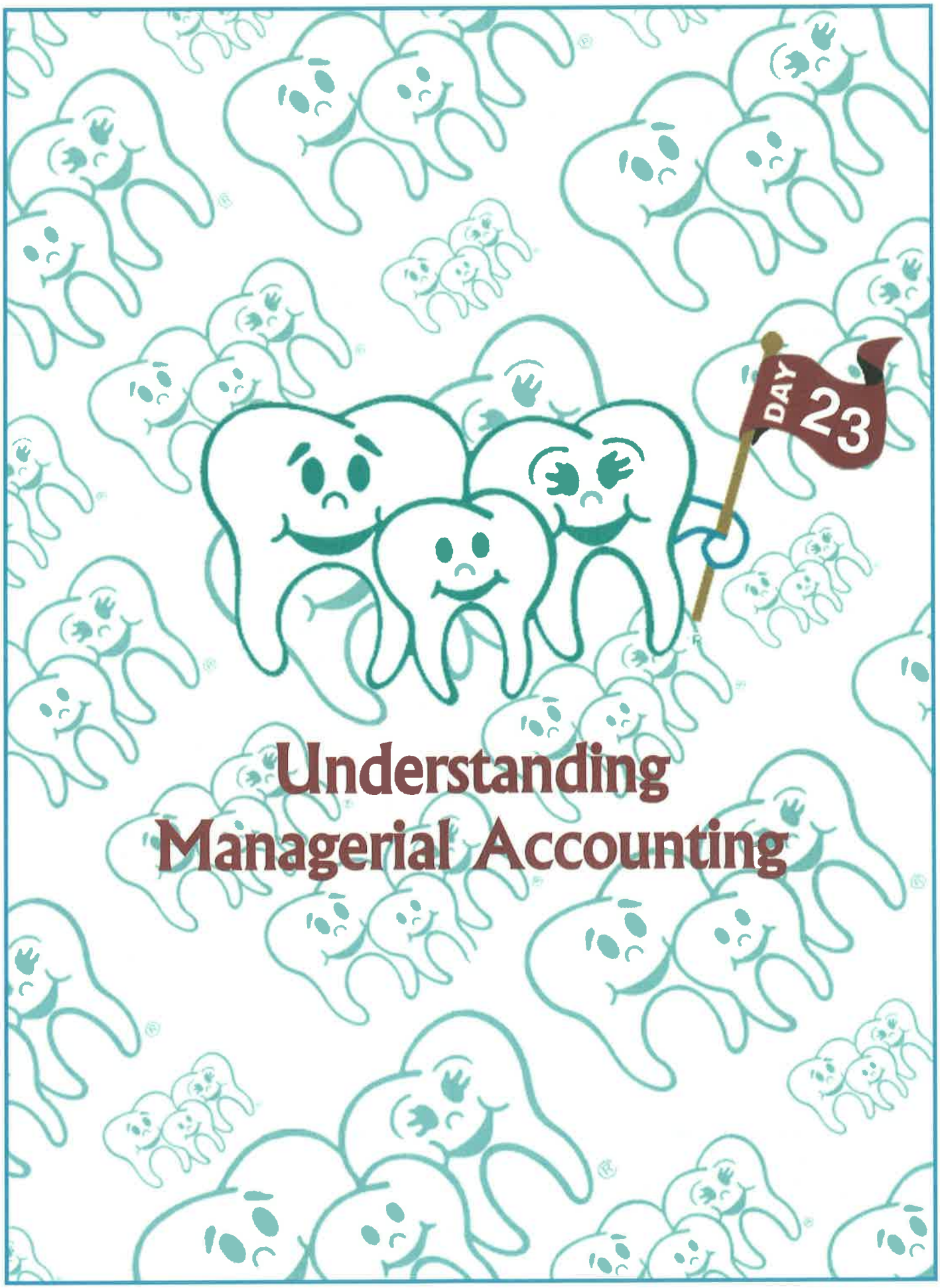
**It is also the best guide to the current value of the operation's economic Goodwill!**

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham.

## Owner Earnings are:

- reported earnings plus
- depreciation, depletion, amortization, plus
- the average annual amount of capitalized expenditures for plant and equipment, etc. that the business requires to fully maintain its long-term competitive position!

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham.

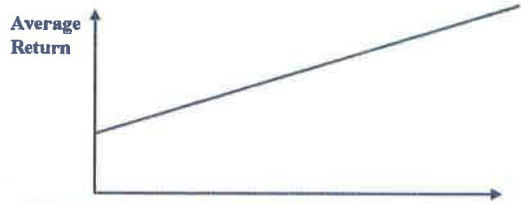



# Understanding Managerial Accounting

## Your 30 Day Dental MBA
## Day 23

# Understanding Managerial Accounting

## There is general agreement that average returns should increase with risk.




But, how should risk be measured?
at what rate does the line slope up?
is the relation linear?

Lets look at some key historical evidence.



## A $1 Investment in Different Types of Portfolios, 1926-1994 (year-end 1925 = $1.00)

Redrawn from Stocks, Bonds, Bills and Inflation: 1995 Yearbook,™ annual updates work by Roger G. Ibbotson and Rex A. Singuefield (Chicago: Ibbotson Associates). All rights reserved.

$$P = \frac{Div.}{R} \qquad Price = \frac{Dividend}{Discount\ Rate}$$

| Dividend | R | P |
|---|---|---|
| $2 | .10 | $20 |
| $2 | .09 | $22 |
| $2 | .08 | $25 |
| $2 | .07 | $28 |
| $2 | .06 | $33 |
| $2 | .05 | $40 |
| $2 | .04 | $50 |
| $2 | .03 | $66 |
| $2 | .02 | $100 |
| $2 | .01 | $200 |

$$P = \frac{Div.}{R} \qquad Price = \frac{Dividend}{Discount\ Rate}$$

| Dividend | R | P |
|---|---|---|
| $2.00 | .05 | $40 |
| $2.10 | .05 | $42 |
| $2.20 | .05 | $44 |
| $2.30 | .05 | $46 |
| $2.40 | .05 | $48 |
| $2.50 | .05 | $50 |
| $2.60 | .05 | $52 |
| $2.70 | .05 | $54 |
| $2.80 | .05 | $56 |
| $2.90 | .05 | $58 |
| $3.00 | .05 | $60 |

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| $2.70 | .05 | $54 |
| $2.80 | .05 | $56 |
| $2.90 | .05 | $58 |
| $3.00 | .05 | $60 |

## What Determines Beta?

- Beta is a measure of sensitivity to the market!
- Companies with cyclical cash flows will tend to have higher betas!
- Higher operating leverage implies higher betas!
  - operating leverage is the ratio of fixed costs to variable costs!
- Higher financial leverage also means higher equity beta (more on this later)!



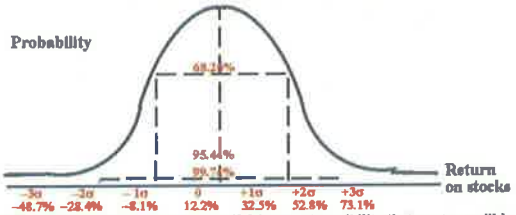
## Total Annual Returns, 1926-1994

| Series | Arithmetic Mean | Risk Premium (relative to U.S. Treasury bills) | Standard Deviation | Distribution |
|---|---|---|---|---|
| Common Stocks | 12.2% | 8.5% | 20.3% | |
| Small Company Stocks | 17.4 | 13.7 | 34.6 | |
| Long-Term Corporate Bonds | 5.7 | 2.0 | 8.4 | |
| Long-Term Government Bonds | 5.2 | 1.5 | 8.8 | |
| Intermediate-Term Government Bonds | 5.2 | 1.5 | 5.7 | |
| U.S. Treasury Bills | 3.7 | | 3.3 | |
| Inflation | 3.2 | | 4.6 | |

-90% 0% +90%

*The 1993 small company stock total return was 142.9 percent.

## The Normal Distribution




In the case of a normal distribution, there is a 68.26 percent possibility that a return will be within one standard deviation of the mean. In this example, there is a 68.26 percent probability that a yearly return will be between –8.1 percent and 32.5 percent.

There is a 95.44 percent probability that a return will be within two standard deviations of the mean. In this example, there is a 95.44 percent probability that a yearly return will be between –28.4 percent and 52.8 percent.

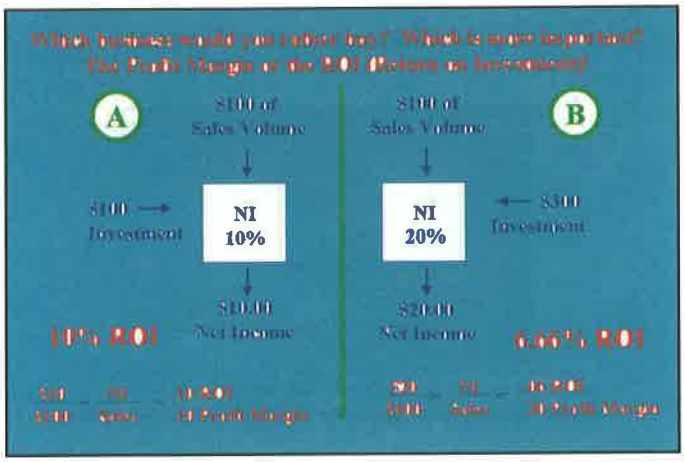
Finally, there is a 99.74 percent probability that a return will be within three standard deviations of the mean. In this example, there is a 99.74 percent probability that a yearly return will be between –48.7 percent and 73.1 percent.

Arizona State University, FIN 502, Professor M. Lemmon

## Recap: What is Beta?

- A measure of the sensitivity of a stock's return to market returns!
- A measure of a stock's systematic risk (relative to the average)!
- A measure of the contribution of this stock to the risk of a diversified portfolio!

Arizona State University, FIN 502, Professor M. Lemmon




"How many legs does a dog have if you call his tail a leg?" The answer, "Four, because calling a tail a leg does not make it a leg!"

**Abraham Lincoln**

## The limitations of accounting systems!

I'm going to dictate some time soon my thoughts on how stupid our present accounting systems are because they leave out practically all the important personal, psychological, political, educational intangibles.

Source: Maslow on Management, Abraham Maslow, 1998

## Your business represents the creative work of a lifetime and forms an integral part of your personality and sense of being!

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham.

## Balanced Scorecard (BSC)

- If you can't measure, you can't manage it.
- Balanced Scorecard links mission/strategy into objective measures
- Measures as tool to articulate business strategy versus to control
- Typically aimed at strategic business unit

## Balanced Scorecard Measures Four Different Perspectives:

- Financial
- Customers
- Internal Business Process
- Learning and Growth

| Monthly Score Card | | | |
|---|---|---|---|
| **Growth Scores** | **This Month** | **Year to Date** | **Monthly Goal** |
| New Patients | | | 160 |
| Monthly Production | $ | $ | |
| Daily Average Doctor Prod. | $ | $ | $10,000 |
| Daily Average Hygiene Prod. | $ | $ | $2,700 |
| Monthly Collection | $ | $ | |
| Monthly Collection Ratio | % | % | 98% |
| Total Accounts Receivable | $ | $ | < 1 month prod. |
| Receivables > 90 | % | % | < 15% |
| Receivables > 90 that is Insur. | % | % | |
| Receivables > 60 | % | % | < 30% |
| Receivables > 60 that is Insur | % | % | |
| Adjustments to Accounts | $ | $ | |
| Patient's Portion and Non-Insurance collections | % | % | = 35% – 45% |
| **Attrition Scores** | | | |
| Number of Cancellations | | | |
| Openings in Hygiene Sched. | | | |
| **Profitability Scores** | | | |
| Hygiene Production % Paris. | % | % | 33% |
| Wages as a % of Income | % | % | 25% |
| Lab Fees as a % of Income | % | % | 10% |
| Sundries as a % of Income | % | % | 6% |

# The Accounting Continuum

Managerial Accounting ——— Financial Accounting

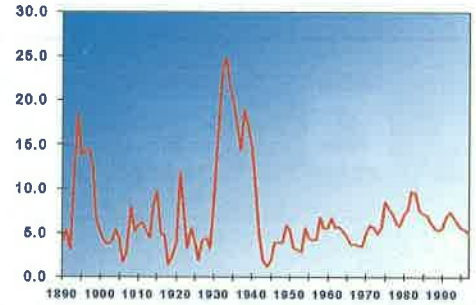
Activity Based Costing = Activity Based Management

1929
S.E.C. Security and Exchange Commission for outside investors
I.R.S. Internal Revenue Service for outside tax collectors
F.A.S.B. Financial Accounting Standards Board

**Microsoft**

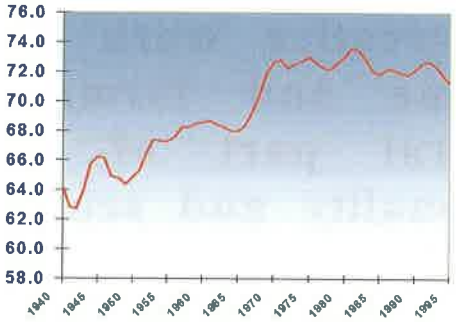
- Word
- Excel
- Powerpoint
- Publisher/Layout
- Exchange/E-Mail
- Network
- Money

## U.S. Unemployment Rate, 1890-1997



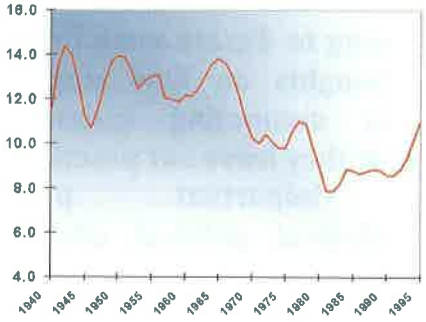

Source: Arizona State University ECN 503 Professor K. Reffett

## Labor's Share of National Income




Source: Arizona State University ECN 503 Professor K. Reffett

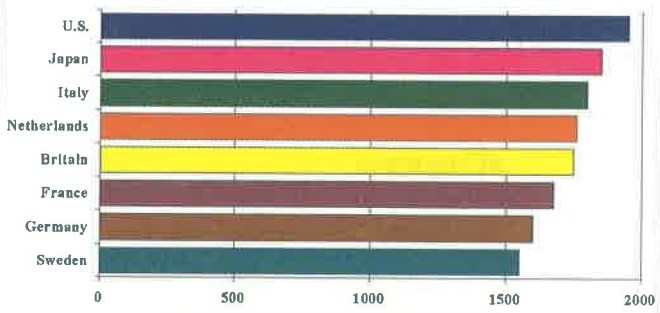
## Profits' Share of National Income




Source: Arizona State University ECN 503 Professor K. Reffett

## Hours On The Job

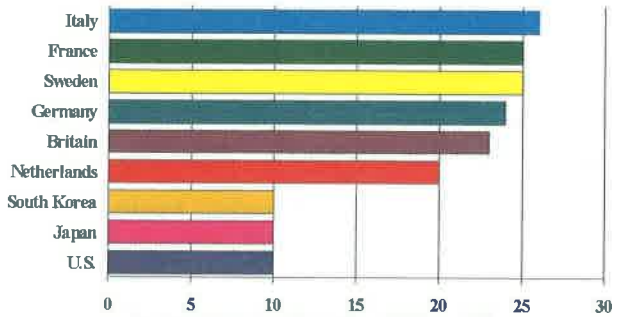
Average hours worked per year; full-time workers




Source: Fortune, December 1998, p.153

## Time Off

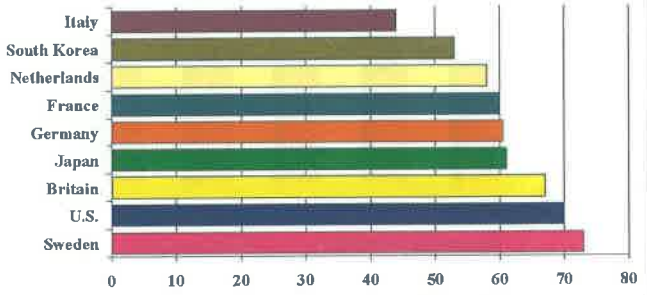
Average vacation days per year; full-time workers




Source: Fortune, December 1998, p. 153

## Women at Work

Percent in work force




Source: Fortune, December 1998, p. 154

## Control your overhead with the Magic of Group Practice!

| MON | TUE | WED | THU | FRI | SAT | SUN |
|---|---|---|---|---|---|---|
| | | 7 | 7 | | | |
| | | 8 | 8 | | | |
| | | 9 | 9 | | | |
| 10 | 10 | 10 | 10 | | | |
| 11 | 11 | 11 | 11 | | | |
| 12 | 12 | 12 | 12 | | | |
| 1 | 1 | | | | | |
| 2 | 2 | 1 | 1 | | | |
| | | 2 | 2 | | | |
| 3 | 3 | 3 | 3 | | | |
| 4 | 4 | 4 | 4 | | | |
| 5 | 5 | | | | | |
| 6 | 6 | | | | | |
| 7 | 7 | | | | | |

FIXED OVERHEAD
Rent/Mortgage
Equipment
Build-Out
Electric
Phone
Advertisement
Malpractice
Computer & Updates
Insurance

**Working 32 hours per week in solo practice utilizes your fixed overhead just 19% of the time, or just 29% of your total waking hours!**

## Control your overhead with the Magic of Group Practice!

| MON | TUE | WED | THU | FRI | SAT | SUN |
|---|---|---|---|---|---|---|
| 7 | 7 | 7 | 7 | 7 | | |
| 8 | 8 | 8 | 8 | 8 | 8 | |
| 9 | 9 | 9 | 9 | 9 | 9 | |
| 10 | 10 | 10 | 10 | 10 | 10 | |
| 11 | 11 | 11 | 11 | 11 | 11 | |
| 12 | 12 | 12 | 12 | 12 | 12 | |
| 1 | 1 | | | | 1 | |
| 2 | 2 | 1 | 1 | 1 | 2 | |
| | | 2 | 2 | 2 | | |
| 3 | 3 | 3 | 3 | 3 | | |
| 4 | 4 | 4 | 4 | 4 | | |
| 5 | 5 | | | | | |
| 6 | 6 | | | | | |
| 7 | 7 | | | | | |

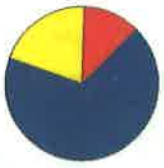
FIXED OVERHEAD
Rent/Mortgage
Equipment
Build-Out
Electric
Phone
Advertisement
Malpractice
Computer & Updates
Insurance

**Working 64 hours per week in solo practice utilizes your fixed overhead just 40% of the time, or just 56% of your total waking hours!**

## Distribution of Dentists in Private Practice

**20%**
**Practicing with one other dentist**

12%
Practicing with two or more other dentists



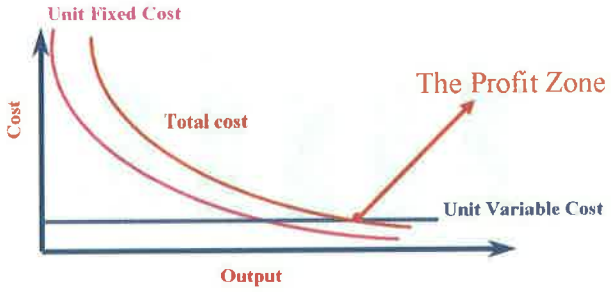
**68%**
**Solo Practices**

Source: ADA 1995 Survey of Dental Practices

## Today's Dental Office Hours

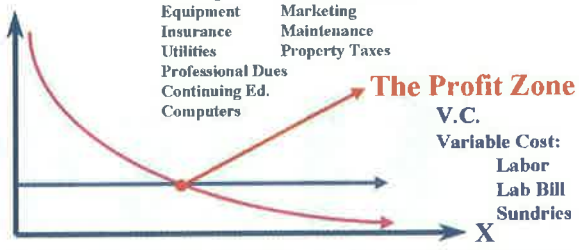
| The Day of Week | Traditional Dentist Office Hours Open for Business Each Day | Today's Dental Office Hours Open for Business Each Day |
|---|---|---|
| Monday 24 Hours | 8:00am to 4:30pm Closed for Lunch | 7:00 am to 8:00pm Open for Lunch |
| Tuesday 24 Hours | 8:00am to 4:30pm Closed for Lunch | 7:00 am to 8:00pm Open for Lunch |
| Wednesday 24 Hours | 8:00am to 4:30pm Closed for Lunch | 7:00am to 8:00pm Open for Lunch |
| Thursday 24 Hours | 8:00am to 4:30pm Closed for Lunch | 7:00am to 8:00pm Open for Lunch |
| Friday 24 Hours | 9:00 am to 1:00 pm | 7:00am to 4:00 pm Open for Lunch |
| Saturday 24 Hours | Closed | 7:30 am to 2:00 pm |
| Sunday 24 Hours | Closed | Closed |
| Total of 168 Hours In A Week | Open 34 Hours A Week For Business | Open 68 Hours A Week For Business |
| | Open 20% Of Available Hours | Open 40% Of Available Hours |

## Total Cost




## Fixed Costs vs. Variable Cost

Cost which are incurred on a monthly bases whether you are open and treating patients or closed.



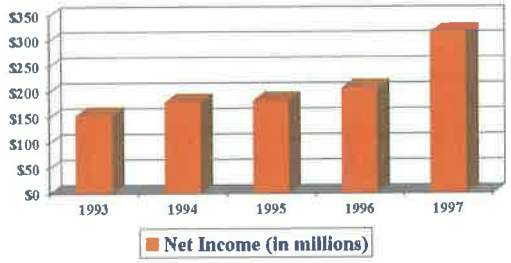

F.C.
Fixed Costs:
Land
Building
Equipment
Insurance
Utilities
Professional Dues
Continuing Ed.
Computers
Tenant Improvements
Treatment Rooms
Marketing
Maintenance
Property Taxes

V.C.
Variable Cost:
Labor
Lab Bill
Sundries

Output of High Quality Dental Services During a Monthly Period.

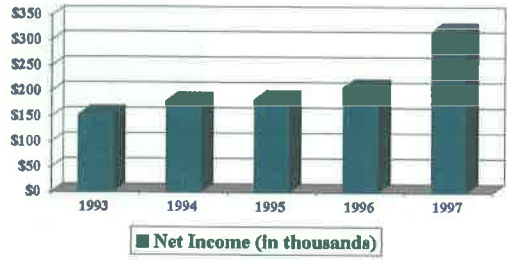
## Southwest Airlines

Net Income




Source: Southwest Airlines Co. 1997 Annual Report

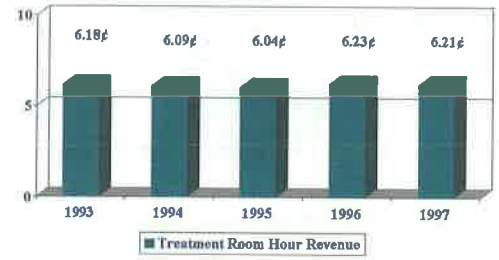
## Today's Dental
### Net Income
### NI




## Southwest Airlines
### Operating Revenue Per Available Seat Mile

Source: Southwest Airlines Co. 1997 Annual Report

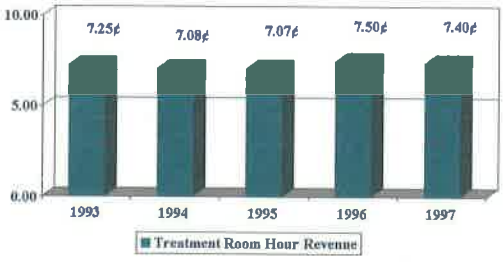
## Today's Dental
### Treatment Room Hour Revenue
### TRHR



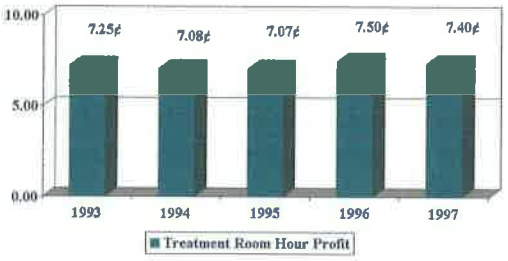

## Southwest Airlines
### Operating Expenses Per Available Seat Mile

Source: Southwest Airlines Co. 1997 Annual Report

## Today's Dental
### Treatment Room Hour Expense
### TRHE



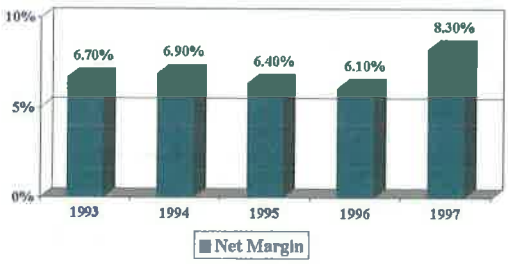

## Today's Dental
### Treatment Room Hour Profit
### TRHP



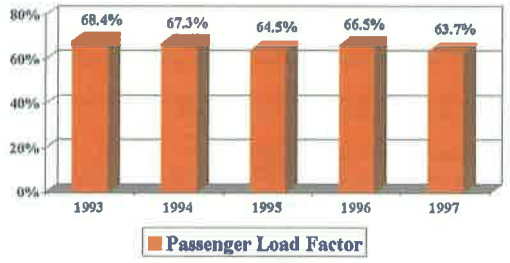

## Southwest Airlines
### Net Margin

Source: Southwest Airlines Co. 1997 Annual Report

## Today's Dental
### Net Margin
### NM

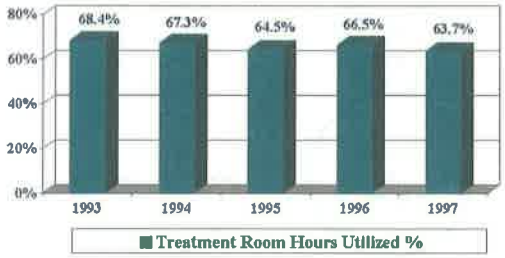


## Southwest Airlines
### Passenger Load Factor

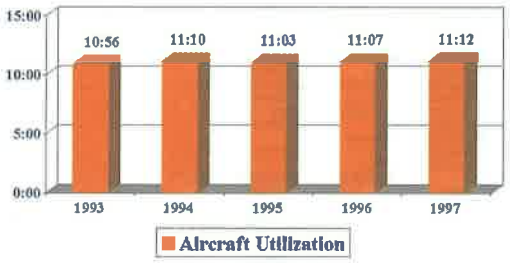



Source: Southwest Airlines Co. 1997 Annual Report

## Today's Dental
### Treatment Room Hours Utilized%
### TRHU%

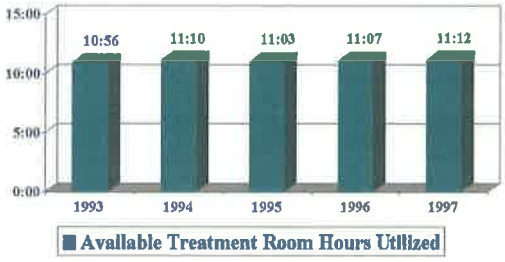



## Southwest Airlines
### Aircraft Utilization (hours & minutes per day)




Source: Southwest Airlines Co. 1997 Annual Report

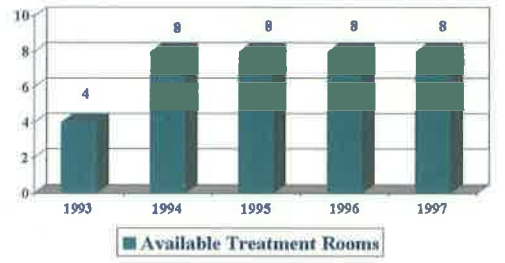
## Today's Dental
### Available Treatment Room Time Utilization
### ATRTU




## Southwest Airlines
### Fleet Size

Source: Southwest Airlines Co. 1997 Annual Report

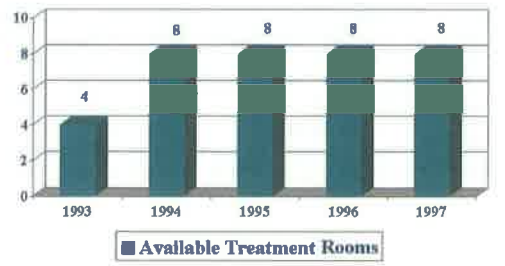
## Today's Dental
### Today's Dental Locations
### TDL




## Southwest Airlines
### Available Seat Miles (in millions)

Source: Southwest Airlines Co. 1997 Annual Report

## Today's Dental
### Available Treatment Rooms
### ATR



## Let's all grow the pie!

Today's Dental started the year with $18,428 profit for the month of January! Dr. Farran bet that if he gave back half the profit each month in the form of profit sharing, then all 30 employees would act like "Intrapreneurs" within our Today's Dental "Entrepreneurship!" If you work smarter, more efficiently, and reduce expenses, its half yours!

Dr. Farran bet half his pie that if he did profit sharing for everyone at Today's Dental, the pie would grow back so fast that within one year Dr. Farran's one half would be back to the equivalent of the original pie!

## JANUARY 1999 PROFIT SHARING

Net Profit: 18,428.36 divide by 2 = 9,214.18

$ 9214.18 divide by 110,304.62 ( total payroll for January _ = .083 per share x your gross salary for January = your share of profit for example: if you made 1000.00 / your share would be 83.00.

Check #

| | | | |
|---|---|---|---|
| 6000 | Narraf | 12,679.96 | Rent |
| 6001 | Central Benefits Health Insurance | 1349.82 | |
| | Our rates increase each year & part of the reason is all the chiropractic bills we have in our office they are 40 % of all claims / by rising ins Costs we increase what the office pays and what employee portion is Therefore: profit is less | | |
| 6002 | Oxy Fresh: | 178.92 | we paid out 7443.93 for wall product in 1999and only Brought in 9519.60 does that mean we are not promoting those products ? or does it possibly mean our prices are not high enough?? |
| 6003 | VOID | | |
| 6004 | Ormco | 548.10 | Ortho |
| | Supplies : could we get less expensive ortho from GAC!!!!!!!!!! | | |
| 6005 | LABOR | 110,304.62 | |
| 6033 | We need to watch overtime hours/ come to work 15 minutes before scheduled hours and finish your day on time. TEAMWORK is the key to keeping labor costs down. | | |
| 6034 | Petty Cash | 112.98 | |
| | Used for postage, film, etc..... | | |
| 6035 | void | | |
| 6036 | void | | |
| 6037 | Bank One | 13,646.44 | Payroll Taxes |
| 6038 | Az Dept. of Revenue | 1940.54 | |
| 6039 | AUL | 8392.46 | 401 K matching |
| 6040 | SRP | 577.96 | electricity |

| | | | |
|---|---|---|---|
| | Are we turning down / up the heat/air at night when we leave??????? | | |
| 6041 | COX Communications | 75.62 | Cable |
| 6042 | US WEST | 24.31 | telephone |
| 6043 | US WEST | 560.70 | telephone |
| 6044 | Temporary Hygiene | | |
| 6045 | Southwestern Bell | 2847.51 | Advertising |
| | Since yellow page advertising is so expensive, which yellow pages do you use? Which do you think are the best to advertise in We need to know how patients find out about us??? We all need to ask yellow pages? Friend? Drive by??? | | |
| 6046 | Wheelwright Peterson PLC | 1026.80 | Accountant |
| 6047 | McKesson Water Products | 42.45 | Distilled water |
| 6048 | AT & T | 55.38 | Telephone |
| 6049 | Arizona Dept. of Revenue | 71.37 | Wall Products |
| | Sales Tax. I wish this was more/ it would mean we are selling more product | | |
| 6050 | Phoenix City Treasurer | 16.87 | sales tax |
| 6051 | Bernard Wells | 2452.30 | loan pymt |
| 6052 | A All Appliance | 29.00 | refrig repair |
| 6053 | Banc One Leasing Corporation | 4046.19 | equip. lease |
| | Only a few more months, and equipment is paid for | | |
| 6054 | Sterlcycle | 57.63 | waste |
| 6055 | Bank One | 5000.00 | Savings |
| | We want to build up a " cushion" of 25,000.00 in savings for luckleanbs or unexpected costs, or low collections | | |
| 6056 | AmerPride Linen and Apparel | 345.60 | towels/linens |
| 6057 | A I Credit Corporation | 471.24 | Insurance |
| | Malpractice for Dr. Semmer | | |
| 6058 | Bob Marbenke | 400.00 | credit card |
| | We get a new credit/debit card machine If patients use debit we are not charged the fees for credit cards, we saved 200.00 | | |
| | In just the last 2 weeks of January | | |
| 6059 | City of Phoenix | 57.80 | water |
| 6060 | Gene DeDeutsz | 20.00 | Pt. Refund |
| 6061 | Trojan Professional Services | 77.80 | Insurance |
| | companies breakdown of benefits/ it is usually fairly accurate | | |

| | | | |
|---|---|---|---|
| 6062 | Waste Management of Arizona | 112.75 | |
| 6063 | Accent Insurance Recovery | 131.50 | Collection |
| | Company for Insurance Companies to recover payments made in error by insurance companies to providers | | |
| 6064-6066 | | 128.32 | Pt. Refunds |
| 6067 | Sterlcycle | 72.56 | Waste |
| 6068 | Reimbursement | 214.80 | Cont.Ed |
| 6069 | City of Phoenix | 3.25 | water |
| 6070 | ThreeClock Plus | 715.90 | timeclock |
| | by purchasing this timeclock we do not have to pay monthly fees for support (if we would have kept ADP's we would have had to buy it for 1200.00 and pay monthly fees of 100.00 for support ) | | |
| 6071 | AT & T | 68.04 | telephone |
| 6072 | Pest R Us Exterminating Inc. | 43.00 | BUGS |
| 6073 | ACF Absentukee LLC | 373.63 | Triple-NET |
| | for the upkeep of the property/ like a homeowners association fee | | |
| 6074 | Colonial Insurance | 554.74 | Insurance |
| | employee only withholding for additional insurance | | |
| 6076 | State Compensation Fund | 930.72 | Workmen |
| | Comp: luckily we haven't had to use | | |
| 6077 | Tele Sentry Security | 85.76 | Security |
| | System for monthly monitoring | | |
| 6078-6107 | Labor 2nd payroll of the month total on first page | | |
| 6109 | Central Benefits | 3215.38 | health ins |
| 6110 | VOID | | |
| 6111 | Absentukee Lab | 4611.05 | lab fees |
| | This lab is average of $ 82.00 for pare, 110.00 for xpress and 125.00 for procera | | |
| 6112 | Puritan Bennett Corp | 60.86 | N2O/O2 |
| 6113 | Medical Arts Press | 126.67 | F/O supplies] |
| 6114 | Safeguard | 367.88 | envelopes |
| | I know Terri has completely researched envelope prices/ good job ( Maria is recycling file folders) | | |
| 6115 | Safeco | 2015.00 | insurance |
| | Dr. Todd's malpractice insurance | | |

| | | | |
|---|---|---|---|
| 6116 | Safeco | 2015.00 | insurance |
| | Dr. Taylors malpractice insurance | | |
| 6117 | Office Max | 87.69 | Front Office |
| | supplies, printer cartridges etc.,.... | | |
| 6118 | Brasseler USA | 834.70 | Burs |
| | are these the ideal burs at the ideal price???????? | | |
| 6119 | Smart Practice | 325.55 | front/ end |
| | back office supplies | | |
| 6120 | Sports Illustrated | 39.75 | subscription |
| 6121 | Image Craft | 51.21 | film develop |
| 6122 | Us West Interprise | 789.41 | telephone |
| 6123 | Burkhardt | 11824.32 | sundries |
| | We seem to be doing well with Sundries/ Nikki is cheap !!!!!!!!!! Remember how expensive handing agents are/ do not fill Your wells with materials, put a drop on your cotton swab - we could order Silverware bags from Pearson Dental -- a lot less than our sleeves-- | | |
| 6124 | Omnigraphics | 142.84 | appt.cards |
| 6125 | Glidewell Laboratories | 641.00 | |
| 6126 | DynaFlex Labs | 221.60 | ortho tracing |
| | Is it less expensive to have Dyna Flex also do soap models when they do tracings??????? | | |
| 6127 | Gergen Ortho Lab | 114.00 | soap models |
| | would Dyna Flex be less expensive????? | | |
| 6128 | BonaDent | 435.00 | |
| 6129 | Wiland Dental Lab | 1110.28 | denture lab |
| 6130 | Cosmetic Dental Lab | 164.00 | lab |
| 6131 | Rego Dental Lab | 1722.70 | lab |
| | very EXPENSIVE lab used for veneers we need to raise veneer fees to use these labs | | |
| 6132 | Ruth Dental Lab | 1091.91 | lab |
| 6133 | Van Hook | 18214.02 | lab |
| | is Van Hook so much better than Ahwatukee Lab that we are willing to pay $23.00 more per unit ? Yes or No | | |

LET US KNOW WHAT YOU THINK AND IF YOU HAVE IDEAS TO SAVE COSTS!!!

## Today's Dental Chart of Accounts

| Account ID | Account Description | Account Type |
|---|---|---|
| 10051 | Checking Account | Cash |
| 11120 | Savings Account | Cash |
| 11200 | Employee Advances | Other Current Assets |
| 12000 | Dental Equipment | Fixed Assets |
| 12010 | Accumulated Depreciation | Accumulated Depreciation |
| 12020 | Computer Equipment | Fixed Assets |
| 12030 | Computer Software | Fixed Assets |
| 12040 | Accumulated Depreciation | Accumulated Depreciation |
| 12050 | Office Equip. (Furn & Fixt) | Fixed Assets |
| 12060 | Accumulated Depr. – Equip. | Accumulated Depreciation |

## Today's Dental Chart of Accounts

| Account ID | Account Description | Account Type |
|---|---|---|
| 12930 | Suspense – Clearing Account | Other Current Liabilities |
| 13030 | Federal Pyrl Taxes Payable | Other Current Liabilities |
| 13031 | FUTA Payroll Taxes | Other Current Liabilities |
| 13040 | State Payroll Taxes Payable | Other Current Liabilities |
| 13041 | SUTA Payroll Taxes | Other Current Liabilities |
| 13050 | 401K Deductions Payable | Other Current Liabilities |
| 13051 | Colonial Ins. Payable – 125 pl | Other Current Liabilities |
| 13052 | Health Ins. Payable – 125 pl | Other Current Liabilities |

## Today's Dental Chart of Accounts

| Account ID | Account Description | Account Type |
|---|---|---|
| 39005 | Retained Earnings | Equity-Retained Earnings |
| 40000 | tdi Today's Dental Income | Income |
| 40200 | Insurance Refund | Income |
| 40400 | Patient Refund | Income |
| 40600 | NSF Check | Income |
| 49000 | Interest Paid by Insurance Co | Income |
| 49001 | Interest Pd by Bank (Savings) | Income |

## Today's Dental Chart of Accounts

| Account ID | Account Description | Account Type |
|---|---|---|
| 50000 | Administrative Wages | Cost of Sales |
| 50100 | Administrative Payroll Taxes | Cost of Sales |
| 50101 | Administrative Health Ins | Cost of Sales |
| 50102 | Administrative 401K Match | Cost of Sales |
| 51000 | Dentists Wages | Cost of Sales |
| 51100 | Dentists Payroll Taxes | Cost of Sales |
| 51101 | Dentists Health Insurance | Cost of Sales |
| 51102 | Dentists 401K Matching | Cost of Sales |
| 51103 | Dentists Malpractice Ins | Cost of Sales |
| 52000 | Front Office Wages | Cost of Sales |
| 52100 | Front Office Payroll Taxes | Cost of Sales |
| 52101 | Front Office Health Ins | Cost of Sales |
| 52102 | Front Office 401K Match | Cost of Sales |

## Today's Dental Chart of Accounts

| Account ID | Account Description | Account Type |
|---|---|---|
| 53000 | Hygienist Wages | Cost of Sales |
| 53100 | Hygienist Payroll Taxes | Cost of Sales |
| 53101 | Hygienist Health Insurance | Cost of Sales |
| 53102 | Hygienist 401K Matching | Cost of Sales |
| 54000 | Paradental Wages | Cost of Sales |
| 54100 | Paradental Payroll Taxes | Cost of Sales |
| 54101 | Paradental Health Insurance | Cost of Sales |
| 54102 | Paradental 401K Matching | Cost of Sales |
| 57000 | Lab Fees | Cost of Sales |
| 58000 | Sundries | Cost of Sales |

## Today's Dental Chart of Accounts

| Account ID | Account Description | Account Type |
|---|---|---|
| 71000 | Advertising | Expenses |
| 71100 | Advertising—Direct Mail | Expenses |
| 71102 | Advertising—Help Wanted | Expenses |
| 71103 | Advertising—Referral Incntv | Expenses |
| 71104 | Advertising—Yellow Pages | Expenses |
| 71200 | Automobile Expenses | Expenses |
| 71300 | Bank Charges | Expenses |
| 71301 | Bank Card Charges | Expenses |
| 71400 | Charitable Contributions | Expenses |
| 71500 | Computer Supplies/Software | Expenses |
| 71600 | Computer Support | Expenses |
| 71601 | Computer Internet Fees | Expenses |

## Today's Dental Chart of Accounts

| Account ID | Account Description | Account Type |
|---|---|---|
| 71700 | Continuing Education | Expenses |
| 71701 | Continuing Ed—Dr. Farran | Expenses |
| 71702 | Continuing Ed—Others | Expenses |
| 71800 | Contract Labor | Expenses |
| 72000 | Depreciation Expense | Expenses |
| 72100 | Donations | Expenses |
| 72200 | Dues and Subscriptions | Expenses |
| 72300 | Equipment Maintenance | Expenses |
| 72400 | Equipment Purchase | Expenses |
| 72500 | Equipment Lease | Expenses |
| 72600 | Insurance | Expenses |
| 72601 | Disability Insurance | Expenses |

## Today's Dental Chart of Accounts

| Account ID | Account Description | Account Type |
|---|---|---|
| 72602 | Officer's Health Insurance | Expenses |
| 72603 | Liability Insurance | Expenses |
| 72604 | Malpractice Insurance | Expenses |
| 72605 | Umbrella Insurance | Expenses |
| 72606 | Workman's Comp Ins | Expenses |
| 72700 | Interest Expense | Expenses |
| 72701 | Federal Interest Expense | Expenses |
| 72702 | Finance Charges | Expenses |
| 72703 | Loan Interest | Expenses |
| 72800 | Licenses, Permits, & Fees | Expenses |
| 72900 | Loan Fees | Expenses |

## Today's Dental Chart of Accounts

| Account ID | Account Description | Account Type |
|---|---|---|
| 73000 | Miscellaneous | Expenses |
| 73100 | Office Supplies | Expenses |
| 73200 | Petty Cash | Expenses |
| 73300 | Postage and Delivery | Expenses |
| 73400 | Printing & Reproduction | Expenses |
| 73500 | Professional Fees | Expenses |
| 73501 | Accounting Fees | Expenses |
| 73502 | Consulting Fees | Expenses |
| 73503 | Legal Fees | Expenses |
| 73504 | Payroll Fees | Expenses |
| 73600 | Promotional Expense | Expenses |
| 73700 | Rent | Expenses |

## Today's Dental Chart of Accounts

| Account ID | Account Description | Account Type |
|---|---|---|
| 73800 | Repairs & Maintenance | Expenses |
| 73801 | Building Repairs | Expenses |
| 73802 | Cleaning | Expenses |
| 73803 | Common Area Maintenance | Expenses |
| 73804 | Computer Repairs | Expenses |
| 73805 | Copier Maintenance | Expenses |
| 73806 | Equipment Repairs | Expenses |
| 73807 | Exterminating | Expenses |
| 73900 | Staff Meeting Expense | Expenses |
| 74000 | Taxes | Expenses |
| 74100 | City Sales/Use Tax | Expenses |
| 74101 | Property Taxes | Expenses |
| 74102 | State Sales/Use Tax | Expenses |

## Today's Dental Chart of Accounts

| Account ID | Account Description | Account Type |
|---|---|---|
| 74200 | Team Perquisite | Expenses |
| 74300 | Telephone | Expenses |
| 74400 | Uniform Expense | Expenses |
| 74500 | Utilities Expense | Expenses |
| 74501 | Cable TV | Expenses |
| 74502 | Electric | Expenses |
| 74503 | Water | Expenses |
| 74504 | Waste Maintenance | Expenses |
| 81500 | Voided Checks | Expenses |
| 89500 | Wall Products | Expenses |

## The Dupont Formula:

$$\left[\frac{\text{Net Income}}{\text{Sales}}\right] \times \left[\frac{\text{Sales}}{\text{Assets}}\right] \times \left[\frac{\text{Assets}}{\text{Equity}}\right]$$

[Profit Margin] X [Turnover] X [Leverage]

## The Dupont Formula

$$\left[\frac{\text{Net Income}}{\text{Sales}}\right] \times \left[\frac{\text{Sales}}{\text{Assets}}\right] \times \left[\frac{\text{Assets}}{\text{Equity}}\right]$$

$$\left[\frac{\text{Net Income}}{\cancel{\text{Sales}}}\right] \times \left[\frac{\cancel{\text{Sales}}}{\text{Assets}}\right] = \left[\frac{\text{Net Income}}{\text{Assets}}\right] = \text{ROA}$$

**Return On Assets**

## The Dupont Formula

$$\left[\frac{\text{Net Income}}{\text{Sales}}\right] \times \left[\frac{\text{Sales}}{\text{Assets}}\right] \times \left[\frac{\text{Assets}}{\text{Equity}}\right]$$

$$\left[\frac{\text{Net Income}}{\cancel{\text{Sales}}}\right] \times \left[\frac{\cancel{\text{Sales}}}{\cancel{\text{Assets}}}\right] \times \left[\frac{\cancel{\text{Assets}}}{\text{Equity}}\right] = \left[\frac{\text{Net Income}}{\text{Equity}}\right] = \text{ROE}$$

**Return On Equity**

**Which business would you rather buy? Which is more important? The Profit Margin or the ROI (Return on Investment)!**

**There are:**

**24 hours in a day.**

**168 hours in a week.**

**8766 hours in a year!**

**There are:**

**40 hours per work week**
**X52 weeks per year**
**2080 work hours in a year!**

**There are:**

**8.00 hours of sleep per night**
**X 365.25 days per year**
**2922.00 hours of sleep per year!**

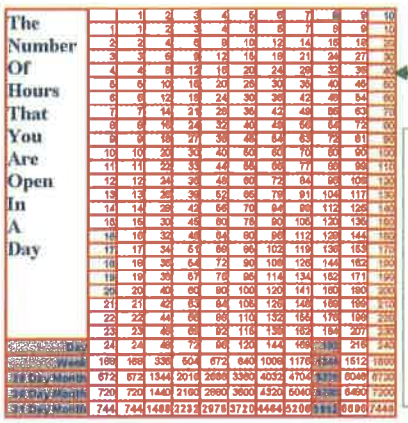
**There are:**

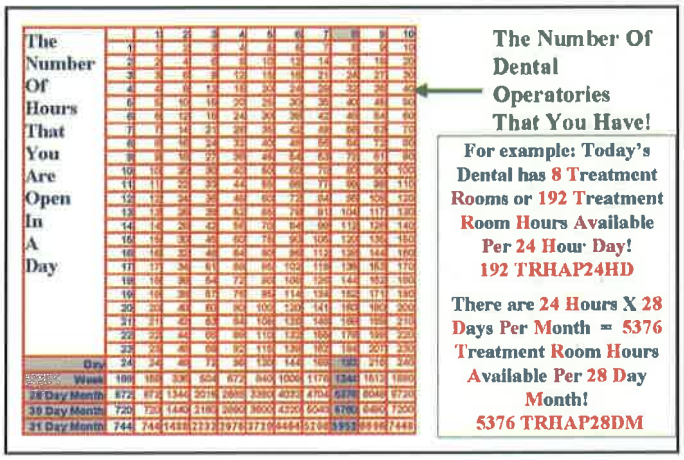
**2080 work hours in a year!**
**+ 2922 hours of sleep per year!**
**5002 hours work & sleep per year**

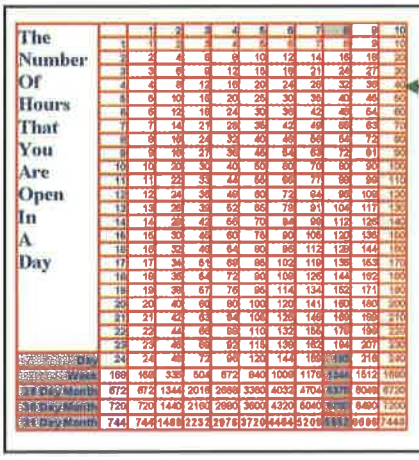
# There are:

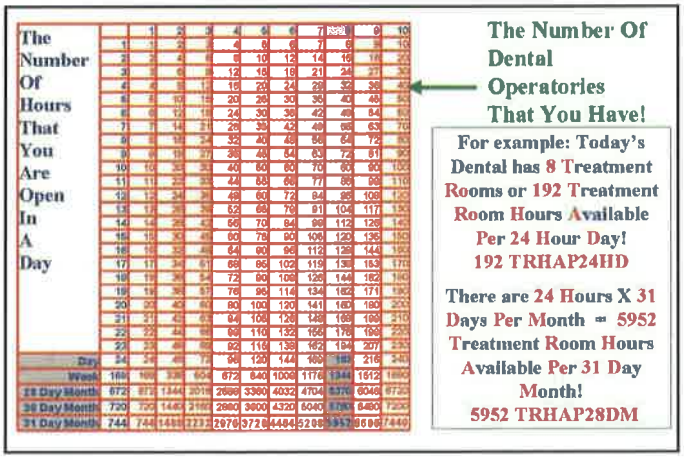
8766 Total Hours per Year
- 2922 Hours of Sleep per Year
- 2080 Hours of Work per Year

= 3764 Hours of Non-Work & Non-Sleep per Year!



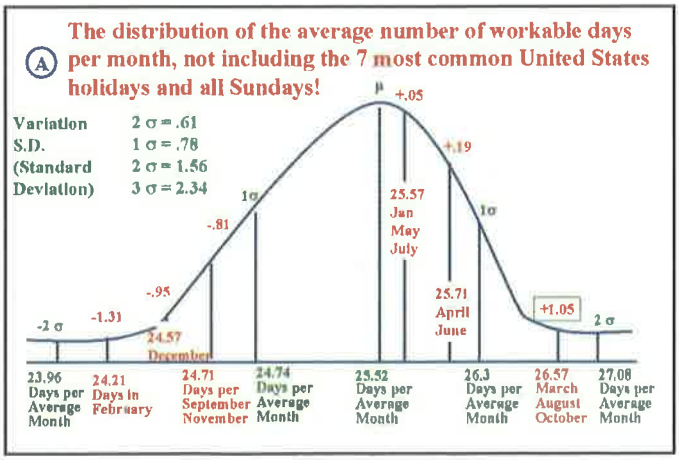




- 192 TRHAP24HD
- Treatment Room Hours Available Per 24 Hour Day
- 1344 TRHAP7DW
- Treatment Room Hours Available Per 7 Day Week
- 5376 TRHAP28DM
  February
- Treatment Room Hours Available Per 28 Day Month
- 5760 TRHAP30DM
  April June September November
- Treatment Room Hours Available Per 30 Day Month
- 5952 TRHAP31DM
  January March May July August October December
- Treatment Room Hours Available Per 31 Day Month

## Days In A Month

| There are 7 months With 31 days | There are 4 months With 30 days | There is one month With 28.25* days |
|---|---|---|
| January | April | February |
| March | June | |
| May | September | |
| July | November | |
| August | | *Every 4th year is a leap year with a February 29th |
| October | | |
| December | | |



**A1** The Math for figuring the Variance, Standard Deviation, SD, σ given in original units, $\sigma^2$ given in original units squared, for the distribution of the average number of workable days per month not including the 7 most common United States holidays and Sundays.

Formula for Variance

$$\sigma^2 = \frac{\sum_{i=1}^{n} (x_i - \mu)^2}{N}$$

Formula For Standard Deviation

$$\sqrt{\ } \quad s = s^2 = \frac{\sum_{i=1}^{n} (x_i - x)^2}{n-1}$$

**A1.5**

$\sigma^2 = (.05)^2 + (-1.31)^2 + (1.05)^2 + (.19)^2 + (.05)^2 + (.19)^2$
January February March April May June

$(.05)^2 + (1.05)^2 + (-.81)^2 + (1.05)^2 + (-.81)^2 + (-.95)^2$
July August September October November December

$.0025 + 1.716 + 1.1025 + .0361 + .0025 + .0361 +$
$0025 + 1.1025 + .6561 + 1.1025 + .6561 + .9025 =$

$= \frac{7.318}{12} \quad \frac{(.61\%)^2}{(.6098)^2} = \sigma^2$ Variance

$\sigma = \sqrt{\sigma^2}$ $1\sigma = .78$, $2\sigma = 1.56$, $3\sigma = 2.34$ $= \sqrt{.61\%} = .780918262901 = \sigma$ SD Standard Deviation

**The distribution of the average number of workable days per month not including the 7 most common Holidays in the United States and all Sundays!**

**The Average Workable Days Per Average Month is 25.52 Days!**

| -1.31 Days less than the Avg. Month | -.95 Days less than the Avg. Month | -. 81 Days less than the Avg. Month | +.05 Days more than the Avg. Month | +.19 Days more than the Avg. Month | +1.05 Days more than the Avg. Month |
|---|---|---|---|---|---|
| 24.21 | 24.57 | 24.71 | 25.57 | 25.71 | 26.57 |
| Workable Days for | Workable Days for | Workable Days for | Workable Days for | Workable Days for | Workable Days for |
| February | December | September November | January May July | April June | March August October |

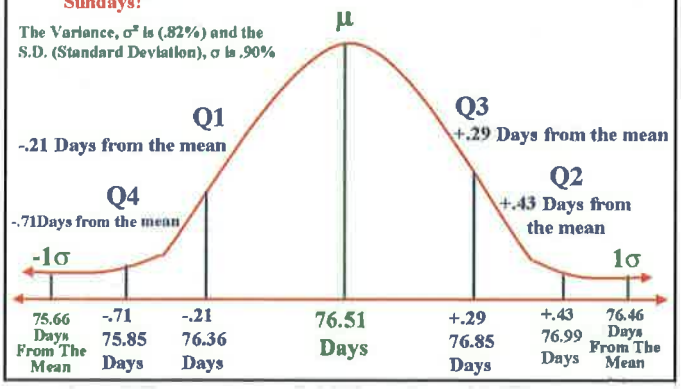
| Month | Days per given month | Average # of Sundays per given month | Most common Holidays in United States per given month | Average days per month minus Holidays & Sundays | Deviation from the average 25.52 workable days per average month |
|---|---|---|---|---|---|
| January | 31 | 4.43 | 1 New Years Day | 25.57 | .05 |
| February | 28.25 | 4.04 | 0 | 24.21 | -1.31 |
| March | 31 | 4.43 | 0 | 26.57 | 1.05 |
| April | 30 | 4.29 | 0 | 25.71 | .19 |
| May | 31 | 4.43 | 1 Memorial Day | 25.57 | .05 |
| June | 30 | 4.29 | 0 | 25.71 | .19 |
| July | 31 | 4.43 | 1 Forth of July | 25.57 | .05 |
| August | 31 | 4.43 | 0 | 26.57 | 1.05 |
| September | 30 | 4.29 | 1 Labor Day | 24.71 | -.81 |
| October | 31 | 4.43 | 0 | 26.57 | 1.05 |
| November | 30 | 4.29 | 1 Thanksgiving | 24.71 | -.81 |
| December | 31 | 4.43 | 2 - .5 Christmas Eve<br>1 Christmas Day<br>.5 New Years Day | 24.57 | -.95 |
| Days per average year is 365.25 | Days per average month is 30.44 | 52.18 Sundays per year | The 7 most common Holidays in the USA per year | 306.25 Days per average workable year | 25.52 workable days per average month |

# Work should be a passionate hobby that you happen to get paid for!

Howard Farran DDS, MBA, MAGD

**B** The distribution of the average mean number of workable days per quarter minus the 7 most common United States Holidays and all Sundays!

The Variance, $\sigma^2$ is (.82%) and the S.D. (Standard Deviation), σ is .90%




**B1** The math for figuring the Standard Deviation, σ, S.D. and the variance, $\sigma^2$, $(\%)^2$ for the distribution of the average number of workable days per quarter minus the 7 most common Holidays in the United States and all Sundays.

$\sigma^2 = (.29)^2 + (.43)^2 + (-.21)^2 + (-.71)^2$
Q3 Q2 Q1 Q4

$= .0841 + .1849 + .0441 + .5041$

$= (.8172\%)^2 = .8172\ \sigma$ (variance)

$= .9$ Standard Deviation $1\sigma$

$= 1.9$ Standard Deviation $2\sigma$

$= 2.8$ Standard Deviation $3\sigma$

## The Deviation in Days from the Average 76.56 Days Per Quarter

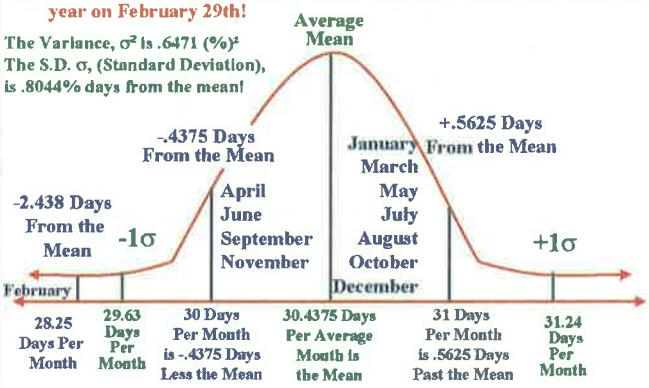
| Quarter | Holidays | Days Closed | Days per Quarter | Days per Quarter Minus Holidays & Sundays | Deviation |
|---|---|---|---|---|---|
| Q1 | 1 | 13.9 | 90.25 | 76.35 | -.21 |
| Q2 | 1 | 14.01 | 91.00 | 76.99 | +.43 |
| Q3 | 2 | 15.15 | 92.00 | 76.85 | +.29 |
| Q4 | 3 | 16.15 | 92.00 | 75.85 | -.71 |
| 1 year | 7 | 59.21 | 365.25 | 357.25 | |

| | Month | # of days in month | Most Common Holidays in the USA | Quarters of the Year |
|---|---|---|---|---|
| Q1 | January | 31 | New Years Day | Days closed in the First Quarter = 13.9 |
| | February | 28.25 | * | Days Open in the First Quarter = 76.35 |
| | March | 31 | * | |
| Q2 | April | 30 | * | Days closed in the Second Quarter = 14.01 |
| | May | 30 | Memorial Day | Days Open in the Second Quarter = 76.99 |
| | June | 30 | * | |
| Q3 | July | 30 | Fourth of July | Days closed in the Third Quarter = 15.15 |
| | August | 31 | * | Days Open in the Third Quarter = 76.85 |
| | September | 30 | Labor Day | |
| Q4 | October | 31 | * | Days closed in the Fourth Quarter = 16.15 |
| | November | 30 | Thanksgiving | Days Open in the Fourth Quarter = 75.85 |
| | December | 31 | Christmas Eve. ½ day Christmas Day ½ day New Years eve | |

*In February every fourth year is a leap year with 29 days in February instead of 28, thus 28.25

© The Distribution of the Average Mean Number of Total Days per year based on 365.25 days per year which is based on a leap year every 4th year on February 29th!

The Variance, $\sigma^2$ is .6471 $(\%)^2$
The S.D. $\sigma$, (Standard Deviation), is .8044% days from the mean!




© The math for figuring the standard deviation, (S.D.), $\sigma$, % and the variance, $\sigma^2$ $(\%)^2$ for the distribution of the average (mean) number of total days per year based on 365.25 day per year! (Which is based on a leap year every 4th year on February 29th)!

$\sigma^2 = (.5625)^2 + (.5625)^2 + (.5625)^2 + (.5625)^2 + (.5625)^2 + (.5625)^2 + (.5625)^2 + (.4375)^2 + (.4375)^2 + (.4375)^2 + (.4375)^2 + (2,1875)^2 =$

$\sigma^2 = .31640625 + .31640625 + .31640625 + .31640625 + .31640625 + .31640625 + .31640625 + .19140625 + .19140625 + .19140625 + .19140625 + 4.78515625$

$2.21484375 + .765625 + 4.78515625 =$

$\frac{7.765625}{12} = \sigma^2 = (\%)^2 = \text{Variance} = .64$

$= .6471 = \sigma^2 = (\%)^2 = \text{Variance}$

$= .8044 = \sigma = \text{Standard Deviation} = \text{S.D.} = \%$

| | | | | |
|---|---|---|---|---|
| 30.475 | | 30.44 | 30.4375 | 30.44 |
| + .8044 | = | + .80 | - .8044 | = - .80 |
| 31.2419 | | 31.24 | 29.6331 | 29.63 |

There are 91.31 days per average quarter! There are 76.51 workable days per average quarter after subtracting the 7 most common Holidays & Sundays in the U. S. A. !

| Q1 | Q2 | Q3 | Q4 |
|---|---|---|---|
| 90.25 Total Days | 91.00 Total Days | 92.00 Total Days | 92.00 Total Days |
| 12.90 Average Sundays | 13.01 Average Sundays | 13.15 Average Sundays | 13.15 Average Sundays |
| 1 Holiday<br>1 New Years Day | 2 Holidays<br>1 Easter<br>1 Memorial Day | 2 Holidays<br>1 July 4th<br>1 Labor Day | 3 Holidays<br>1 Thanksgiving Day<br>.5 Christmas Eve<br>1 Christmas Day<br>.5 New Years Eve |
| 13.9 Average Days Closed | 14.01 Average Days Closed | 15.15 Average Days Closed | 16.15 Average Days Closed |
| 76.35 Average Workable Days | 76.99 Average Workable Days | 76.85 Average Workable Days | 75.61 Average Workable Days |

"I would rather be vaguely right than precisely wrong!"

## Today's Dental Office Hours

| The Day of Week | Traditional Dentist Office Hours Open for Business Each Day | Today's Dental Office Hours Open forBusiness Each Day |
|---|---|---|
| Monday 24 Hours | 8:00am to 4:30pm Closed for Lunch | 7:00 am to 8:00pm Open for Lunch |
| Tuesday 24 Hours | 8:00am to 4:30pm Closed for Lunch | 7:00 am to 8:00pm Open for Lunch |
| Wednesday 24 Hours | 8:00am to 4:30pm Closed for Lunch | 7:00am to 8:00pm Open for Lunch |
| Thursday 24 Hours | 8:00am to 4:30pm Closed for Lunch | 7:00am to 8:00pm Open for Lunch |
| Friday 24 Hours | 9:00 am to 1:00 pm | 7:00am to 4:00 pm Open for Lunch |
| Saturday 24 Hours | Closed | 7:30 am to 2:00 pm |
| Sunday 24 Hours | Closed | Closed |
| Total of 168 Hours In A Week | Open 34 Hours A Week For Business | Open 68 Hours A Week For Business |
| | Open 20% Of Available Hours | Open 40% Of Available Hours |

## 1 Treatment Room Available Per 28 Day Month

1 Treatment Room Available
x 24 Hours Available Per Day
24 Treatment Room Hours Available Per Day
x28 Days Available Per 28 Day Month
672 Treatment Room Hours Available Per 28 Day Month

| | | |
|---|---|---|
| 672 | TRHA | Treatment Room Hours Available |
| 224 | TRHU | Treatment Room Hours Utilized |
| 33% | TRUF | Treatment Room Hours Utilization % |
| $31.92 | TRHR | Treatment Room Hour Revenue |
| $26.88 | TRHE | Treatment Room Hour Expense |
| $ 5.04 | TRHP | Treatment Room Hour Profit |

## 8 Treatment Rooms Available Per 28 Day Month

8 Treatment Rooms Available At Today's Dental
x 24 Hours Available Per Day
192 Treatment Room Hours Available Per Day
x28 Days Available Per 28 Day Month of February
5376 Treatment Room Hours Available Per 28 Day Month

| | | |
|---|---|---|
| 5376 | TRHA | Treatment Room Hours Available |
| 1792 | TRHU | Treatment Room Hours Utilized |
| 33% | TRUF | Treatment Room Hours Utilization % |
| $31.92 | TRHR | Treatment Room Hour Revenue |
| $26.88 | TRHE | Treatment Room Hour Expense |
| $ 5.04 | TRHP | Treatment Room Hour Profit |

## 1 Treatment Room Available Per 30 Day Month

1 Treatment Room Available At Today's Dental
x 24 Hours Available Per Day
24 Treatment Room Hours Available Per Day
x30 Days Available Per 30 Day Months of April, June, Sept., Nov.!
720 Treatment Room Hours Available Per Month

| | | |
|---|---|---|
| 720 | TRHA | Treatment Room Hours Available |
| 240 | TRHU | Treatment Room Hours Utilized |
| 33% | TRHU | Treatment Room Hours Utilization % |
| $31.92 | TRHE | Treatment Room Hour Revenue |
| $26.88 | TRHE | Treatment Room Hour Expense |
| $ 5.04 | TRHP | Treatment Room Hour Profit |

## 8 Treatment Rooms Available Per 30 day month

8 Treatment Rooms Available At Today's Dental
x 24 Hours Available Per Day
192 Treatment Room Hours Available Per Day
x30 Days Available Per 30 Day Months of April, June, Sept. & Nov.!
5760 Treatment Room Hours Available Per 30 Day Month

| | | |
|---|---|---|
| 5760 | TRHA | Treatment Room Hours Available |
| 2000 | TRHU | Treatment Room Hours Utilized |
| 35% | TRHU | Treatment Room Hours Utilization % |
| $31.92 | TRHR | Treatment Room Hour Revenue |
| $26.88 | TRHE | Treatment Room Hour Expense |
| $ 5.04 | TRHP | Treatment Room Hour Profit |

## 1 Treatment Room Available Per 31 Day Month

1 Treatment Room Available
x 24 Hours Available Per Day
24 Treatment Room Hours Available Per Day
x31 Days Available Per 31 Day Month (Jan, Mar., May, July, Aug., Oct, Dec.)
744 Treatment Room Hours Available Per Month

| | | |
|---|---|---|
| 744 | TRHA | Treatment Room Hours Available |
| 248 | TRHU | Treatment Room Hours Utilized |
| 33% | TRHU | Treatment Room Hours Utilization % |
| $31.92 | TRHR | Treatment Room Hour Revenue |
| $26.88 | TRHE | Treatment Room Hour Expense |
| $5.04 | TRHP | Treatment Room Hour Profit |

## 8 Treatment Rooms Available Per 31 Day Month

8 Treatment Rooms Available At Today's Dental
x 24 Hours Available Per Day
192 Treatment Room Hours Available Per Day
x31 Days Available Per 31 Day Months of Jan., Mar., May, July, Aug., Oct, Dec.!
5952 Treatment Room Hours Available Per 31 Day Month

| | | |
|---|---|---|
| 5952 | TRHA | Treatment Room Hours Available |
| 1984 | TRHU | Treatment Room Hours Utilized |
| 33% | TRUF | Treatment Room Hours Utilization % |
| $31.92 | TRHR | Treatment Room Hour Revenue |
| $26.88 | TRHE | Treatment Room Hour Expense |
| $ 5.04 | TRHP | Treatment Room Hour Profit |

## Today's Dental Managerial Accounting

| | |
|---|---|
| 365.25 | Days Per Average Year |
| 306.25 | Workable Days Available Per Average Year |
| 76.56 | Workable Days Available Per Average Quarter |
| 52.18 | Sundays Per Average Year |
| 25.52 | Workable Days Available Per Average Month |
| 7.00 | Holidays Per Year in the USA |
| 4.43 | Sundays Per Average 31 Day Month |
| 4.29 | Sundays Per Average 30 Day Month |
| 5376 | Treatment Room Hours Available Per 28 Day Month |
| 5760 | Treatment Room Hours Available Per 30 Day Month |
| 5952 | Treatment Room Hours Available Per 31 Day Month |

| There are 7 months With 31 days | There are 4 months With 30 days | There is one month With 28.25* days |
|---|---|---|
| January | April | February |
| March | June | |
| May | September | |
| July | November | |
| August | | *Every 4th year is a leap year with a February 29th |
| October | | |
| December | | |

The Deviation in days from the average 76.56 days per quarter.

| Quarter | Holidays Per Quarter | Total Days Closed Per Quarter | Total Days Per Quarter | Total Days Per Quarter Minus Holidays & Sundays | The Total Number Of Days Deviating From the Average Month |
|---|---|---|---|---|---|
| Q1 | 1 | 13.9 | 90.25 | 76.35 | -.21 |
| Q2 | 1 | 14.01 | 91.00 | 76.99 | +.43 |
| Q3 | 2 | 15.15 | 92.00 | 76.85 | +.29 |
| Q4 | 3 | 16.15 | 92.00 | 75.85 | -.71 |
| 1 year | 7 | 59.21 | 365.25 | 357.25 | |

## The number of hours per week that you work drastically affects your net income!

| | | |
|---|---|---|
| Dr. A 40% | 40 + hours a week | Averages $140,000/year |
| Dr. B 44% | 32 + hours a week | Averages $105,000/year |
| Dr. C 14% | 32 or less hours a week | Averages $85,000/year |

**Notice: that Doctor A works 25% more hours than Doctor B, yet nets 33% more!**

Source: ADA Survey of Dental Practice, 1996.

## Family Practice General Dentist

| | |
|---|---|
| $330,000 | Gross Revenue per 1600 per yr. |
| $208,000 | Overhead |
| $122,000 | Net Income before Taxes |
| 1,600 | Hours per year chairside |
| $205 | Per hour overhead |
| $40 | Per hour overhead per chair |
| $80 | Per hour profit |
| $20 | Per hour profit per chair |

ADA Survey Center, 1996

## Dental Specialist

| | |
|---|---|
| $480,000 | Gross Revenue per 1550 |
| $288,000 | Overhead |
| $192,000 | Net Income before taxes |
| 1550 | Hours per year chairside |
| $185 | Per hour overhead |
| $140 | Per hour overhead per chair |
| $125 | Per hour profit |
| $25 | Per hour profit per chair |

Source: ADA Survey Center, 1996 Survey of Dental Practice

## Dental Ownership Facts

21% of dentist graduates in the last 10 years are nonowners!

8% of all dentists are nonowners!

Average age of a nonowner dentist is 40 years old!

Average net income of a nonowner dentist is $65,000 per year!

| Top 25% | Medium | Bottom 25% |
|---|---|---|
| Over $85,000 | $60,000 | $40,000 |

Source: ADA Survey, 1996

## Dentist Average Incomes

- The Average General Dentist earns $122,000 a year!
- The Average Specialist earns $192,000 a year!
- The Average for All dentists is $135,000 a year!
- The Top 25% of dentists earn over $175,000!
- The Median dentist earns around $120,000!
- The Bottom 25% of dentists earn less than $75,000!

Source: ADA Survey Center, 1996 Survey of Dental Practice

## General Dentist VS. Specialist

| | Family Practice General Dentist | Specialist |
|---|---|---|
| Average number of yearly visits | 3.5 | 6 |
| Average length of time per visit | 45 Minutes | 35 Minutes |
| Average number of patient visits per week with hygiene | 80 | 105 |

Source: ADA Survey of Dental Practice, 1996, *Characteristics of Dentists in Private Practice and Their Patients*

| | Family Practice General Dentist | Specialist |
|---|---|---|
| Number of operatories: | 3.5 | 5 |
| Square feet of dental office: | 1600 | 2300 |
| Have more than one dental office location: | 5% | 35% |

ADA Survey Center, 1996

## General Dentist VS. Specialist

| | Family Practice General Dentist | Specialist |
|---|---|---|
| Weeks Worked Per Year | 48 | 47 |
| Hours per week treating patients | 33 | 32 |
| Hours per year treating patients | 1600 | 1550 |
| Hours per week in office | 37 | 37 |
| Hours per year in office | 1750 | 1750 |

Source: ADA Survey of Dental Practice, 1996, Characteristics of Dentists in Private Practice and Their Patients

## The effects of a fee increase on your overhead!

| Current Overhead Percent | Percent Fee Increase 5% | 10% | 15% | 20% | 25% |
|---|---|---|---|---|---|
| 90% | 50% | 100% | 150% | 200% | 250% |
| 85% | 33% | 67% | 100% | 133% | 167% |
| 80% | 25% | 50% | 75% | 100% | 125% |
| 75% | 20% | 40% | 60% | 80% | 100% |
| 70% | 17% | 33% | 50% | 67% | 83% |
| 65% | 14% | 29% | 43% | 57% | 71% |
| 60% | 12% | 25% | 37% | 50% | 62% |
| 55% | 11% | 22% | 33% | 44% | 56% |
| 50% | 10% | 20% | 30% | 40% | 50% |
| 45% | 9% | 18% | 27% | 36% | 45% |

The Numbers In Red Is The Percent Increase In Net Income Related To A Fee Increase!

## Family Practice General Dentist Net Income by 5 Year Age Group

| Age | Family Practice | General Dentist |
|---|---|---|
| 30 - 34 | $290,000 | $105,000 |
| 35 - 39 | $345,000 | $125,000 |
| 40 - 44 | $355,000 | $130,000 |
| 45 - 49 | $370,000 | $135,000 |
| 50 - 54 | $380,000 | $140,000 |
| 55 - 59 | $295,000 | $115,000 |
| 60 - 64 | $225,000 | $110,000 |

Source: ADA Survey Center, 1996 Survey of Dental Practice

## Dental Specialist Net Income by 5 Year Age Groups

| Age | Income |
|---|---|
| 30 - 34 | $145,000 |
| 35 - 39 | $180,000 |
| 40 - 44 | $225,000 |
| 45 - 49 | $210,000 |
| 50 - 54 | $190,000 |
| 55 - 59 | $180,000 |
| 60 - 64 | $145,000 |

Source: ADA Survey Center, Survey of Dental Practice, 1995

| | Family Practice General Dentist | Specialist |
|---|---|---|
| Weeks Worked Per Year | 48 | 47 |
| Weeks Of Vacation Per Year | 4 | 5 |
| Hours Per Week Treating Patients | 33 | 32 |
| Hours Per Year Treating Patients | 1600 | 1550 |
| Hours Per Week In Office | 37 | 37 |
| Hours Per Year In Office | 1750 | 1750 |

Source: ADA Survey of Dental Practice, 1996, Characteristics of Dentists in Private Practice and Their Patients

## Dental Office Revenue

| | | |
|---|---|---|
| 43% | Patient | $22 Billion |
| 52% | Private Insurance | $18 Billion |
| | Managed Care | $ 6 Billion |
| | Total Insurance | $24 Billion |
| 5% | Government | $ 2 Billion |
| 100% | Total US Dental Industry | $48 Billion |

Source: ADA Survey Center, 1996 Survey of Dental Practice

| | Family Practice General Dentist | Specialist |
|---|---|---|
| Gross Production Per Year | $330,000 | $480,000 |
| Gross Production Per Month | $27,500 | $40,000 |
| Gross Production Per Hour Treating Patients | $205 | $310 |
| Net Income Per Year | $122,000 | $192,000 |
| Net Income Per Month | $10,166 | $16,000 |
| Net Income Per Hour Treating Patients | $75 | $125 |
| Overhead Percentage | 60% | 53% |

Source: ADA Survey Center, 1996 Survey of Dental Practice

## The 3 components of operations and logistics management!

Sales Inventory Expenses

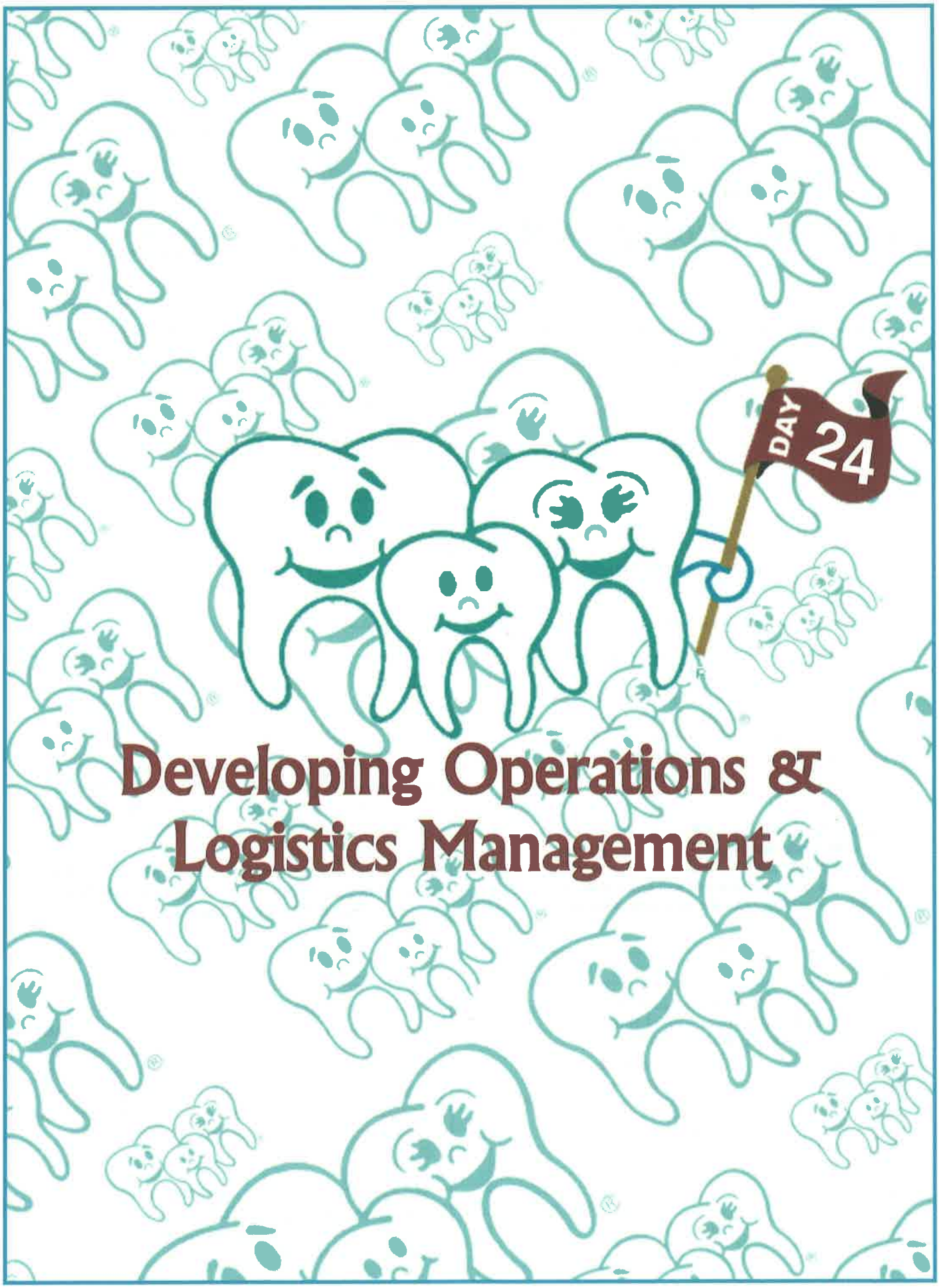
## What drives People??

1. Inspiration or Desperation
2. Pleasure or Pain
3. Perspiration

Anthony Robbins

1) Find out what you want!
2) Take action!
3) Study the consequence of your behavior!
4) If what you do is not working, try something else until it succeeds!

Anthony Robbins




# Developing Operations & Logistics Management

## Your 30 Day Dental MBA
## Day 24

# Developing Operations & Logistics Management

- **Service operations are responsible for the creation and delivery of value added goods and/or services in any organization – public or private, profit or non-profit!**

- The operations function within an organization typically accounts for 75% of a firm's investment, comprises 80% of a firm's personnel, and controls at least 85% of a firm's expenditures for materials and equipment!

**Professor Manus Rungtusanatham**
**Operations & Logistics Management**
**Arizona State University**

**Everyone has the ability to learn... it is simply a matter of how. Some people learn from routine practicing. Some people learn from reading, memorizing, and understanding. Some people learn from observing and/or concentrated study. Still others learn from applications to real-world phenomena.**

**Everyone has the ability to learn... it is simply a matter of degree - a matter of how much and how fast. Some people can absorb vast amounts of knowledge in a short period of time. Still others learn in tiny leaps and bounds.**

**Everyone has the ability to learn... there is neither a right way nor a wrong way. As a provider of knowledge, my job is to help my students learn in a manner satisfactory to their ability to learn.**

**Professor Manus Rungtusanatham, Operations and Logistics Management Professor, Arizona State University**

## "Discretion is the enemy of order, standardization and quality!"

**When I am teaching at one of my seminars, I ask the audience, ""How many of you can cook a better hamburger than McDonald's?" Almost everyone raises his or her hands! I then ask, "So if most of you can cook a better hamburger, how come McDonald's makes more money than you?"**

**The answer is obvious: McDonald's is excellent at executing business systems! The reason so many talented people are poor is because they focus on building a better hamburger and know little to nothing about the execution of business systems!**

## Do You Want to Build a Practice Quickly? Go Retail!

**Just ask Ray Kroc of McDonald's**

**FACT** McDonald's will open a brand new store, and in it's first month produce and collect 80% of its best month ever. From the first day out of the starting gate McDonald's has well trained management and staff.

**MYTH** You have to build a practice slowly and take an average of seven years to get a fee for service family practice dental office up and rolling.

## The McDonald's Check List

**McDonald's does a lot of things that dentists should do**

| • McDonald's has... | • Most Dentists have... |
|---|---|
| • Signature building | • Medical/Dental building |
| • Lighted Sign | • Wood sign next to a wood tree, camouflage |
| • Name and Logo | • "Dr. Good, DDS, MAGD" |
| • Economic incentive | • "Coupons are tacky." |
| • Television advertising | • Get into organized dentistry |
| • A realistic market attitude | • "I only want rich patients!" |
| • Trained management | • You |
| • Trained staff | • Staff is staff is staff |
| • Product consistency | • Amalgams to composites, PFM's to procera |
| • Systems dependent | • Doctor dependent |
| • Consumer convenient hours | • Doctor convenient hours |

**The world is filled with talented poor people! All too often, they are poor, struggle financially, or earn less than they are capable of! Not because of what they know, but because of what they do not know! They focus on perfecting their skills at building a better hamburger, filling, or crown, rather than the skills of selling and delivering hamburgers, fillings, and crowns!**

**Maybe McDonald's does not make the best hamburger, but they are definitely the best at the execution of business systems that sell and deliver a basically average burger!**

## The Goal

"If your goal of a company is to make money then something can only be efficient if it makes more money!"

The Goal by Eliyahu M. Goldratt

## An investment of $75,000 or more is made 3 - 5 times during the average dental career!

Howard Farran DDS, MBA, MAGD

## The average dentist spends $30,000 per year on equipment and practice enhancements!

Howard Farran DDS, MBA, MAGD

## Fact:

The average dentist owns 5 Cars during his/her career!

The average dentist owns 3 Homes during his/her career!

## Why should you buy our books, tapes, and CDs?

Studies show that in:

3 hours you will have less than 50% retention!

2 weeks you will have less than 20% retention!

30 days you will have less than 5% retention!

Unless you are Howard then disregard!

## The Five "P's"

- Processes
- Plants
- Planning & Control
- Parts
- People

Arizona State University, OPM 502, Professor M. Rungtusanatham

| Manufacturing | Service |
|---|---|
| The product is tangible | The Service is intangible |
| Ownership is transferred at the time of purchase | Ownership is generally not transferred |
| The product can be resold | No resale is possible |
| The product can be demonstrated before purchase | The product does not exist before purchase |
| The product can be stored in inventory | The product can not be stored |
| Production proceeds consumption | Production and consumption are simultaneous |
| Production and consumption ca be spatially separated | Production and consumption must occur at the same location |
| The product can be transported | The product can not be transported (although the producers can be) |
| The seller produces | The buyer takes part directly in the production process and can indeed perform part of the production |
| Indirect contact is possible between the company and the customer | In most cases direct contact is needed |
| The product can be exported | The service can not normally be exported, but the service delivery system can be |
| Business is organized by functions, with sales and production separate | Sales and production can not be separated functionally |

1984. Service Management: Strategy and Leadership in the Service Business, NY, NY: John Wiley

## "Waiting for a dental appointment is a design choice from the initial process and capacity design!"

Howard Farran DDS, MBA, MAGD

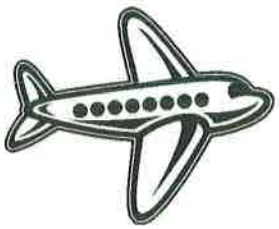
**Scheduling Services is more complex than scheduling for manufacturing because there is no inventory to absorb!**

**Customers, people, have a very high variance & distribution! Each one is like a snowflake!**

**Priority rules play a major role in services!**

**A) Priority**

**B) Volume of work, amount of work**



**Sunday the plane flies home almost filled to the brim!**

**200 seats filled at $200 each for a total revenue of $40,000**

## Total Revenue
## $40,000

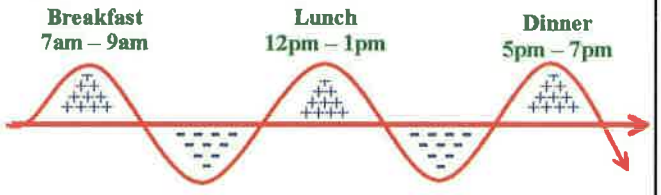
**Friday & Saturday night the plane flies home half empty!**

**100 seats filled at $800 each for a total revenue of $80,000**

**100 seats empty at $0.00 each**

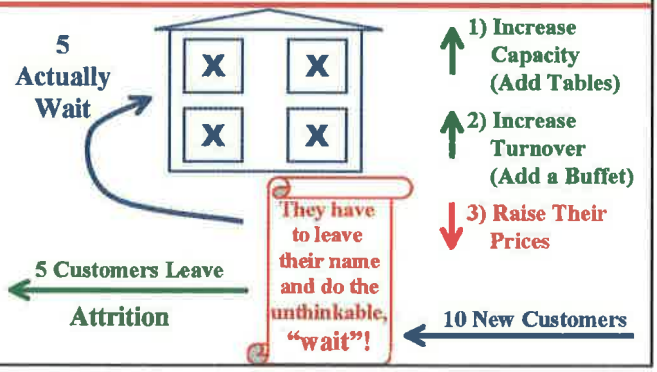
## Total Revenue
## $80,000

**Do restaurants, hotels, and airlines have cancellations, no shows, and broken appointments?**




**Do restaurants charge the same price for dinner on Friday & Saturday night as they do for lunch during the week?**

**What are the only 3 choices a restaurant can do when all of its tables are filled?**




## Scheduling:
## The Dentist's Secret Weapon

**Today more than ever before, your ability to capture information and then leverage it to work smarter empowers you to produce cash for the bottom line... Sure, market share is important. But pound for pound, building net income is the most effective way to create shareholder value.**

**Volney Taylor, Chairman and CEO of the Dun and Bradstreet, At the 82nd NAPM Meeting in Washington DC.**

**Available**: one that can be used and usable, can be reached and is very handy!

**Accessible**: easy to approach or enter, easily understood, obtainable and generally appreciated!

$$\$70 \times \frac{8}{8} = \$560$$

**100% Capacity**

**Bottleneck**

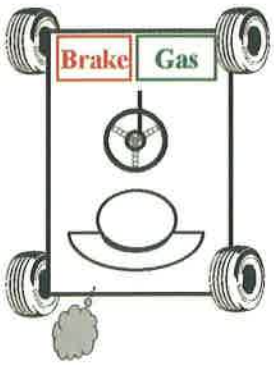
$$\$80 \times \frac{7}{8} = \$560$$

**.875% Capacity**

**No Bottleneck**

## Brake

1) Raise Your Prices




## Gas

2) Increase Your Capacity

3) Increase Your Speed

Friday & Saturday night the plane flies home half empty!

100 seats filled at $800 each for a total revenue of $80,000

100 seats empty at $0.00 each

## Total Revenue
## $80,000

| | The Average General Dentist | The Average Specialist |
|---|---|---|
| The average number of days to wait for a "new" patient to get in for an appointment! | 8 | 7 |
| The average number of days to wait for an "existing" patient of record to get in for an appointment! | 8 | 7 |

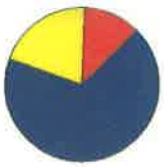
ADA Survey Center, 1996

The top 2 reasons cited for not getting a 6 month cleaning when you have indemnity dental insurance that pays 100% for a cleaning exam & x ray are:

1) **Difficulty in leaving work**
2) **Difficulty getting an appointment**

## Distribution of Dentists in Private Practice

**20%**
**Practicing with one other dentist**

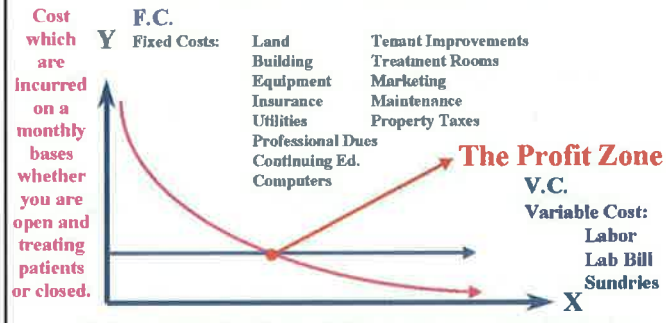


12% Practicing with two or more other dentists

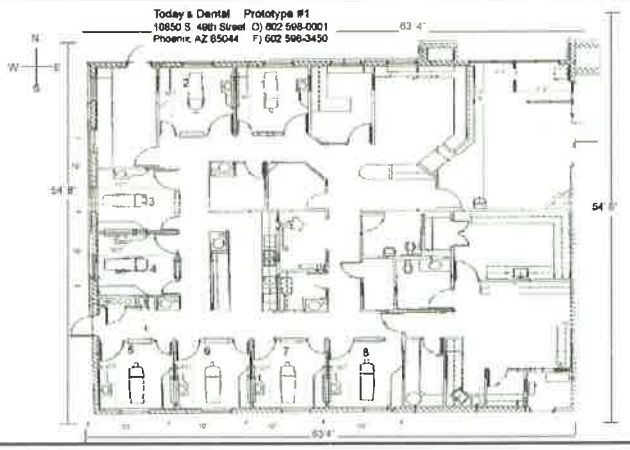
**68%**
**Solo Practices**

Source: ADA 1995 Survey of Dental Practices

## Fixed Costs vs. Variable Cost




Output of High Quality Dental Services During a Monthly Period.




**Accurate forecasts are CRITICAL to effective capacity planning!**

**But REMEMBER all forecasts are wrong, irrespective of method and some methods are worse than others!**

**Need to work with MARKETING on better forecasts of demand of products as well as supplying capability!**

Arizona State University, OPM 502, Professor M. Rungtusanatham

**Throughput** is the rate at which the system generates money through sales, or the money coming in.

**Inventory** is all the money that the system has invested in purchasing things which it intends to sell, or the money currently in the system.

**Operational Expense** is all the money the system spends in order to turn inventory into throughput, or the money you have to pay out.

Source: The Goal, Eliyahu M. Goldratt, Copyright, 1984

## The 3 components of operations and logistics management!

Sales Inventory Expenses

- According to the cost-accounting rules we're supposed to balance capacity with demand first, then try to maintain the flow!
- But instead we shouldn't be trying to balance capacity at all; we need excess capacity!
- The rule we should be following is to balance the *flow* with demand, not the capacity!

Source: The Goal, Eliyahu M. Goldratt, Copyright, 1984

**Patients will always move through the dental office in waves, not in an orderly manageable flow! This is due to dependent events and statistical fluctuations!**

Source: The Goal, Eliyahu M. Goldratt, Copyright, 1984

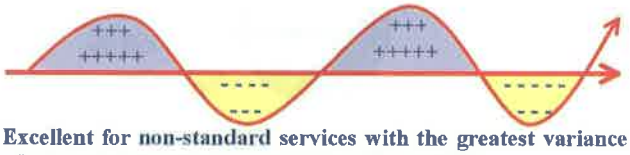
Henry Ford 1863 – 1947
Founder of the Ford Motor Company 1903

**Revolutionized the automobile industry with the assembly line method of production!**

**Excellent for standard products with a low variance which all come out the same!**

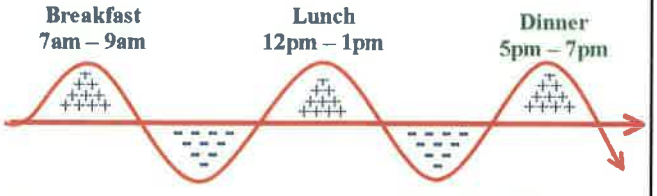
Ray Kroc 1902 - 1984
Founder of McDonald's in 1954

Revolutionized the service industry by imposing the discipline of matching "flow with demand" instead of the long held belief of matching "capacity with demand". Ray said you need excess capacity!



Excellent for non-standard services with the greatest variance where every customer is as unique as a snowflake.

Do restaurants, hotels, and airlines have cancellations, no shows, and broken appointments?




Do restaurants charge the same price for dinner on Friday & Saturday night as they do for lunch during the week?

**It is a wrong assumption that you must make the workers produce one hundred percent of the time, or else get rid of them to 'save' money.**

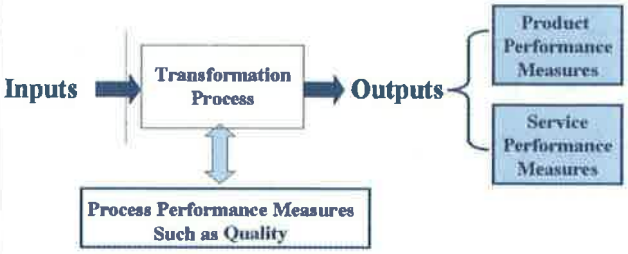
**Making an employee work and profiting from that work are two different things.**

Source: The Goal, Eliyahu M. Goldratt, Copyright, 1984

- I have come to the conclusion that **productivity is the act of bringing a company closer to its goal!**
- Every action that brings a company closer to its goal is productive!
- Every action that does not bring a company closer to its goal is not productive!

Source: The Goal, Eliyahu M. Goldratt, Copyright, 1984

## Operations is a Transformation Process




Arizona State University, OPM 502, Professor M. Rungtusanatham

$70 X 8/8 = $560
100% Capacity
Bottleneck

$80 X 7/8 = $560
.875% Capacity
No Bottleneck

## Vilfredo Pareto ≡ The Pareto Rule

**The 80 - 20 rule which states that 80% of all events can be attributed to only 20% of their causes. This is Mother Nature's mysterious empirical relationship between cause and effect!**

80% of the patients that came into your office last year were from 20% of your charts!

85% of the beer is consumed by 15% of the beer drinkers!

80% of your collection problems are from 20% of the patients you treated!

80% of the calories people eat are from 20% of the food items they eat!

80% of your staff problems arise from 20% of your staff!

80% of the clothes you wear are from 20% of your wardrobe!.

80% of your profit in dentistry comes from 20% of your procedures!

**Accurate forecasts are CRITICAL to effective capacity planning!**

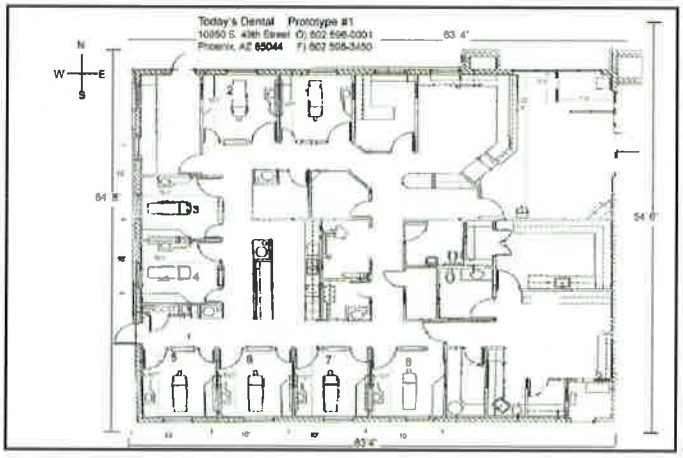
**But REMEMBER all forecasts are wrong, irrespective of method and some methods are worse than others!**

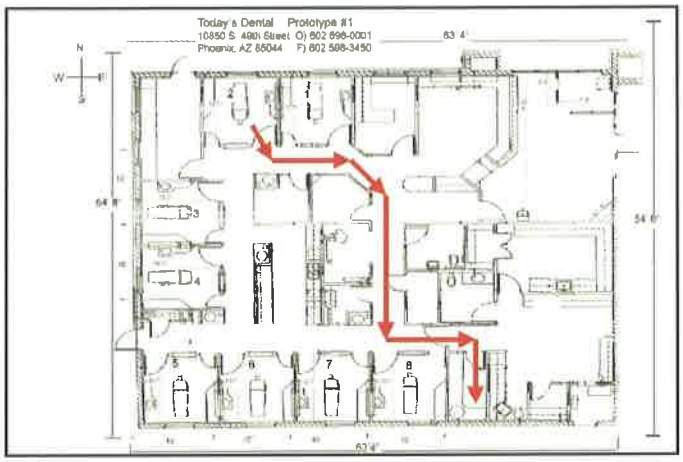
**Need to work with MARKETING on better forecasts of demand of products as well as supplying capability!**

Arizona State University, OPM 502, Professor M. Rungtusanatham

## "If at first you do succeed, quit trying! "

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham

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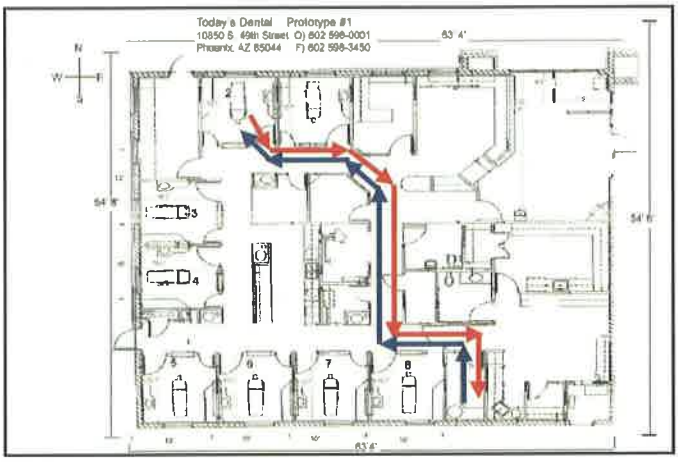
Phoenix, AZ 85044 F) 602 598-3450
63' 4"
54' 6"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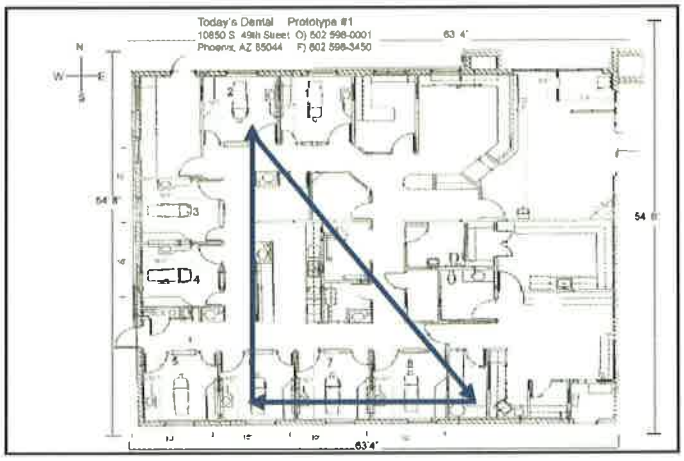
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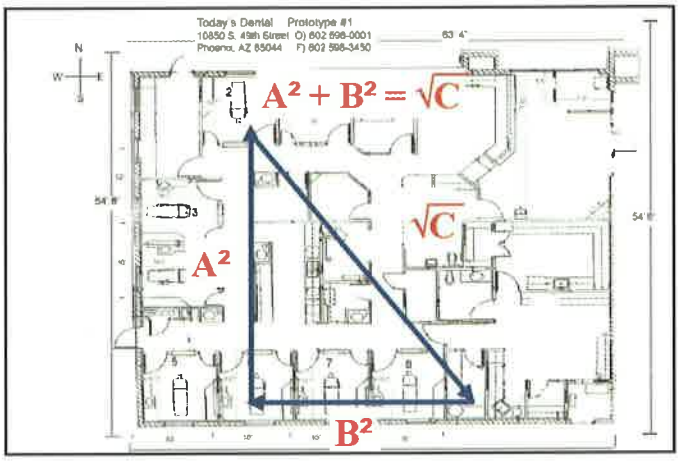
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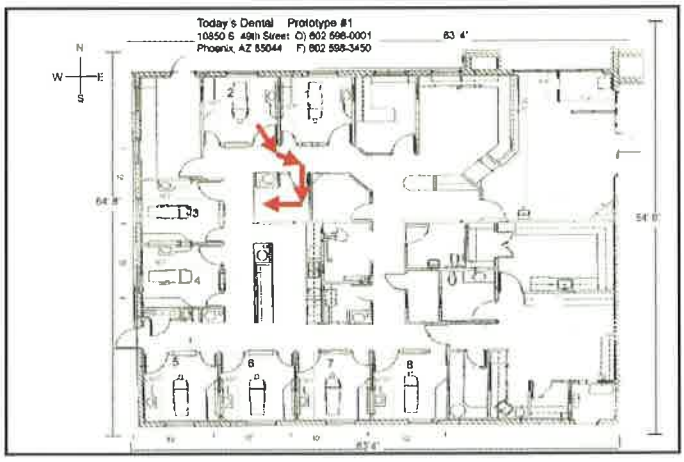
63' 4"
54' 6"
A² + B² = √C
√C
A²
B²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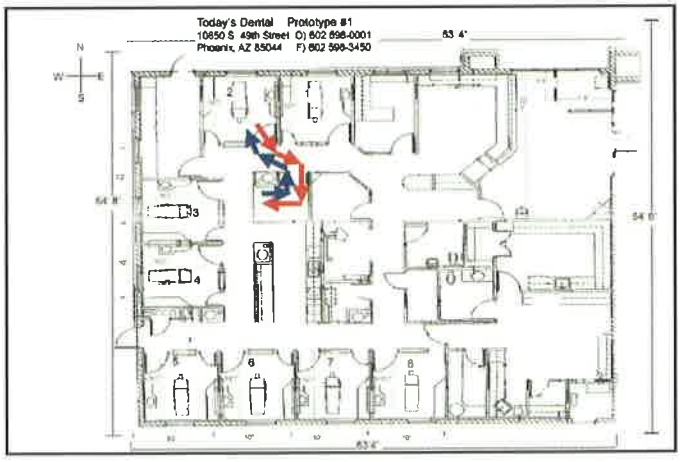
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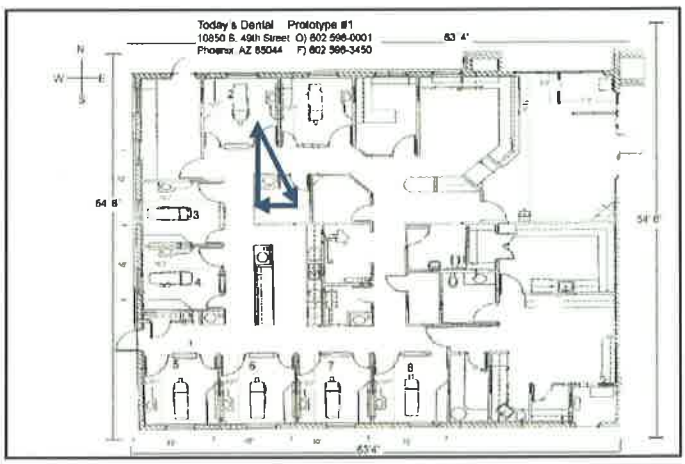
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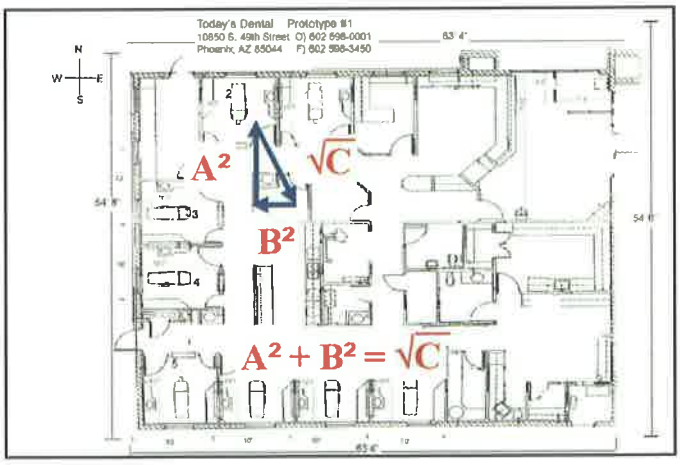
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A²
√C
B²
A² + B² = √C

# The whole of science is nothing more than the refinement of everyday thinking.

**Albert Einstein**

# The 3 components of operations and logistics management!

**Sales** **Inventory** **Expenses**

**Throughput** is the rate at which the system generates money through sales, or the money coming in.

**Inventory** is all the money that the system has invested in purchasing things which it intends to sell, or the money currently in the system.

**Operational Expense** is all the money the system spends in order to turn inventory into throughput, or the money you have to pay out.

Source: The Goal, Eliyahu M. Goldratt, Copyright, 1984

## Little-Known Facts About the Telephone

The telephone may be the most important communication tool of our time. Here are some interesting, unexpected, and thought-provoking facts about the telephone – its history and its impact on our world:

- When telephones were first introduced into the White House, presidents made their phone calls in a booth outside their office. In 1929, Herbert Hoover was the first U.S. president to have a phone installed in his office.
- Eighty-eight million households in the U.S. have at least one telephone.
- More than one-third of owners of answering machines use them to screen calls.
- The Bahamas has 265 pay phones. Kuwait has 270. Syria has 503. Luxembourg has 640. Iceland has 940. Zimbabwe has 989. The U.S. has approximately 2 million.

**LCI World, LCI International, 4650 Lakehurst Court, Dublin, OH 43017**

**PERCENTAGE OF DENTISTS USING VARIOUS TYPES OF EQUIPMENT IN THEIR PRIMARY PRACTICES, 1987, 1990 & 1993**

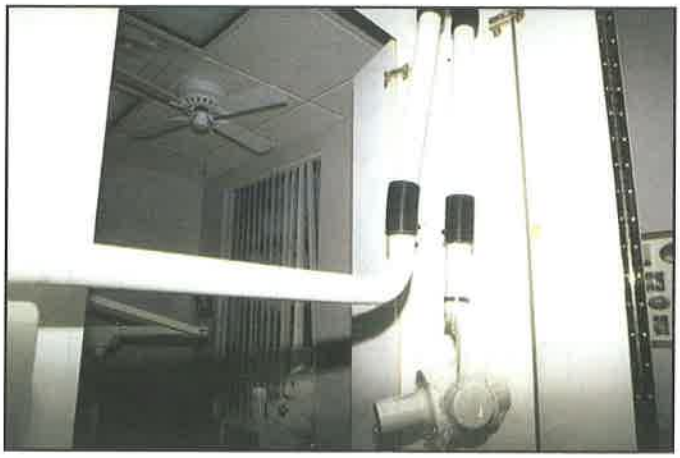
| Types of Equipment | 1987 (%) | 1990 (%) | 1993 (%) |
|---|---|---|---|
| Composite light–curing unit | 83.1 | 90.2 | 92.6 |
| High-speed air handpiece With fiber optics | 57.6 | 66.2 | 71.2 |
| Panoramic radiographic unit | 43.9 | 46.0 | 54.1 |
| Ultrasonic or sonic scaling unit | 76.0 | 82.7 | 86.8 |
| Electrosurgical unit | 42.4 | 43.7 | 45.1 |
| Nitrous oxide analgesic | 54.2 | 57.3 | 57.4 |
| Modular instrument Delivery system | 16.4 | 17.8 | 21.8 |
| Automatic radiograph film Processor | 63.9 | 69.8 | 78.8 |
| Autoclavable handpiece | 56.1 | 67.6 | 97.9 |
| Scavenger system for Nitrous oxide | 29.4 | 37.4 | 44.5 |
| Intraoral video camera | 10.2 | 6.3 | 19.1 |
| Surgical laser | 0.7 | 0.7 | 1.7 |
| Spore test | 16.0 | 33.4 | 71.2 |
| Silver recovery unit | NA | 16.2 | 13.7 |
| Amalgam separator | NA | NA | 16.8 |

Source: American Dental Association. NA: Not Available

## Fact:

**The average dentist owns 5 cars during his/her career.**

**The average dentist owns 3 homes during his/her career**



## Priority rules ask us how are you going to select which work to do first?

Capacity decisions are concerned with the rate of production/delivery of output:

- Long-term = Facility decisions!
- Medium-term = Aggregate Planning decisions!
- Short-term = Scheduling decisions!

Capacity decisions are made under the constraints of:

- Facility design!
- Optimum oral health care treatment plan!
- Operational logistics!



## Common Causes are problems from your methods, materials, machines, personnel, and environment that constitute the process!

Common Causes are expensive to eliminate from your process!

### Examples of Common Causes are:

- Human variation in customer & staff behavior
- Slight variations in treatment rooms
- Slight variations in supplies & laboratories
- Office design & flow
- The number of dental treatment rooms
- Accessibility
- Availability



## Mark Twain said that common sense is not so common!

## Common sense is always covered up with common practice!

## Special Causes: are problems that are not part of the process design!

Special Causes are transient, fleeting events that affect local areas of the process for a short period of time!

### Examples of Special Causes are:

- Human variation in customer behavior
- Staff calls in sick
- Dental treatment room breaks down
- X-ray developer goes down
- Lab cases aren't delivered in time
- Temporary help to cover vacation/maternity leave
- Untrained temporary worker and new hire



## Variations have Two Basic Types:

Special Causes (15% - 20%)
- → Assignable Causes
- → Local Faults
- → Sporadic problems

} Operator

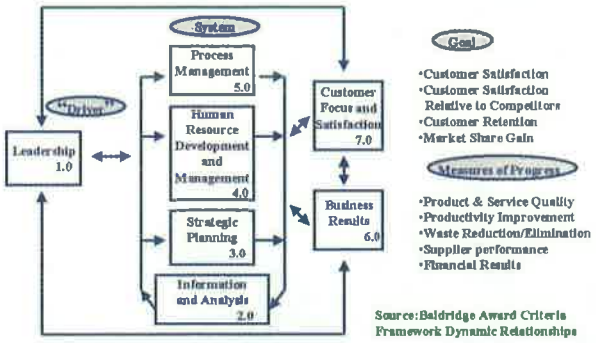
Common Causes (80% - 85%)
- → Chance Causes
- → System Faults
- → Chronic Problems

} Management

The Industrial Revolution was about Massification and low diversity scales of economy!

The Knowledge Revolution is about very specialized Customization that is highly diversified!

## Total Quality Management: Core Concepts, Principles, and Techniques




Source: Baldridge Award Criteria Framework Dynamic Relationships

## Quality Improvement by Flowcharts: A Matter of Asking the "Right" Questions

- Where do errors occur in this process?
- What are the quality costs generated by this process?
- Which operation(s) do not add value?
- What do customers care about expressed in terms of engineering or service-delivery characteristics?
- What sources of variation affect this process and where do they arise?
- Which operation(s) are not in statistical control

Arizona State University, OPM 502, Professor M. Rungtusanatham

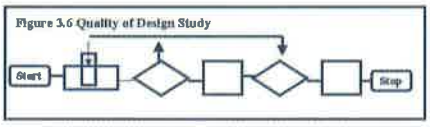
## Principles for Constructing a Flowchart

- Define ownership
- Establish Boundaries
- Define the process
- Establish control points
- Implement measurement
- Take corrective action

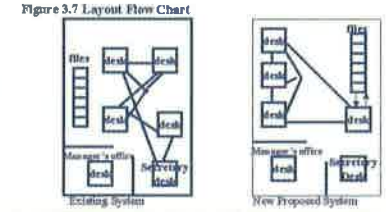
Arizona State University, OPM 502, Professor M. Rungtusanatham

## Types of Flowcharts

System Flowchart




Layout Flowchart

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## The 6 Features of Process Management

| The 6 Features of Process Management | Manufacturing | Service/Administrative |
|---|---|---|
| Ownership | Clearly Defined | Ambiguous/Multiple Ownership |
| Boundaries | Defined | Unclear |
| Process Definition | Formally Documented | Little/None, or Unintegrated |
| Control Points | Established | Often Non-Existent |
| Measurements | Established | Often Non-Existent/Qualitative |
| Corrective Action | Performed | Done Reactively, if Performed |

Source: *Process Management in Service and Administrative Operations*, Quality Progress, June 1985

- If the goal is to make money, then an action that moves us toward making money is productive!
- Any action that takes away from making money is non-productive!

Source: *The Goal*, Eliyahu M. Goldratt, copyright 1984

**Work is its own reward!**

- We need financial measurements for two different reasons!
- One is control; knowing to what extent a company is achieving its goal of making money!
- The other reason is probably even more important; measurements should induce the parts to do what's good for the organization as a whole!

Source: The Goal Eliyahu M. Goldratt, Copyright 1984

Step 1: Identify the system's bottlenecks!

Step 2: Decide how to exploit the bottlenecks!

Step 3: Subordinate everything else to the above decision!

Step 4: Elevate the system's bottlenecks!

Step 5: If, in a previous step, a bottleneck has been broken go back to step 1!

Source: The Goal Eliyahu M. Goldratt, Copyright 1984

## The 3 components of operations and logistics management!

Sales Inventory Expenses

## Your Management Information System, (MIS), is only as good as your computer!

Suggested Software:

| | |
|---|---|
| SoftDent (Dentsply) | 800 443 2409 |
| Dentrix (Shein) | 800 472 4346 |
| Eaglesoft (Patterson) | 800 352 8101 |
| Practice Outlook | 800 247 6173 |

A strong management information system (MIS) or integrated technology (IT) system, like SoftDent, Eaglesoft, Dentrix, or Practice Outlook, is key to the renewal in productivity of the American family practice dental healthcare system!

Howard Farran DDS, MBA, MAGD

I get this gut hunch that none of us here has anything more than a witch doctor's understanding of the medicine we're practicing. Our tribe is dying and we're dancing in our ceremonial smoke to exorcise the devil that's ailing us!

Source: The Goal Eliyahu M. Goldratt, Copyright 1984

## Successful Companies Who Achieve Goals

1. Support their employees with considerable training, to improve efficiency from their high cost labor investment.
2. Invest massively in technology to get more outputs from their expensive labor market.
3. Use gain-sharing systems that spread the created wealth and share the reward. What motivates the owners also motivates the entire team.
4. Have exquisitely crafted information management systems that assist in keeping "the score!"

## The 7 Habits of Highly Effective People

1. **Be Pro-Active**: Take the initiative and the responsibility to make things happen.
2. **Begin With The End In Mind**: Start with a clear destination to understand where you are now, where you are going and what you value most.
3. **Put First Things First**: Manage yourself. Organize and execute around priorities.
4. **Think Win/Win**: See life as a cooperative, not a comprehensive arena where success is not achieved at the expense or exclusion of the success of others.
5. **Seek First To Understand**: Understand, then be understood to build the skills of empathetic listening that inspires openness and trust.
6. **Synergize**: Apply the principles of cooperation creativity and value differences.
7. **Renewal**: Preserving and enhancing your greatest asset, yourself, by renewing the physical, spiritual, mental & social/emotional dimensions of your nature.

## The 3 Legs of Managerial Economics!

What's the Reward?

What's the Score?

Who Makes What Decisions?

Source: Adapted from Managerial Economics and Organizational Architecture, Brinckley, Smith & Zimmerman

## The 8 Principles of Waiting!

1) Unoccupied Time Feels Longer than Occupied Time
2) Pre-Process Waits Feel Longer than In-Process Waits
3) Anxiety Makes Waits Seem Longer
4) Uncertain Waits are Longer than Known, Finite Waits
5) Unexplained Waits are Longer than Explained Waits
6) Unfair Waits are Longer than Equitable Waits
7) The more Valuable the Service, The Longer I Will Wait
8) Solo Waiting Feels Longer Than Group Waiting

**Source: Harvard Business School, The Psychology of Waiting Lines**

- **In 1991 there were 704 million patient visits to the physician!**
- **If each patient had to wait 30 minutes for his or her scheduled appointment, then our economy would have lost 176,000 years of work!**

**Regina Herzlinger Ph.D.**
**Economist Harvard University**
**Author of Market Driven Health Care**

## EXIT INTERVIEW

1. Were you satisfied with the treatment you received from the service staff? Yes____ No____
2. Did the service staff listen and understand your needs? Yes____ No____
3. Were you satisfied with the service staffs' ability to have your vehicle ready when promised? Yes____ No____
4. If you receive a survey from Chrysler Corp. Will you be able to answer it in a positive fashion? Yes____No____
5. Comments:

**Source: Chrysler**

McDonald's has 332 service auditors for 11,400 stores in the United States. That is about one service auditor for every 34 stores!

**Each day 7% of all Americans eat at McDonald's. Worldwide they have nearly 20,000 stores, with average 1995 revenues of $1.8 million each, with 55 items on the menu!**

*Market Driven Health Care*, Regina Herzlinger, Copyright 1997

## The Key Measures of Consumerism:

1) Time on the phone necessary to make an appointment:

2) The number of days needed to wait for an appointment with:

| | |
|---|---|
| Hygienist | Cleaning |
| Dentist | Scheduled |
| Dentist | Emergency |

3) On time performance of seating each dental patient:

Howard Farran DDS, MBA, MAGD

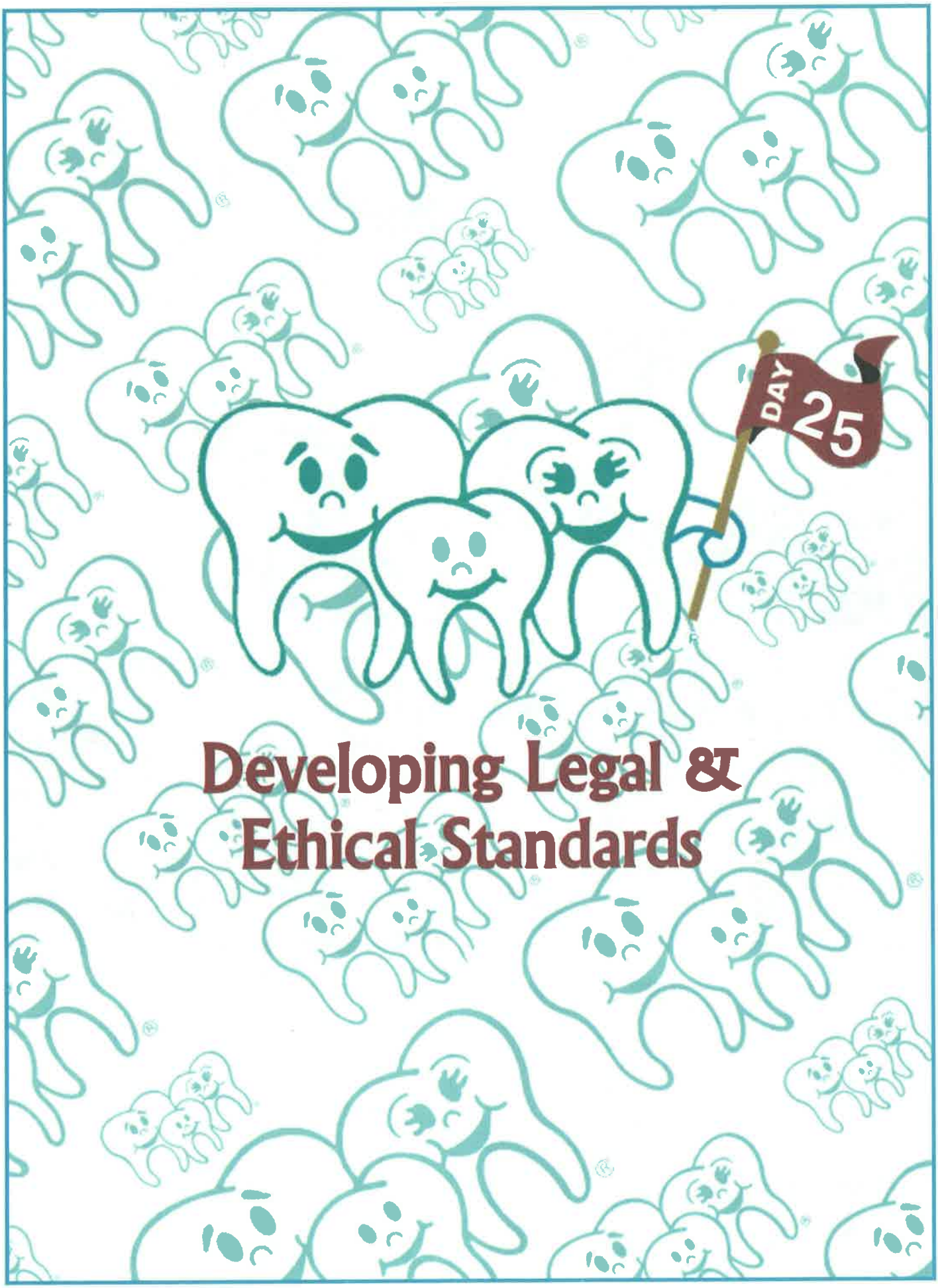
## The 3 components of operations and logistics management!

Sales Inventory Expenses

## The effects of a fee increase on your overhead!

| Current Overhead Percent | Percent Fee Increase 5% | 10% | 15% | 20% | 25% |
|---|---|---|---|---|---|
| 90% | 50% | 100% | 150% | 200% | 250% |
| 85% | 33% | 67% | 100% | 133% | 167% |
| 80% | 25% | 50% | 75% | 100% | 125% |
| 75% | 20% | 40% | 60% | 80% | 100% |
| 70% | 17% | 33% | 50% | 67% | 83% |
| 65% | 14% | 29% | 43% | 57% | 71% |
| 60% | 12% | 25% | 37% | 50% | 62% |
| 55% | 11% | 22% | 33% | 44% | 56% |
| 50% | 10% | 20% | 30% | 40% | 50% |
| 45% | 9% | 18% | 27% | 36% | 45% |

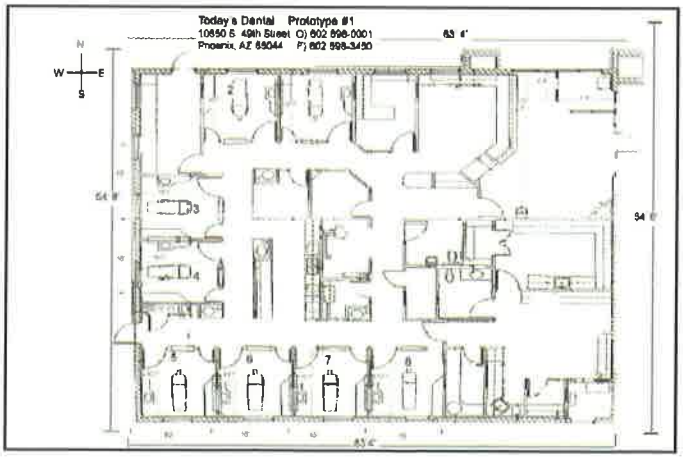
The Numbers In Red Is The Percent Increase In Net Income Related To A Fee Increase!

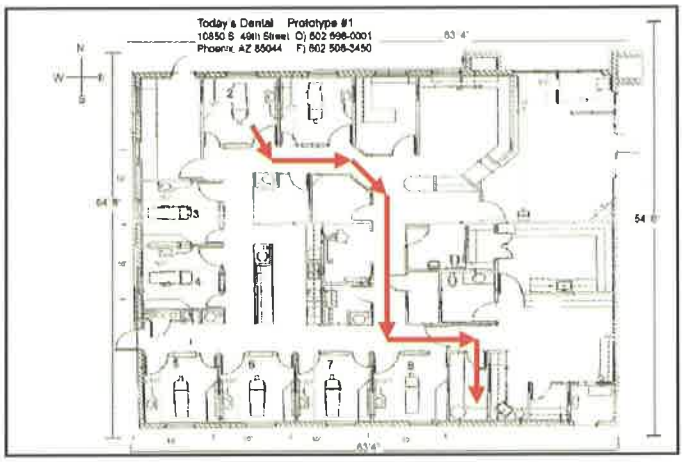



# Developing Legal & Ethical Standards

Your 30 Day Dental MBA
Day 25

# Developing Legal & Ethical Standards

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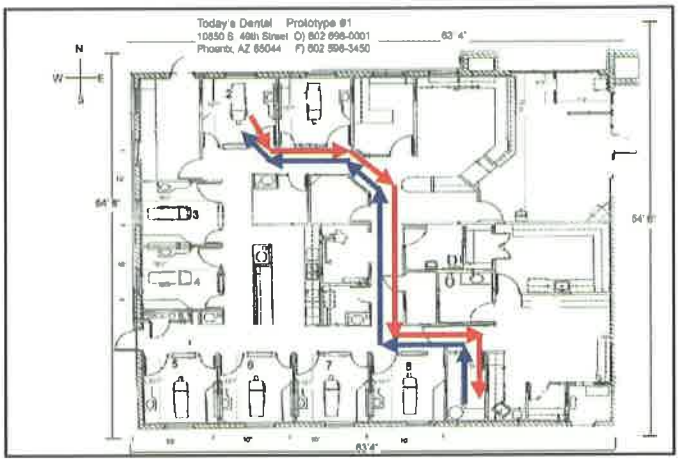
63' 4"
54' 0"


Today's Dental Prototype #1
10850 S. 48th Street O) 602 598-0001
Phoenix, AZ 85044 F) 602 598-3450
63' 4"
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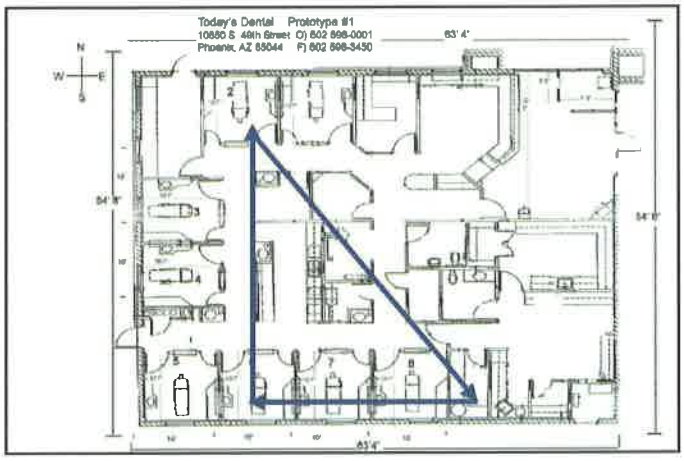
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Phoenix, AZ 85044 F) 602 598-3450
63' 4"
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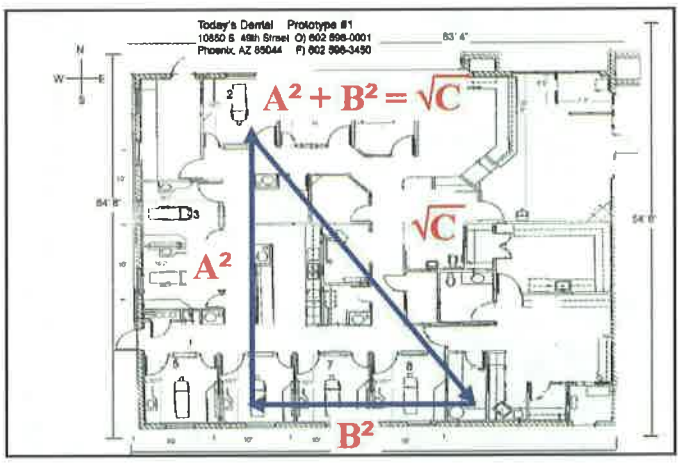
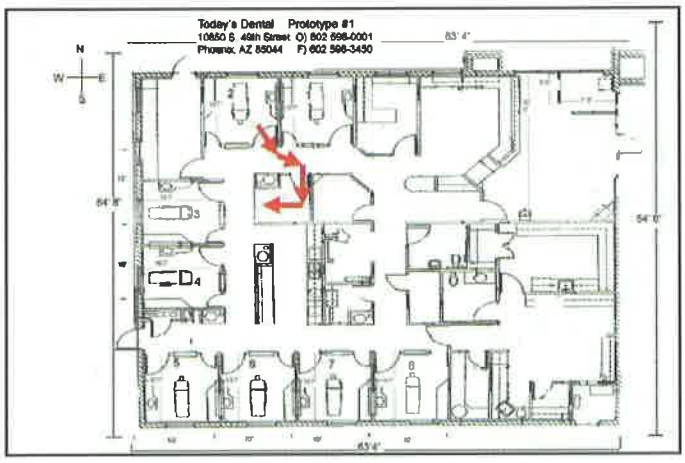

Today's Dental Prototype #1
10850 S. 48th Street O) 602 598-0001
Phoenix, AZ 85044 F) 602 598-3450
63' 4"
54' 0"
A² + B² = √C
√C
A²
B²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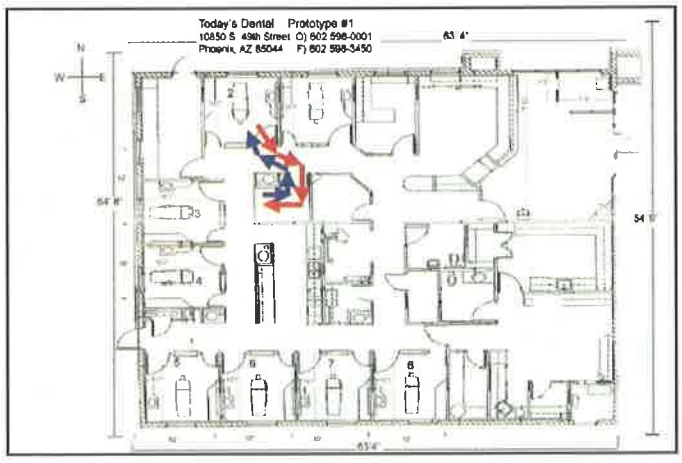
10850 S. 48th Street O) 602 598-0001
Phoenix, AZ 85044 F) 602 598-3450
63' 4"
54' 0"


Today's Dental Prototype #1
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63' 4"
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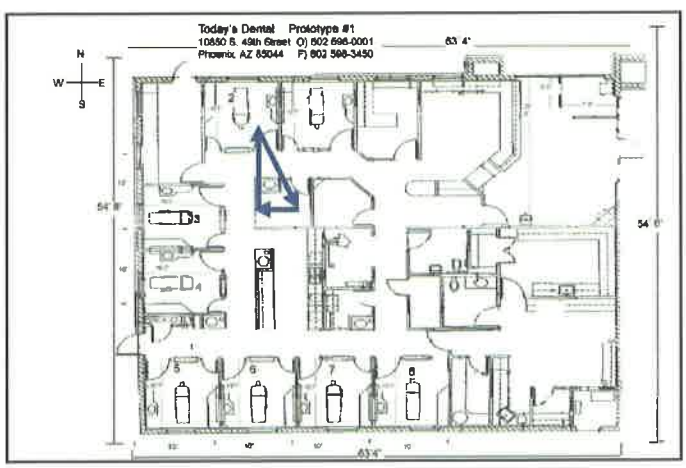
Today's Dental Prototype #1
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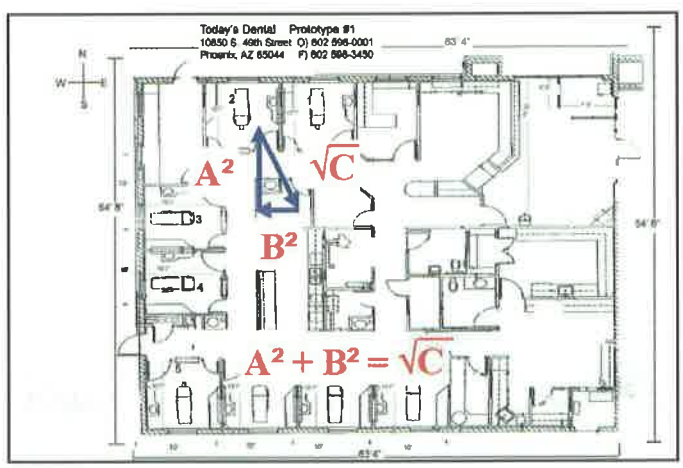
Phoenix, AZ 85044 F) 602 598-3450
63' 4"
54' 0"

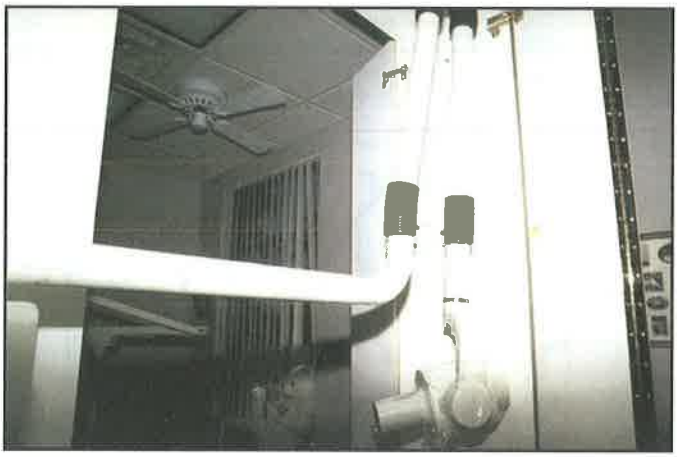

Today's Dental Prototype #1
10850 S. 48th Street O) 602 598-0001
Phoenix, AZ 85044 F) 602 598-3450
63' 4"
54' 0"
A²
√C
B²
A² + B² = √C

**The whole of science is nothing more than the refinement of everyday thinking.**

**Albert Einstein**

**The 3 components of operations and logistics management!**

**Sales** **Inventory** **Expenses**



**Common Causes are problems from your methods, materials, machines, personnel, and environment that constitute the process!**

**Common Causes are expensive to eliminate from your process!**

**Examples of Common Causes are:**

- **Human variation in customer & staff behavior**
- **Slight variations in treatment rooms**
- **Slight variations in supplies & laboratories**
- **Office design & flow**
- **The number of dental treatment rooms**
- **Accessibility**
- **Availability**

**Arizona State University, OPM 502, Professor M. Rungtusanatham**

## Mark Twain said that common sense is not so common!

## Common sense is always covered up with common practice!

## Special Causes: are problems that are not part of the process design!

Special Causes are transient, fleeting events that affect local areas of the process for a short period of time!

**Examples of Special Causes are:**

- Human variation in customer behavior
- Staff calls in sick
- Dental treatment room breaks down
- X-ray developer goes down
- Lab cases aren't delivered in time
- Temporary help to cover vacation/maternity leave
- Untrained temporary worker and new hire

Arizona State University, OPM 502, Professor M. Rungtusanatham

## Variations have Two Basic Types:

Special Causes (15% - 20%)
→ Assignable Causes
→ Local Faults
→ Sporadic problems
} Operator

Common Causes (80% - 85%)
→ Chance Causes
→ System Faults
→ Chronic Problems
} Management

Arizona State University, OPM 502, Professor M. Rungtusanatham

## The Industrial Revolution was about Massification and low diversity scales of economy!

## The Knowledge Revolution is about very specialized Customization that is highly diversified!

## Principles for Constructing a Flowchart

- Define ownership
- Establish Boundaries
- Define the process
- Establish control points
- Implement measurement
- Take corrective action

Arizona State University, OPM 502, Professor M. Rungtusanatham

- If the goal is to make money, then an action that moves us toward making money is productive!
- Any action that takes away from making money is non-productive!

Source: *The Goal*, Eliyahu M. Goldratt, copyright 1984

- We need financial measurements for two different reasons!
- One is control; knowing to what extent a company is achieving its goal of making money!
- The other reason is probably even more important; measurements should induce the parts to do what's good for the organization as a whole!

Source: The Goal Eliyahu M. Goldratt, Copyright 1984

**Step 1:** Identify the system's bottlenecks!

**Step 2:** Decide how to exploit the bottlenecks!

**Step 3:** Subordinate everything else to the above decision!

**Step 4:** Elevate the system's bottlenecks!

**Step 5:** If, in a previous step, a bottleneck has been broken go back to step 1!

Source: The Goal Eliyahu M. Goldratt, Copyright 1984

EXIT INTERVIEW

1. Were you satisfied with the treatment you received from the service staff? Yes____ No____
2. Did the service staff listen and understand your needs? Yes____ No____
3. Were you satisfied with the service staffs' ability to have your vehicle ready when promised? Yes____ No____
4. If you receive a survey from Chrysler Corp. Will you be able to answer it in a positive fashion? Yes____No____
5. Comments:

Source: Chrysler

## The Key Measures of Consumerism:

1) Time on the phone necessary to make an appointment:

2) The number of days needed to wait for an appointment with:

| | |
|---|---|
| Hygienist | Cleaning |
| Dentist | Scheduled |
| Dentist | Emergency |

3) On time performance of seating each dental patient:

Howard Farran DDS, MBA, MAGD

## Certain other societies may respect the rule of force--we respect the rule of law!

John Fitzgerald Kennedy

## If you don't like the law then change it!

## The 18th and 21st Amendments!

In 1919 the Constitution's Eighteenth Amendment was adopted, prohibiting the manufacture and sales of alcohol. By 1933, the Twenty-First Amendment repealed the Eighteenth Amendment, ending the prohibition period!

The Legal, Ethical and International Environment of Business, Herbert M. Bohlman& Mary Jane Dundas, 1996

## Definitions of Law:

First, law means a system that promotes social order and justice by establishing rules of moral conduct.

Second, Law means a principle represented by a rule.

The Legal, Ethical and International Environment of Business, Herbert M. Bohlman& Mary Jane Dundas, 1996

## Common Law

**Common law is a body of law developed from both custom and judicial decisions (that is, from cases) in English and American courts!**

The Legal, Ethical and International Environment of Business, Herbert M. Bohlman& Mary Jane Dundas, 1996

## Probate

**Probate is the legal process of settling a person's estate by collecting property owned by the deceased (also called the decedent), paying her or his debts, and transferring ownership of the decedent's property to her or his heirs!**

The Legal, Ethical and International Environment of Business, Herbert M. Bohlman& Mary Jane Dundas, 1996

## Dot your i's and cross your t's

**Historically, if the lawyer used the wrong procedural writ, the person would lose the case! The only appeal was to the king! The effect still lingers in the consciousness of society! We all have heard, for example, that "you must cross every t and dot every i" (of the writ) when dealing with legal matters, even thought today it is not literally true!**

The Legal, Ethical and International Environment of Business, Herbert M. Bohlman& Mary Jane Dundas, 1996

## Ethics & Morals

**Ethics is from a Greek word *ethos* and morals is from the Latin word *moralis*.**

The Legal, Ethical and International Environment of Business, Herbert M. Bohlman& Mary Jane Dundas, 1996

## Socrates 469 - 399 B.C.

**Socrates, an ancient Greek, believed that wrong actions arose from ignorance! He believed that the way to discover universal rules was to use inductive reasoning! Through the questioning process, people would progress from general to more specific knowledge and eventually discover universal rules that applied to all examples! The Socratic method is named after him!**

The Legal, Ethical and International Environment of Business, Herbert M. Bohlman& Mary Jane Dundas, 1996

## Plato 428 - 354 B.C.

**Plato, also an ancient Greek, was a student and friend of Socrates! Plato believed that all people desire happiness! Since people try to act in ways that produce happiness, actions contrary to this objective are mistakes caused by ignorance! According to Plato, if people know that moral virtues will lead to happiness, they will act virtuously!**

The Legal, Ethical and International Environment of Business, Herbert M. Bohlman& Mary Jane Dundas, 1996

## Aristotle 384 - 322 B.C.

**Aristotle, an ancient Greek philosopher, was Plato's student! Aristotle regarded ethics as the study of practical knowledge! He believed that people's goal was happiness, and they achieved it when they fulfilled a function! Thus, they had to discover what function made them happy! Moral virtue fell between extremes! For example, generosity fell between stinginess and wastefulness, and courage fell between the extremes of cowardice and foolhardiness!**

The Legal, Ethical and International Environment of Business, Herbert M. Bohlman& Mary Jane Dundas, 1996

## Antisthenes 444 - 366 B.C.

**Founded by Antisthenes in ancient Greece, the Cynics claimed that people achieved happiness by leading a life of self-control and being free from material desires and pleasures! He reasoned that individuals could not control these appetites for long!**

The Legal, Ethical and International Environment of Business, Herbert M. Bohlman& Mary Jane Dundas, 1996

## Epicurus 341 - 270 B.C.

Founded by Epicurus in ancient Greece, Epicureans equated happiness with seeking moderate pleasure and avoiding pain! Pleasure was gained through prudence, moderation, courage, justice, and friendships!

The Legal, Ethical and International Environment of Business, Herbert M. Bohlman& Mary Jane Dundas, 1996

## Zeno 336 - 261 B.C.

Stoicism was founded by Zeno, who was from Citium, a city located on Cyprus! The Stoics thought it was foolish to try to shape circumstances to human desires! A divine intelligence guides and governs circumstances and directs all things ultimately toward goodness!

The Legal, Ethical and International Environment of Business, Herbert M. Bohlman& Mary Jane Dundas, 1996

## Kant 1724 - 1804

Immanuel Kant who was from Konigsburg, Prussia, based his philosophy in reason. He believed that a universal set of ethical principles existed that could serve as action-guiding rules. Through the reasoning process this absolute and finite set of rules could be determined. His rules were duty based. For example, he believed that truth-telling was a universal rule. If lying were to become the universal rule—everyone lies—life would be impossible because no one could trust anyone. If truth-telling is the universal rule, everyone's moral duty is to tell the truth: Kant's logic did not consider the consequences of the absolutism of universal rules.

## Rawls 1921 -

John Rawls was a professor of philosophy at Harvard University. He contends that because society is not heterogeneous, people hold opposing and sometimes irreconcilable views. Thus, democracy requires tolerance, which will lead to the principle of extensive individual liberty.

The Legal, Ethical and International Environment of Business, Herbert M. Bohlman& Mary Jane Dundas, 1996

## The *Exxon Valdez* in Perspective!

According to the National Academy of Sciences, Washington, D.C., the world's waters are polluted annually with 540 million gallons of oil, the equivalent of 50 *Exxon Valdez* accidents every year!

The Legal, Ethical and International Environment of Business, Herbert M. Bohlman& Mary Jane Dundas, 1996

## Stakeholders

Stakeholders include:

(1) the shareholders,
(2) the government,
(3) the employees,
(4) the customers,
(5) the suppliers, and
(6) the community or public at large.

The Legal, Ethical and International Environment of Business, Herbert M. Bohlman& Mary Jane Dundas, 1996

## Jurisdiction

*Juris* means law. *Diction* means to speak. Thus "the power to speak the law" is the literal meaning of the term jurisdiction.

The Legal, Ethical and International Environment of Business, Herbert M. Bohlman& Mary Jane Dundas, 1996

## Divorce is not like it seems on TV!

Only 8% of the couples were both represented by attorneys and more than 60% of the couples had no attorneys in divorce actions!

The Legal, Ethical and International Environment of Business, Herbert M. Bohlman& Mary Jane Dundas, 1996

## The Supreme Overload!

**Thousands of cases are filed with the Supreme Court each year, but it decides to take an average of 100 to 200 cases annually!**

The Legal, Ethical and International Environment of Business, Herbert M. Bohlman& Mary Jane Dundas, 1996

## 95% of cases settle out of court!

**Although many lawsuits are filed, about 95% of these are settled out of court, mainly because of the time and expense of trying a case. Furthermore, of those cases that do finally reach trial, about 97% are resolved at the trial court level. Relatively few trial court decisions are appealed, and even fewer are changed on appeal.**

The Legal, Ethical and International Environment of Business, Herbert M. Bohlman& Mary Jane Dundas, 1996

## The civil law system is based on statutes that can be traced back to the Roman emperor, Justinian I, A.D. 500

The Legal, Ethical and International Environment of Business, Herbert M. Bohlman& Mary Jane Dundas, 1996

## Suing is one thing,

## winning is another,

## and collecting is a third!

## Suing is one thing,

## winning is another,

## collecting is a third,

## What is printed in the paper is a fourth,

## What is ethical is a fifth thing!

## If you can't argue the facts, argue the law.

## If you can't argue the law argue the messenger!

### The Hippocratic Oath

1. I swear by Apollo Physician and Asclepius and Hygieia and Panacea and all the gods and goddesses, making them my witnesses, that I will fulfill according to my ability and judgement this oath and this covenant:
2. I will apply dietetic measures for the benefit of the sick according to my ability and judgment; I will keep them from harm and injustice.
3. I will neither give a deadly drug to anybody if asked for it, nor will I make a suggestion to this effect. Similarly I will not give to a woman an abortive remedy. In purity and holiness I will guard my life and my art.
4. I will not use the knife, not even on sufferers from stone, but will withdraw in favor of such men as are engaged in this work.
5. Whatever houses I may visit, I will come for the benefit of the sick, remaining free of all intentional injustice, of all mischief and in particular of sexual relations with both female and male persons, be they free or slaves.
6. What I may see or hear in the course of the treatment or even outside of the treatment in regard to the life of men, which on no account one must spread abroad, I will keep to myself holding such things shameful to be spoken about.
7. If I fulfill this oath and do not violate it may it be granted to me to enjoy life and art, being honored with fame among all men for all time to come; if I transgress it and swear falsely, may the opposite of all this be my lot.

Source: Ludwig Edelstein. "The Hippocratic Oath: Text, Translation and Interpretation." Bulletin of the History of Medicine, Supplement 1. 1943

### Oath of Geneva

Adopted by the General Assembly of the World Medical Association at Geneva in 1948 and amended by the 22nd World Medical Assembly. The Declaration of Geneva was intended to update the Oath of Hyppocrites, which was no longer suited to modern conditions.

At the time of being admitted as a member of the medical profession:
I solemnly pledge myself to consecrate my life to the service of humanity;
I will give to my teachers the respect and gratitude which is their due;
I will practice my profession with conscience and dignity;
The health of my patient will be my first consideration;
I will respect the secrets which are confided in me, even after the patient has died
I will maintain by all the means in my power, the honor and the noble traditions of the medical profession;
My colleagues will be my brothers;
I will not permit considerations of religion, nationality, race, party politics or social standing to intervene between my duty and my patient;
I will maintain the utmost respect for human life from the time of conception; even under threat, I will not use my medical knowledge contrary to the laws of humanity.
I make these promises solemnly, freely and upon my honor.

## The Gettysburg Address

The Gettysburg National Cemetery was dedicated by President Abraham Lincoln a brief four months after the Battle. Lincoln's speech lasted only two minutes, but it went into history as the immortal Gettysburg Address.

"Four score and seven years ago, our fathers brought forth on this continent a new nation: conceived in liberty, and dedicated to the proposition that all men are created equal.

Now we are engaged in a great civil war... testing whether that nation, or any nation so conceived and so dedicated... can long endure. We are met on a great battlefield of that war.

We have come to dedicate a portion of that field as a final resting place for those who here gave their lives that that nation might live. It is altogether fitting and proper that we should do this.

But, in a larger sense, we cannot dedicate... we cannot consecrate... we cannot hallow this ground. The brave men, living and dead, who struggled here have consecrated it far above our poor power to add or detract. The world will little note, nor long remember, what we say here, but it can never forget what they did here. It is for us the living, rather, to be here dedicated to the unfinished work which they who fought here have thus far so nobly advanced.

It is rather for us to be here dedicated to the great task remaining before us... that from these honored dead we take increased devotion to that cause for which they gave the last full measure of devotion... that we here highly resolve that these dead shall not have died in vain... that this nation, under God, shall have a new birth of freedom... and that this government of the people... by the people... for the people shall not perish from the earth."

## The Corporate Physician's Oath

"I swear by Humana, Columbia HCA, Cigna, Prudential, FHP, Wellpoint, HMO, PPO and IPA making them my witnesses, that I will fulfill according to my ability this oath and this covenant:

I will apply dietetic measures for the benefit of the obese, the alcoholic, the smoker, and the drug addict, but in this culture and in this political climate I will seldom be able to keep them from self-harm and injustice!

I will neither give a deadly drug to anybody if asked for it, nor will I make a suggestion to that effect (depending on the outcome of Oregon's Ballot Measure 16)! As an internist I will not do an abortion, leaving that to the obstetricians! In fear of malpractice I will guard my life and my business!

I will not use the knife, but I will try to learn some form of endoscopy! Into whatever clinics I may enter, I will come for the benefit of the members, required to remain clear of all except capitated care for the indigent!

Things which I may see or hear in the course of treatment, or even outside of treatment regarding the life of human beings, things which one should never divulge outside, I will report to government commissions, immigration officials, hospital administrators, or use in my book! If I fulfill this oath and do not violate it, may it be granted to me to enjoy life and business, being able to retire at age 50 in the Sunbelt! If I transgress it and swear falsely, may Milwaukee be my lot!

Source: URL: http://www.sequel.net/~twilight

## Another benefit we enjoy over physicians!

**Dentists benefit from practicing in a field less prone to disastrous results!**

*Malpractice, What They Don't Teach You in dental School,*
Jeffrey J. Tonner, J.D., 1996

## Disciplinary Actions Against Dentists

A breakdown of actions taken, by state

Source: Jeffery J. Tonner, J.D. What They Don't Teach You in Dental School

## American Association of Dental Examiners

**312.440.7464**

## Profile of a Typical Plaintiff

- **89% of plaintiffs are women!** The average dental practice proportion is 60% female & 40% male!
- **91% are over 55 years old!**
- **Often employed in a health-related field!** Alexander Pope's observation, "A little learning is a dangerous thing!"
- **Involves a spouse or friend** who usually brings them with them to their appointments!

*Malpractice, What They Don't Teach You in Dental School,*
Jeffrey J. Tonner, J.D., 1996

## Dental Charting

**Your chart is the single best weapon against a malpractice claim! If it's not in the chart, then it didn't happen!**

*Malpractice, What They Don't Teach You in Dental School,*
Jeffrey J. Tonner, J.D., 1996

## Writing too many memos with too many words? Follow the lead of Honest Abe!

Abraham Lincoln delivered his Gettysburg Address just over 130 years ago! Look at how his words compare:

| | Number of words |
|---|---|
| Gettysburg Address | 272 |
| Bag of Lay's Potato Chips | 401 |
| IRS Form 1040EZ | 418 |
| Average *USA Today* cover story | 1,200 |

**USA Today research**

## No Jargon, Please!

The Social Security Administration mails more than 200 million letters a year to people receiving disability and retirement benefits. The Social Security Administration now has a writing standard requiring notices to be written at the sixth-grade reading level, to contain no jargon, to have an average of 15 to 20 words per sentence, and to be written in a "courteous, personal, nonthreatening tone."

The Legal, Ethical and International Environment of Business, Herbert M. Bohlman& Mary Jane Dundas, 1996

## The Ten Commandments of Dental/Legal Charting

1. Never, Ever Alter or Amend Charts!
2. Chart Patient Compliments Using Quotation Marks!
3. Chart Patient Noncompliance!
4. Spend an Extra Five Minutes Charting Bad or Unanticipated Results!
5. Make Chart Entries Consistent With Appointment Book!
6. Use Dental Lab Personnel For Difficult Crown & Bridge!
7. Follow-up Telephone Calls For Difficult or Invasive Procedures!
8. Chart Alternative/Recommended Treatment Plans!
9. Review Charting From Assistants/Hygienists!
10. Update Medical Status for Each Visit!

*Malpractice, What They Don't Teach You in Dental School,* Jeffrey J. Tonner, J.D., 1996

## Dental Charting

**The single most common cause of punitive damages in a dental malpractice case is altering the chart!**

*Malpractice, What They Don't Teach You in Dental School,* Jeffrey J. Tonner, J.D., 1996

## Dental Charting

**In some states, punitive damages by law cannot be covered by insurance. The underlying social policy is to financially shield negligent but not intentional conduct!**

*Malpractice, What They Don't Teach You in Dental School,* Jeffrey J. Tonner, J.D., 1996

## Dental Charting

**Punitive damages are intended to send a message!**

*Malpractice, What They Don't Teach You in Dental School,* Jeffrey J. Tonner, J.D., 1996

## Never, Ever Alter or Amend Charts!

**Rid your office of paper correction fluid!**

*Malpractice, What They Don't Teach You in Dental School,* Jeffrey J. Tonner, J.D., 1996

## Chart Patient Compliments Using Quotation Marks!

**Fact: Juries absolutely believe entries in quotation marks!**

*Malpractice, What They Don't Teach You in Dental School,* Jeffrey J. Tonner, J.D., 1996

## The Importance of Dental Charting!

**He neglected, however, to inform the patient of the possibility of surgical repair!**

**Improper technique, failure to refer to a specialist, failure to explain all available remedies!**

*Malpractice, What They Don't Teach You in Dental School,* Jeffrey J. Tonner, J.D., 1996

## Make Chart Entries Consistent with Appointment Book

**George Orwell observed, the past belongs to those who control the present!**

*Malpractice, What They Don't Teach You in Dental School,* Jeffrey J. Tonner, J.D., 1996

## Chart Alternative Recommended Treatment Plans!

The "ADRA" abbreviation

**Informed consent legally requires that the patient understand the "Advantages, Disadvantages, Risks & Alternatives!"**

*Malpractice, What They Don't Teach You in Dental School,* Jeffrey J. Tonner, J.D., 1996

## Review Charting From Assistants/Hygienists!

**As Mark Twain astutely observed, "Nothing so needs reforming as other people's habits!"**

*Malpractice, What They Don't Teach You in Dental School,* Jeffrey J. Tonner, J.D., 1996

## Chart Patient Noncompliance!

- Refusal to see a specialist!
- Refusal to follow recommendations!

*Malpractice, What They Don't Teach You in Dental School,* Jeffrey J. Tonner, J.D., 1996

## Update Medical Status for Each Visit!

The "NCMH" abbreviation

**NCMH designates "No Change in Medical History?**

*Malpractice, What They Don't Teach You in Dental School,* Jeffrey J. Tonner, J.D., 1996

## How to handle an upset patient!

1. Redo the work!
2. Pay another dentist to redo the work!
3. Refund the money!

*Malpractice, What They Don't Teach You in Dental School,* Jeffrey J. Tonner, J.D., 1996

## Spend an Extra Five Minutes Charting Bad or Unanticipated Results!

1. What happened?
2. Why it occurred, if known, and
3. What future options were given to the patient?

*Malpractice, What They Don't Teach You in Dental School,* Jeffrey J. Tonner, J.D., 1996

**Realistic perceiving is prerequisite to realistic behaving, and realistic behaving is prerequisite to good results.**

Source: Maslow on Management, Abraham Maslow, 1998

## People are naturally good.

Learning, creativity, fairness, responsibility, and justice come naturally to people according to Maslow's theories.

Why is it that we often design organizations as if people naturally shirk responsibility, do only what is required, resist learning, and can't be trusted to do the right thing?

Source: Maslow on Management, Abraham Maslow, 1998

## "...for centuries human nature has been sold short!"

Abraham Maslow

## What do you believe about people?

1. Do you believe that people are trustworthy?
2. Do you believe that people seek responsibility and accountability?
3. Do you believe that people seek meaning in their work?
4. Do you believe that people naturally want to learn?
5. Do you believe that people don't resist change but they resist being changed?
6. Do you believe that people prefer work to being idle?

Source: The Great Debates: Douglas McGregor and Abraham Maslow

## Report a Lawsuit to your carrier Immediately!

Of all the litigation procedures applicable to you, one is more important than the others—telephone your malpractice carrier the very day you are served! Not the next day, or when it is convenient, but the very day! This is important in avoiding default!

*Malpractice, What They Don't Teach You in Dental School,* Jeffrey J. Tonner, J.D., 1996

## Default Judgment

A defendant cannot forestall the legal process by ignoring a complaint! If you are tardy, the plaintiff's counsel can move for an entry of default!

*Malpractice, What They Don't Teach You in Dental School,* Jeffrey J. Tonner, J.D., 1996

## Default Judgment

There is also a personal financial incentive to avoid a default! Most insurance policies contain a "cooperation clause"!

*Malpractice, What They Don't Teach You in Dental School,* Jeffrey J. Tonner, J.D., 1996

## The 4 possible outcomes of a civil trial!

1. The plaintiff can dismiss the lawsuit! (most rare)
2. Termination by "direct verdict"!
3. Settlement!
4. Jury verdict!

*Malpractice, What They Don't Teach You in Dental School,* Jeffrey J. Tonner, J.D., 1996

## How to Select an Attorney:

1. How many civil—not criminal—cases has the lawyer tried?
2. How many has he tried to a jury as opposed to the "bench"?
3. How many cases has he tried himself as opposed to the "second –chair" situation?
4. How many cases involved health-related or dental malpractice?
5. How many were tried to conclusion?

*Malpractice, What They Don't Teach You in Dental School,* Jeffrey J. Tonner, J.D., 1996

## Trial Settings

The soonest one can expect a setting, measured from the time the complaint is filed, is slightly more than one year! In some jurisdictions, this period can run five years or even longer!

*Malpractice, What They Don't Teach You in Dental School,*
Jeffrey J. Tonner, J.D., 1996

## A typical attorney may handle 25 to 75 cases at any one time!

*Malpractice, What They Don't Teach You in Dental School,*
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## Subpoena or Writ

Subpoena comes from the Latin subparts of "sub" (under) and "poena" (penalty). "Writ" comes from an Old English verb meaning, "to scratch" as in writing. In essence, a subpoena or writ is simply a written court order commanding the respondent to perform a certain task. This may take the form of producing documents in your possession or appearing in person at trial.

*Malpractice, What They Don't Teach You in Dental School,*
Jeffrey J. Tonner, J.D., 1996

## Interrogatories

Interrogatories are simply written questions which must be answered by a party under oath or objected to by the attorney within a specific time frame—usually 30 days.

*Malpractice, What They Don't Teach You in Dental School,*
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## Request for Admissions

A cousin to interrogatories, these questions are more narrowly worded and call the respondent to either admit or deny the statement. Admit that you used Sargenti Paste in filling the canals in tooth #4 on [date].

*Malpractice, What They Don't Teach You in Dental School,*
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## res ipsa lequitur

## Means, the thing speaks for itself!

The Legal, Ethical and International Environment of Business,
Herbert M. Bohlman& Mary Jane Dundas, 1996

## Deposition

A Deposition is simply a question and answer session. You and your attorney will appear at a prearranged time and place. The typical setting is a law office conference room. Those persons entitled to appear are (1) all named parties, (2) their attorneys, and (3) a court reporter.

You can anticipate your deposition lasting from four to eight hours.

*Malpractice, What They Don't Teach You in Dental School,*
Jeffrey J. Tonner, J.D., 1996

## Logistics

Always tell the truth. Virtue is it's own reward; honesty is the best policy; truth will always win out; the sword of justice has no scabbard.

Remember Bill Clinton!

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## The "Standard of Care"

The "standard of care" is to meet minimum standards. The standard of care is not an $A^+$ or even a B result, but the lowest passing score. C- dentistry and above satisfies the standard of care.

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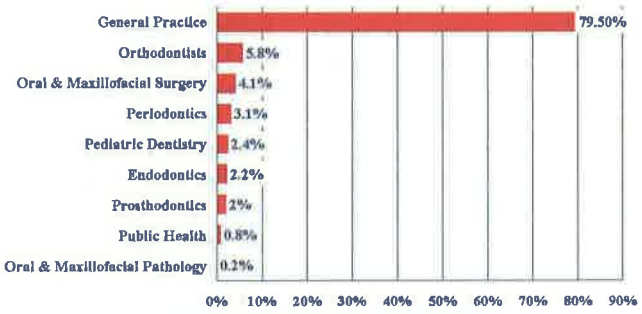
## Distribution of dentists

The vast majority of professionally active dentist are in general practice. A small percentage is working in the public health arena. The rest are practicing in various specialties.




Source: ADA 1996 Survey of Dental Practices

## What do juries like?

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Three factors must be considered before discharging a patient, other than for non-payment.

1. No Dental Work Pending
2. No Emergencies
3. Release The Chart

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## Release The Chart

Under most state laws, the dentist owns the chart, but the patient controls its distribution. When a patient demands a copy, follow these steps:

1. Insist on a written release.
2. Retain the originals.

*Malpractice, What They Don't Teach You in Dental School,*
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## How Long Should You Retain Records?

Some states have enacted regulations to protect health care providers. These laws have specific time periods, usually 10 to 15 years.

If the statute of limitations is a fixed period, then technically speaking you could dispose of all records after that time period. If you labor under the "discovery" rule, then the literal answer is forever. A patient could first discover malpractice many years after the actual treatment.

National dental malpractice insurance carriers, have never seen a dental malpractice case where the complaint was filed more than ten years after the treatment.

*Malpractice, What They Don't Teach You in Dental School,*
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## The High Cost of Going to Court!

The cost for a jury trial including judge, jury members, court reporter, bailiff, clerk, and secretary, averages about $8,300 in California. In Los Angeles County the cost is higher at $10,500 for a jury trial. Perhaps because of these costs only about 1% of civil lawsuits filed in all of California result in a jury trial. In Florida the cost is much less, around $3,000 for a jury trial. At a daily cost of $2,700 to use a federal court, the cost of the average federal trial is more than $10,800!

The Legal, Ethical and International Environment of Business, Herbert M. Bohlman& Mary Jane Dundas, 1996

## More on The High Cost of Going to Court!

In spite of this cost, the plaintiff obtains a money judgment in only 57% of cases in which the defendant disputes liability! The average judgment over the twenty-year period studied by the Institute was $84,000!

The RAND study, however, discovered that one-fourth of the jury verdicts awarded less then $8,000! In one-half of the cases, the judgments were for less than $21,000!

The Legal, Ethical and International Environment of Business, Herbert M. Bohlman& Mary Jane Dundas, 1996

## More on The High Cost of Going to Court!

Only in 19% of the cases did the plaintiff equal or exceed the $84,000 average judgments. Ten percent of the judgments were for over $181,000, and only 1% exceeded $1 million. The plaintiffs in automobile accident cases received the smallest judgments; over 50% were for under $15,000. Thus, most of the money went to only a few plaintiffs.

Consider that in ¼ of the cases decided, the cost to the public of the trial was more than the amount recovered by the plaintiff, even though, of course, not all types of lawsuits should be judged strictly by the cost.

The Legal, Ethical and International Environment of Business, Herbert M. Bohlman& Mary Jane Dundas, 1996

## More on The High Cost of Going to Court!

In terms of the sheer numbers of cases filed on routine matters (such as automobile accident cases), however, there should be, and can be, a better method of resolving the dispute between the two parties. The amount in controversy in routine cases does not justify the public expense of the trial.

The Legal, Ethical and International Environment of Business, Herbert M. Bohlman& Mary Jane Dundas, 1996

## The costs of alternative dispute resolution procedures

The costs of alternative dispute resolution procedures also range widely, but all are on the lower end of the cost scale. The average cost of a private arbitration is estimated to be as low as $275. If the arbitration is private, the disputing parties, not the taxpayers, pay the cost. More than 50,000 cases are arbitrated each year, and the number is increasing.

The Legal, Ethical and International Environment of Business, Herbert M. Bohlman& Mary Jane Dundas, 1996

## The Constitution

The Constitution has two functions:

First, it creates the government.

Second, it sets out an individual's rights in relation to that government.

The Legal, Ethical and International Environment of Business, Herbert M. Bohlman& Mary Jane Dundas, 1996

## White-Collar Crimes!

More than 30% of the criminal filings in federal district courts involve white-collar crimes!

The Legal, Ethical and International Environment of Business, Herbert M. Bohlman& Mary Jane Dundas, 1996

## The United Nations(can you spell bureaucracy?)

The United Nations has developed various administrative agencies to help it function. The six major agencies created to carry out the United Nations work are (1) the General Assembly, (2) the Security Council, (3) the Secretariat, (4) the Economic and Social Council, (5) the International Court of Justice, and (6) the Trusteeship Council.

Other agencies help the United Nations carry out its mission. These include the United Nations Development program; the United Nations Educational, Scientific, and Cultural Organization (UNESCO); and the United Nations International Children's Emergency Fund (UNICEF).

The Legal, Ethical and International Environment of Business, Herbert M. Bohlman& Mary Jane Dundas, 1996

## Negotiable Instruments

Negotiable instruments have a very long history, originating before the age of Hammurabi, king of Babylon, at about 1750 BC

The Legal, Ethical and International Environment of Business, Herbert M. Bohlman& Mary Jane Dundas, 1996

## "Put it on my card…"

Consumer credit has increased from $2.5 billion at the end of World War II to $684 billion by 1996!

The Legal, Ethical and International Environment of Business, Herbert M. Bohlman& Mary Jane Dundas, 1996

## It is not just a paycheck!

Employment gives health, sobriety, and morale. Constant employment and well-paid labor produce, in a country like ours, general prosperity, content, and cheerfulness.

Daniel Webster, 1782 – 1852
U.S. Congressman (1813 – 1817, 1823 – 1827)
U.S. Senator (1827 – 1841, 1845 – 1850), and
U.S. Secretary of State (1841 – 1843, 1850 – 1852)

## Independent Contractor?

Restatement, Second, Agency, Section 2, defines an independent contractor as:

A person who contracts with another to do something for him but who is not controlled by the other nor subject to the other's right to control with respect to his physical conduct in the performance of the undertaking. He may or may not be an agent.

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## The courts review many elements to determine whether a relationship is one of employer-independent contractor.

1. The extent of control exercised by the employer over the details of the work.
2. The type of job, business, or occupation involved and the amount of skill required to perform the job.
3. Who supplies the tools or equipment
4. The length of emplyment.
5. The method of payment
6. The tax returns filed by both parties.

## Alan F. Thornberg

Alan F. Thornberg started AFTCO in 1968 when Howard Farran was 6 years old! Trust me, this man single handedly wrote the original book on selling a dental practice!

## There is no goodwill in a dental practice!

If you bought a practice and the selling dentist went next door, you would only have the value of the dental equipment and build out. If you bought a McDonald's and the seller went next door and opened Mean Gene's Hamburger Machine, you couldn't care less. The supposed "goodwill" value in a selling practice is only in the restrictive covenant clause.

## Be Careful!

Be careful when doing business deals. Everyone deals in their own self-interest whether they are consciously aware of it or not. No one ever looks in the mirror and sees a snake oil salesman cheat!

**Group Practice and incorporation allows for your dental office to have perpetual succession while you gain control of your life!**

**When a person spouts off judgmental accusations of other people's character it is almost always that person's unconscious talking about themselves!**

**Howard Farran DDS, MBA, MAGD**

## Ask yourself why?

If you purchase a practice from a selling dentist and you ask for a 10-mile radius and the seller decides that he/she only wants 5, your response should be to now ask for 15! Why would any dentist who truly wanted to sell their practice and retire be focusing on the restrictive covenant! Whatever people talk about is what their mind is focusing on! Ask yourself, why are they focusing on this?

## Negotiating and Legal Bills!

When you are negotiating with another party on a business mater, if both parties initially agree that neither party will release the name and phone number of their respective attorney, and that all legal recommendations and changes are made in writing, you will significantly reduce your legal bill charges!

## Balanced Thinking!

In accounting, all credits have to balance with all debits! All Assets have to balance with all Liabilities and Equities! To be successful you have to master balanced thinking! Unsuccessful people think unilaterally, with emphasis on scarcity and destruction. Successful people do unto others, as they want done to themselves.

## Penalties make contracts stronger!

There should be penalties expressly stated for each contractual agreement so that if one party reneges on an item of the contract after the agreement goes into effect, you will have more control over the resultant penalty. For instance, if the buyer reneges on the restrictive covenant not to compete, then the seller has to refund one half of the purchase price within 30 days or be held in breach of contract.

## And so it goes....

Dentists go dysfunctional when their favorite way of thinking, based on their own half-baked value belief system, runs head on into the realities of Economics 101! The dentists usually spend the best productive years of their profession seeking out superstitious dental speakers who run ghostly dental offices that only exist in Never Never land. They tell dentists exactly what they want to hear and the cycle repeats itself and so it goes.

## Everything is tax deductible *until you're audited!*

One of the strangest comments from associate dentists when they're deciding whether or not to own a dental practice is when they say that if they owned their own office they could run a lot of personal expenses through the office.

My answer is "Everything is tax deductible until you're audited by the not so dumb IRS! It will be just you in front of the IRS judge, with no jury to try to fool , and you'll lose.

## Fair deals close!

**Your attorney is your unilateral representative with the same business experience of dentists, physicians, pharmacists, and professors. Business brokers make a living by closing deals which are balanced and fair because if they aren't they don't close and the broker doesn't eat!**

## If it ain't in writing it ain't!

**If an associate leaves your practice and violates the restrictive covenant and opens up next door, the government is not going to shut them down.**

**If you sue for economic damages you probably won't be able to prove them because most likely they are not profitable, and secondly you probably picked up the slack.**

**So always put the punishment into the agreed upon and signed associate contract. "If you violate the restrictive covenant you owe Dr. Good $30,000 cash for every year worked due no later than 30 days after the first day patients were seen in the new practice!**

## Are you in an Associateship or an Ambiguouship?

## Its never a problem until it's a problem!

## Never is there just one cockroach in the kitchen—no sooner is one problem solved than another surfaces!

**Source:** *The Essays of Warren Buffet: Lessons for Corporate America*, **1997 Selected, Arranged and Introduced by Lawrence A. Cunningham**

## Fairness!

**In negotiations, fairness can be determined but not negotiated. If every party has equity into the deal, everyone will follow their own self-interest and all should turn out well!**

## For liability purposes you should never add an associate to an unincorporated practice!

## When you incorporate you significantly lower your risk of an IRS audit! Your gross sales of $500,000 makes you nearly insignificant for an IRS audit!

The 4 Basic Characteristics of a Corporation:

1) Central management
2) Transferability
3) Perpetuity
4) Limited Liability

Central Management means that someone is in charge of the corporation!

Transferability means that you can transfer some or all of the stock!

Perpetual Succession!

Perpetuity means that stock holders can come and go but the corporation continues. It also allows the addition of more partners to keep the corporation in perpetual motion.

It shouldn't cost any more for an accountant to prepare your taxes whether you are incorporated or not!

Corporations have been around for 500 years because of the limited liability issue!

Always incorporate your practice in a generic name so that you don't have to change the name during a practice transition!

**What you know is your greatest wealth! What you do not know is your greatest risk!**

**Bureaucracy actually evolved to steer away from Nepotism and relationship based promotion, as opposed to Meritous advancement based on performance.**

**We now live in a title bar brain based society.**

**Title bar for the percent of people higher educated.**

**The law is the floor, and morals and ethics go up from there.**

**Negotiate**
↓
**Mediate**
↓
**Arbitrate**
↓
**Litigate**

## The Employment Relationship

| Goals | Employer Interest | Employee Interest | Public Interest | Gov't Regulation |
|---|---|---|---|---|
| Assure Equal Opportunity | • Competence<br>• Flexibility<br>• Reputation<br>• Create consumers | • Accommodation<br>• Job related decisions<br>• Fairness<br>• Freedom of association | • Mirror of community<br>• Equal access<br>• Social responsibility<br>• Diversity | • EEO/AA<br>• Age Discrimination<br>• Disability Act<br>• FMLA<br>• Equal Pay Act |

Arizona State University, LES 532, Professor Luis Aranda

## The Employment Relationship

| Goals | Employer Interest | Employee Interest | Public Interest | Gov't Regulation |
|---|---|---|---|---|
| Create a reasonable workplace environment | • Profitability<br>• Loyalty<br>• Control of workplace<br>• Motivating workplace<br>• Predictability | • Freedom from fear<br>• Safe<br>• Security; predictability<br>• Dignity and trust<br>• Fair benefits | • Safety<br>• Freedom from fear<br>• Security<br>• Reasonable work conditions | • Sexual Harassment<br>• Workplace violence<br>• OSHA, Workers Comp<br>• FLSA<br>• NLRA |

Arizona State University, LES 532, Professor Luis Aranda

## The Employment Relationship

| Goals | Employer Interest | Employee Interest | Public Interest | Gov't Regulation |
|---|---|---|---|---|
| Use of performance based systems | • Control<br>• Efficiency in operations<br>• Loyalty<br>• Competence<br>• Freedom of contract | • Privacy<br>• Fairness<br>• System of Justice<br>• Security | • Good Faith<br>• Due Process<br>• Safety<br>• Reasonable work conditions | • Due diligence in hiring<br>• Wrongful discharge<br>• Privacy<br>• Negligent performance appraisal |

Arizona State University, LES 532, Professor Luis Aranda

## The Role of Law

1. Legal Implications
2. Ethical Implications
3. Managerial Implications



## The Role of Law: Legal Implications

The Functions of the Law Are:

| | |
|---|---|
| Peacekeeping | The law provides a process for dispute resolution and penalizes those who take the law into their own hand. |
| Set Standards | Defines the parameters for behavior in relationship to others and to property; is prospective not retroactive. |
| Social Justice | Uses government power to afford all citizens the benefits of economic and political life. |
| Orderly Change | Provides a system for citizens to change laws and leaders |
| Appeal to Reason | Avoids win-lose extremes; balances advantages of parties. |



## The Role of Law: Legal Implications

**In order for the law to work, it must be reasonable, flexible, and predictable in both its scope and application.**



## The Role of Law: Ethical Implications

The Ethical Issues Related to Law Include:

- Law only addresses breaches; ethics must address goodness
- Concern with protection of the innocent
- Fairness and good faith in dealings with others; due process
- Integrity; honesty in fact
- Respect for individual differences
- Employment based on ability
- Individual rights greater than property rights



## The Role of Law: Ethical Implications

**The law sets the minimum standards for acceptable behavior; ethics determines what is right and good.**



## The Role of Law: Managerial Implications

Organization Parallels to Law Include:

- Progressive discipline processes; use of ombudsperson
- Employee handbooks; policy and procedure manuals
- Product information/warnings
- Mediation of disputes; open door policies
- Rewards based on performance
- Valuing diversity
- Codes of conduct
- Concern for safety



## The Role of Law: Managerial Implications

**Organization policies and practices often provide the same internal protections that the law provides for society at large.**



## Duty

1. Legal Implications
2. Ethical Implications
3. Managerial Implications

## Duty: Legal Implications

- A duty is an obligation of performance, care, or observance which rests upon a person in an official or fiduciary capacity
- There exist both moral and legal duties. Only legal duties are enforceable by a court of law.
- Whenever there exists a right in a person, there also rests a corresponding duty upon some other person or upon all persons generally.
- Changing social conditions create the recognition of new duties. No specific formula exists. Courts will find that a duty exists where reasonable persons would recognize and agree that it exists.

Arizona State University, LES 532, Professor Luis Aranda

## Duty: Legal Implications

**Legal duties vary in their levels and their responsibilities depending on the position of the person who owes the duty.**

Arizona State University, LES 532, Professor Luis Aranda

## Duty: Ethical Implications

There are Ethical Considerations that Attempt to Raise the Bar of Legal Duty:

- Stewardship – behaving in a way that preserves the value of a person, place, or thing
- Protecting the innocent when they are not in a position to protect themselves
- Rendering aid to another person in danger
- Acting with integrity – saying only things that are true and saying them with total consistency – no lies, distortions, and concealments
- Taking care to prevent others from harm
- Valuing the common good; social responsibility

Arizona State University, LES 532, Professor Luis Aranda

## Duty: Managerial Implications

Depending on Your Role in the Organization You Have Several Responsibilities:

- To know the responsibilities of your job
- To stay current in your job skills
- To follow company policy
- To develop clear systems and procedures for work that can be documented and monitored
- To follow up on problems/concerns
- To be loyal in all matters
- To conduct yourself with propriety
- To model organization values

Arizona State University, LES 532, Professor Luis Aranda

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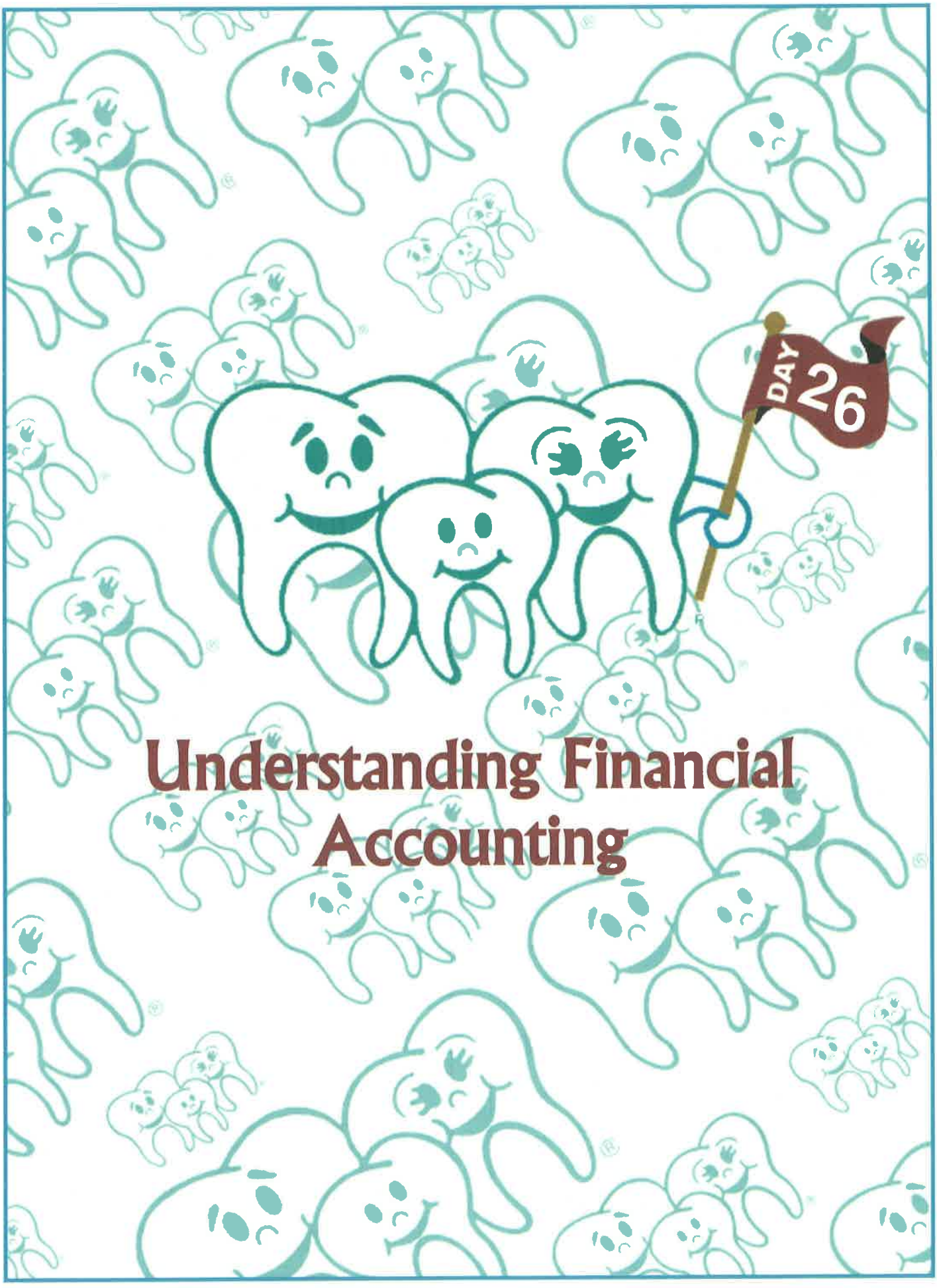


# Understanding Financial Accounting

Your 30 Day Dental MBA
Day 26

# Understanding Financial Accounting

## Chart Alternative Recommended Treatment Plans!

The "ADRA" abbreviation

**Informed consent legally requires that the patient understand the "Advantages, Disadvantages, Risks & Alternatives!"**

*Malpractice, What They Don't Teach You in Dental School,*
Jeffrey J. Tonner, J.D., 1996

## Update Medical Status for Each Visit!

The "NCMH" abbreviation

**NCMH designates "No Change in Medical History?**

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## How to handle an upset patient!

1. Redo the work!
2. Pay another dentist to redo the work!
3. Refund the money!

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## Spend an Extra Five Minutes Charting Bad or Unanticipated Results!

1. What happened?
2. Why it occurred, if known, and
3. What future options were given to the patient?

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## People are naturally good.

Learning, creativity, fairness, responsibility, and justice come naturally to people according to Maslow's theories.

Why is it that we often design organizations as if people naturally shirk responsibility, do only what is required, resist learning, and can't be trusted to do the right thing?

Source: Maslow on Management, Abraham Maslow, 1998

**"...for centuries human nature has been sold short!"**

**Abraham Maslow**

## Report a Lawsuit to your carrier Immediately!

**Of all the litigation procedures applicable to you, one is more important than the others—telephone your malpractice carrier the very day you are served! Not the next day, or when it is convenient, but the very day! This is important in avoiding default!**

*Malpractice, What They Don't Teach You in Dental School,*
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## Default Judgment

**A defendant cannot forestall the legal process by ignoring a complaint! If you are tardy, the plaintiff's counsel can move for an entry of default!**

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## The 4 possible outcomes of a civil trial!

1. The plaintiff can dismiss the lawsuit! (most rare)
2. Termination by "direct verdict"!
3. Settlement!
4. Jury verdict!

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## How to Select an Attorney:

1. How many civil—not criminal—cases has the lawyer tried?
2. How many has he tried to a jury as opposed to the "bench"?
3. How many cases has he tried himself as opposed to the "second –chair" situation?
4. How many cases involved health-related or dental malpractice?
5. How many were tried to conclusion?

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## The 3 Types of Scores Used by Accountants!

- The Balance Sheet
- The Statement of Income
- The Statement of Cashflow

## The Three Types of Assets

1) Hardware

Land & Building — Plumbing
Equipment — Electrical
Build out — Phones

2) Software

CIS Computer based management information and decision support systems. MIS Management information systems IT Information Technology
SoftDent/Dentsply — Microsoft Money
Practice Outlook — Quicken
Dentrix/Schein — Quickbooks Pro
Eaglesoft/Patterson — Peachtree

3) Wetware

Experience — Education — FAGD & MAGD
Continuing Ed. Consulting — Japan & Germany
Newsletters - The Farran Report — after WWII
DDS — MBA — MPH
The Misch Institute — LVI The Las Vegas Institute

## 1) The Balance Sheet

Assets = Liabilities + Equity

Assets, equal to or balance with Liabilities (Debt & IOUs) plus the Owners Equity.

$100,000 What you control = $90,000 What you owe the mortgage co. + $10,000 what you have paid off & own

The reason the rich get richer, the poor get poorer, and the middle class struggle in debt is because the subject of money is taught at home, not in school. Most of us learn about money from our parents. So what can a poor parent tell their child about money?

*Rich Dad Poor Dad*
By Robert Kiyosaki &
Sharon L. Lechter CPA

You must know the difference between an asset and a liability, and buy assets! If you want to be rich, this is all you need to know!

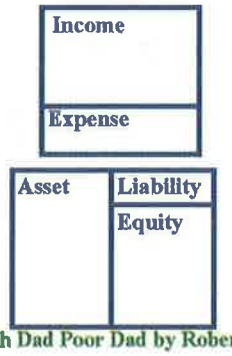
It is Rule No. 1!

It is the only rule!

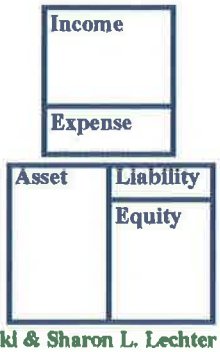
Rich people acquire assets! The poor and middle class acquire liabilities, but they think they are assets!

Rich Dad Poor Dad by Robert Kiyosaki & Sharon L. Lechter CPA

## Upper Class

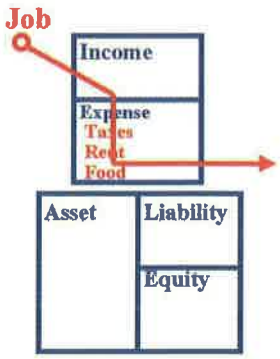



## Middle Class



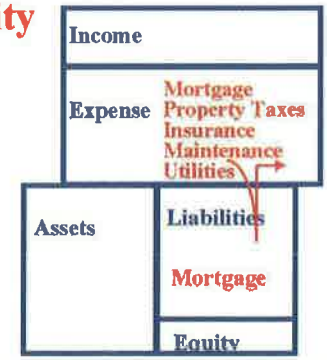

Rich Dad Poor Dad by Robert Kiyosaki & Sharon L. Lechter CPA

## A diagram of the Middle Class:




Rich Dad Poor Dad by Robert Kiyosaki & Sharon L. Lechter CPA

## Liability

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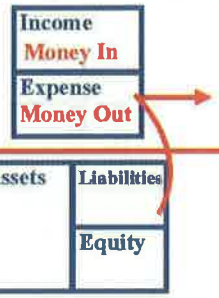
## The Cash Flow pattern of a liability:



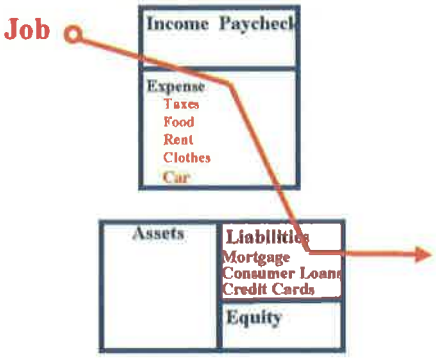

Statement of Income

Balance Sheet

An Asset is something that should put money in your pocket!

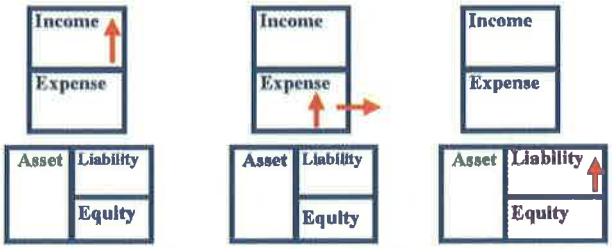
Rich Dad Poor Dad by Robert Kiyosaki & Sharon L. Lechter CPA

## The Cash Flow pattern of a person in the middle class:




## The story of how the quest for a financial dream turns into a financial nightmare!

As their incomes go up.., their expenses go up as well, ..and then their liabilities go up too!

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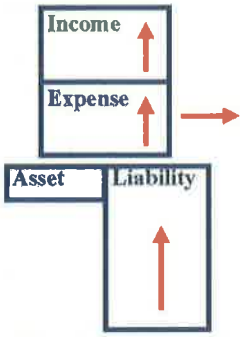
## Why does the middle class struggle?

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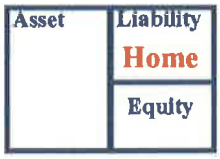
## More money will often not solve our problems in fact, it may actually accelerate the problem!

## Money often makes obvious our tragic human flaws!

## Money often puts a spotlight on what we do not know!

## Wealthy people believe a Home is a Liability:




## Working class people believe a Home is an Asset:

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## If you do what the masses do, you get the following picture:

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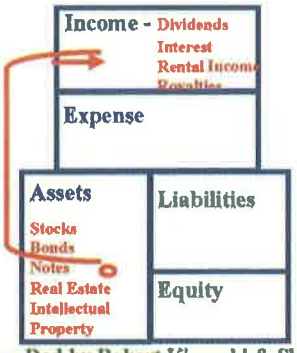
## The cash-flow pattern of a wealthy person:

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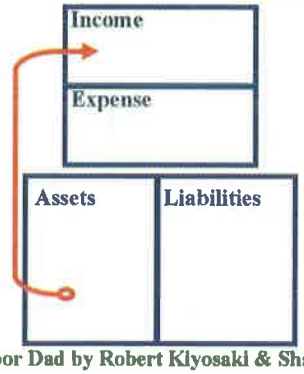
## The Statement of Income

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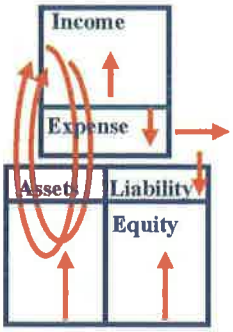
## Why the Rich Get Richer!

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## A Diagram of Wealthy People:

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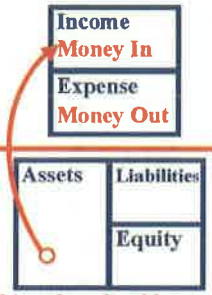
## The Cash Flow pattern of an asset:




An Asset is something that should put money in your pocket!

Rich Dad Poor Dad by Robert Kiyosaki & Sharon L. Lechter CPA

## The poor and the middle class work for money! The rich have money work for them!

*Rich Dad Poor Dad*
**By Robert Kiyosaki & Sharon L. Lechter CPA**

## $\Delta A = \Delta L + \Delta CC + Rev. - Exp. - Divd.$

A change in assets equals, and balances with, any changes in liabilities plus any changes in contributed capital plus revenue minus expenses and minus any dividends!

## 2) Statement of Income
### The Profit & Loss Statement
### The "P & L"

- Takes the statement of cash flow and adds in non cash items like Depreciation and Deferred taxes – "Double D's"!
- Was primarily designed for outside tax collectors such as the IRS (Internal Revenue Service) outside investors such as Wallstreet, and outside regulators like the SEC (Security & Exchange Commission)!
- It's great for outside tax collectors to use in taxing your company or for outside investors to see if they should invest in your company or not. But it is not a very good report for inside management to use as a feedback score for decision making!

## Today's Dental Chart of Accounts

| Account ID | Account Description | Account Type |
|---|---|---|
| 10051 | Checking Account | Cash |
| 11120 | Savings Account | Cash |
| 11200 | Employee Advances | Other Current Assets |
| 12000 | Dental Equipment | Fixed Assets |
| 12010 | Accumulated Depreciation | Accumulated Depreciation |
| 12020 | Computer Equipment | Fixed Assets |
| 12030 | Computer Software | Fixed Assets |
| 12040 | Accumulated Depreciation | Accumulated Depreciation |
| 12050 | Office Equip. (Furn & Fixt) | Fixed Assets |
| 12060 | Accumulated Depr. – Equip. | Accumulated Depreciation |

## Today's Dental Chart of Accounts

| Account ID | Account Description | Account Type |
|---|---|---|
| 12930 | Suspense – Clearing Account | Other Current Liabilities |
| 13030 | Federal Pyrl Taxes Payable | Other Current Liabilities |
| 13031 | FUTA Payroll Taxes | Other Current Liabilities |
| 13040 | State Payroll Taxes Payable | Other Current Liabilities |
| 13041 | SUTA Payroll Taxes | Other Current Liabilities |
| 13050 | 401K Deductions Payable | Other Current Liabilities |
| 13051 | Colonial Ins. Payable – 125 pl | Other Current Liabilities |
| 13052 | Health Ins. Payable – 125 pl | Other Current Liabilities |

## Today's Dental Chart of Accounts

| Account ID | Account Description | Account Type |
|---|---|---|
| 39005 | Retained Earnings | Equity-Retained Earnings |
| 40000 | tdi Today's Dental Income | Income |
| 40200 | Insurance Refund | Income |
| 40400 | Patient Refund | Income |
| 40600 | NSF Check | Income |
| 49000 | Interest Paid by Insurance Co | Income |
| 49001 | Interest Pd by Bank (Savings) | Income |

## Today's Dental Chart of Accounts

| Account ID | Account Description | Account Type |
|---|---|---|
| 50000 | Administrative Wages | Cost of Sales |
| 50100 | Administrative Payroll Taxes | Cost of Sales |
| 50101 | Administrative Health Ins | Cost of Sales |
| 50102 | Administrative 401K Match | Cost of Sales |
| 51000 | Dentists Wages | Cost of Sales |
| 51100 | Dentists Payroll Taxes | Cost of Sales |
| 51101 | Dentists Health Insurance | Cost of Sales |
| 51102 | Dentists 401K Matching | Cost of Sales |
| 51103 | Dentists Malpractice Ins | Cost of Sales |
| 52000 | Front Office Wages | Cost of Sales |
| 52100 | Front Office Payroll Taxes | Cost of Sales |
| 52101 | Front Office Health Ins | Cost of Sales |
| 52102 | Front Office 401K Match | Cost of Sales |

## Today's Dental Chart of Accounts

| Account ID | Account Description | Account Type |
|---|---|---|
| 53000 | Hygienist Wages | Cost of Sales |
| 53100 | Hygienist Payroll Taxes | Cost of Sales |
| 53101 | Hygienist Health Insurance | Cost of Sales |
| 53102 | Hygienist 401K Matching | Cost of Sales |
| 54000 | Paradental Wages | Cost of Sales |
| 54100 | Paradental Payroll Taxes | Cost of Sales |
| 54101 | Paradental Health Insurance | Cost of Sales |
| 54102 | Paradental 401K Matching | Cost of Sales |
| 57000 | Lab Fees | Cost of Sales |
| 58000 | Sundries | Cost of Sales |

## Today's Dental Chart of Accounts

| Account ID | Account Description | Account Type |
|---|---|---|
| 71000 | Advertising | Expenses |
| 71100 | Advertising—Direct Mail | Expenses |
| 71102 | Advertising—Help Wanted | Expenses |
| 71103 | Advertising—Referral Incntv | Expenses |
| 71104 | Advertising—Yellow Pages | Expenses |
| 71200 | Automobile Expenses | Expenses |
| 71300 | Bank Charges | Expenses |
| 71301 | Bank Card Charges | Expenses |
| 71400 | Charitable Contributions | Expenses |
| 71500 | Computer Supplies/Software | Expenses |
| 71600 | Computer Support | Expenses |
| 71601 | Computer Internet Fees | Expenses |

## Today's Dental Chart of Accounts

| Account ID | Account Description | Account Type |
|---|---|---|
| 71700 | Continuing Education | Expenses |
| 71701 | Continuing Ed—Dr. Farran | Expenses |
| 71702 | Continuing Ed—Others | Expenses |
| 71800 | Contract Labor | Expenses |
| 72000 | Depreciation Expense | Expenses |
| 72100 | Donations | Expenses |
| 72200 | Dues and Subscriptions | Expenses |
| 72300 | Equipment Maintenance | Expenses |
| 72400 | Equipment Purchase | Expenses |
| 72500 | Equipment Lease | Expenses |
| 72600 | Insurance | Expenses |
| 72601 | Disability Insurance | Expenses |

## Today's Dental Chart of Accounts

| Account ID | Account Description | Account Type |
|---|---|---|
| 72602 | Officer's Health Insurance | Expenses |
| 72603 | Liability Insurance | Expenses |
| 72604 | Malpractice Insurance | Expenses |
| 72605 | Umbrella Insurance | Expenses |
| 72606 | Workman's Comp Ins | Expenses |
| 72700 | Interest Expense | Expenses |
| 72701 | Federal Interest Expense | Expenses |
| 72702 | Finance Charges | Expenses |
| 72703 | Loan Interest | Expenses |
| 72800 | Licenses, Permits, & Fees | Expenses |
| 72900 | Loan Fees | Expenses |

## Today's Dental Chart of Accounts

| Account ID | Account Description | Account Type |
|---|---|---|
| 73000 | Miscellaneous | Expenses |
| 73100 | Office Supplies | Expenses |
| 73200 | Petty Cash | Expenses |
| 73300 | Postage and Delivery | Expenses |
| 73400 | Printing & Reproduction | Expenses |
| 73500 | Professional Fees | Expenses |
| 73501 | Accounting Fees | Expenses |
| 73502 | Consulting Fees | Expenses |
| 73503 | Legal Fees | Expenses |
| 73504 | Payroll Fees | Expenses |
| 73600 | Promotional Expense | Expenses |
| 73700 | Rent | Expenses |

## Today's Dental Chart of Accounts

| Account ID | Account Description | Account Type |
|---|---|---|
| 73800 | Repairs & Maintenance | Expenses |
| 73801 | Building Repairs | Expenses |
| 73802 | Cleaning | Expenses |
| 73803 | Common Area Maintenance | Expenses |
| 73804 | Computer Repairs | Expenses |
| 73805 | Copier Maintenance | Expenses |
| 73806 | Equipment Repairs | Expenses |
| 73807 | Exterminating | Expenses |
| 73900 | Staff Meeting Expense | Expenses |
| 74000 | Taxes | Expenses |
| 74100 | City Sales/Use Tax | Expenses |
| 74101 | Property Taxes | Expenses |
| 74102 | State Sales/Use Tax | Expenses |

## Today's Dental Chart of Accounts

| Account ID | Account Description | Account Type |
|---|---|---|
| 74200 | Team Perquisite | Expenses |
| 74300 | Telephone | Expenses |
| 74400 | Uniform Expense | Expenses |
| 74500 | Utilities Expense | Expenses |
| 74501 | Cable TV | Expenses |
| 74502 | Electric | Expenses |
| 74503 | Water | Expenses |
| 74504 | Waste Maintenance | Expenses |
| 81500 | Voided Checks | Expenses |
| 89500 | Wall Products | Expenses |

## The Statement of Income
The Profit & Loss Statement

| Revenue: | |
|---|---|
| Collections, Deposits, Minus Refunds | +/- $100 |
| Expenses: | |
| Variable Cost | |
| Dentist | +/- $25 |
| Hygienist | +/- $10 |
| Front Office Staff | +/- $10 |
| Paradental | +/- $10 |
| Total Labor Cost Subtotal | +/- $50 |
| Lab | +/ $9 |
| Supplies | +/- $7 |
| Total Variable Cost Subtotal | +/- $65 |
| Fixed Cost | |
| Rent | +/- $5 |
| Advertising | +/- $3 |
| Depreciation | +/- $1 |
| Utilities & Phone | +/- $1 |
| Continuing Education | +/- $1 |
| Miscellaneous | +/- $1 |
| Total Fixed Cost Subtotal | +/- $15 |
| Net Income | +/- $20 |

## The Statement of Income
The Profit & Loss Statement

| Revenue: | |
|---|---|
| Collections, Deposits, Minus Refunds | +/- $100 |

## The Statement of Income
The Profit & Loss Statement

| Expenses: | |
|---|---|
| Variable Cost | |
| Dentist | +/- $25 |
| Hygienist | +/- $10 |
| Front Office Staff | +/- $10 |
| Paradental | +/- $10 |
| Total Labor Cost Subtotal | +/- $50 |
| Lab | +/ $9 |
| Supplies | +/- $7 |
| Total Variable Cost Subtotal | +/- $65 |

## The Statement of Income
The Profit & Loss Statement

| Fixed Cost | |
|---|---|
| Rent | +/- $5 |
| Advertising | +/- $3 |
| Depreciation | +/- $1 |
| Utilities & Phone | +/- $1 |
| Continuing Education | +/- $1 |
| Miscellaneous | +/- $1 |
| Total Fixed Cost Subtotal | +/- $15 |
| | |
| Net Income | +/- $20 |

## 3) Statement of Cash Flow

- The Net Change of Cash
- The Sources & Uses of Cash
- The Check Register
- The Goal, to make profit
- Revenue (Deposits) Shows where the money comes in.
- Expenses (checks paid) Shows where the money goes out.
- What's the balance
- If we buy this will we move closer to the Goal, to make net income, profit?
- What will happen if we don't buy this?
- Should we buy (invest) in this piece of dental equipment or should we buy (invest) in a mutual fund?

## The Statement of Cash Flow
The Check Register

| Date | Check # | Item | Revenue Deposits | Expense | Balance |
|---|---|---|---|---|---|
| 8/1/98 | 101 | Rent | | $500 | $3000 |
| 8/2/98 | 102 | Phone bill | | $300 | $2700 |
| 8/2/98 | 103 | Payroll | | $2000 | $700 |
| 8/2/98 | | Daily Deposit | $3000 | | $3700 |
| 8/3/98 | 104 | Best Lab | | $400 | $3300 |
| 8/3/98 | 105 | Equip. Lease | | $1000 | $2300 |
| 8/3/98 | | Daily Deposit | $1500 | | $3800 |

**Tax loss carry forward is a tax credit!**

## Deferred Taxes

| Accelerated for Tax Purposes | Straight-Line for Financial Reporting |
|---|---|

The discipline of Mathematics is where "Science" prevails quantitatively to the highest degree and where "Art" is almost never used!

The use of "Art" in Mathematics is completely unnecessary, but even more importantly it is dangerous since you start believing the false numbers!

Always assume the numbers are wrong!

The past does not equal the future!

Anthony Robbins

## The Dupont Formula:

$$\left[\frac{\text{Net Income}}{\text{Sales}}\right] \times \left[\frac{\text{Sales}}{\text{Assets}}\right] \times \left[\frac{\text{Assets}}{\text{Equity}}\right]$$

[Profit Margin] x [Turnover] x [Leverage]

## The Dupont Formula

$$\left[\frac{\text{Net Income}}{\text{Sales}}\right] \times \left[\frac{\text{Sales}}{\text{Assets}}\right] \times \left[\frac{\text{Assets}}{\text{Equity}}\right]$$

$$\left[\frac{\text{Net Income}}{\cancel{\text{Sales}}}\right] \times \left[\frac{\cancel{\text{Sales}}}{\text{Assets}}\right] = \left[\frac{\text{Net Income}}{\text{Assets}}\right] = \text{ROA}$$

**Return On Assets**

## The Dupont Formula

$$\left[\frac{\text{Net Income}}{\text{Sales}}\right] \times \left[\frac{\text{Sales}}{\text{Assets}}\right] \times \left[\frac{\text{Assets}}{\text{Equity}}\right]$$

$$\left[\frac{\text{Net Income}}{\cancel{\text{Sales}}}\right] \times \left[\frac{\cancel{\text{Sales}}}{\cancel{\text{Assets}}}\right] \times \left[\frac{\cancel{\text{Assets}}}{\text{Equity}}\right] = \left[\frac{\text{Net Income}}{\text{Equity}}\right] = \text{ROE}$$

**Return On Equity**

$$\frac{\text{Net Income}}{\text{Equity}}$$

P x T x L = ROE

Profit (times) Turnover (times) Leverage — Return On Equity

## Which business would you rather buy? Which is more important? The Profit Margin or the ROI (Return on Investment)!

**A**

$100 of Sales Volume

$100 Investment → NI 10% → $10.00 Net Income

10% ROI

$\frac{\$10}{\$100} = \frac{NI}{Sales} = .10$ ROI, .10 Profit Margin

**B**

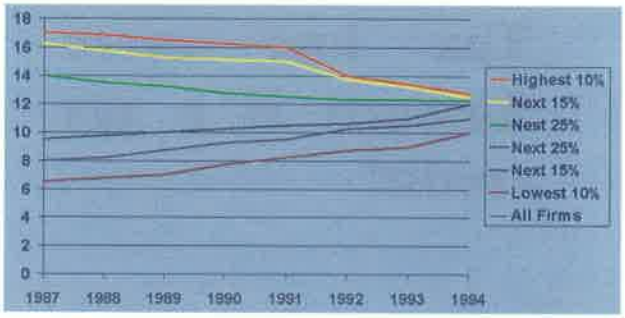
$100 of Sales Volume

$300 Investment → NI 20% → $20.00 Net Income

6.66% ROI

$\frac{\$20}{\$100} = \frac{NI}{Sales} = .06$ ROI, .20 Profit Margin

## Median ROE for Portfolios Formed on 1986 ROE (Return on Equity)

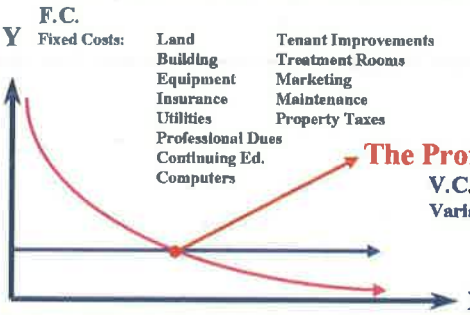



# Power is Clarity of Focus!

Anthony Robbins

## Fixed Costs vs. Variable Cost

Cost which are incurred on a monthly bases whether you are open and treating patients or closed.




Output of High Quality Dental Services During a Monthly Period.

## Control your overhead with the Magic of Group Practice!

| MON | TUE | WED | THU | FRI | SAT | SUN |
|---|---|---|---|---|---|---|
| | | 7 | 7 | | | |
| | | 8 | 8 | | | |
| | | 9 | 9 | | | |
| 10 | 10 | 10 | 10 | | | |
| 11 | 11 | 11 | 11 | | | |
| 12 | 12 | 12 | 12 | | | |
| 1 | 1 | | | | | |
| 2 | 2 | 1 | 1 | | | |
| | | 2 | 2 | | | |
| 3 | 3 | 3 | 3 | | | |
| 4 | 4 | 4 | 4 | | | |
| 5 | 5 | | | | | |
| 6 | 6 | | | | | |
| 7 | 7 | | | | | |

FIXED OVERHEAD
Rent/Mortgage
Equipment
Build-Out
Electric
Phone
Advertisement
Malpractice
Computer & Updates
Insurance

**Working 32 hours per week in solo practice utilizes your fixed overhead just 19% of the time, or just 29% of your total waking hours!**

## Control your overhead with the Magic of Group Practice!

| MON | TUE | WED | THU | FRI | SAT | SUN |
|---|---|---|---|---|---|---|
| 7 | 7 | 7 | 7 | 7 | | |
| 8 | 8 | 8 | 8 | 8 | 8 | |
| 9 | 9 | 9 | 9 | 9 | 9 | |
| 10 | 10 | 10 | 10 | 10 | 10 | |
| 11 | 11 | 11 | 11 | 11 | 11 | |
| 12 | 12 | 12 | 12 | 12 | 12 | |
| 1 | 1 | | | | 1 | |
| 2 | 2 | 1 | 1 | 1 | 2 | |
| | | 2 | 2 | 2 | | |
| 3 | 3 | 3 | 3 | 3 | | |
| 4 | 4 | 4 | 4 | 4 | | |
| 5 | 5 | | | | | |
| 6 | 6 | | | | | |
| 7 | 7 | | | | | |

FIXED OVERHEAD
Rent/Mortgage
Equipment
Build-Out
Electric
Phone
Advertisement
Malpractice
Computer & Updates
Insurance

**Working 64 hours per week in solo practice utilizes your fixed overhead just 40% of the time, or just 56% of your total waking hours!**

# There are 8,766 hours in a year!

## The Effect of FEES

Assuming an overhead of 71%:

A 10% fee decrease means you need to do 53% more dentistry for the same net profit.

A 20% fee decrease means you need to do 222% more dentistry for the same net profit.

In contrast...

A 10% fee increase means you can make the same profit doing only 74% of the dentistry you're doing now.

A 20% fee increase means you can make the same profit doing only 59% of the dentistry you're doing now.

You should reconsider your competitive strategy in regards to all PPO's, HMO's fee schedules, and Delta Dental when the monetary amount you adjust off per insurance claim is greater than the dollar amount you spend on attracting each new patient!

Howard Farran DDS, MBA, MAGD

## American Dental Partners, Inc.

## American Dental Partners, Inc.

| INCOME STATEMENT | Dec. 97 |
|---|---|
| Revenue | $53,300,000 |
| Cost of Goods Sold | $48,200,000 |
| Gross Profit | $5,100,000 |
| Gross Profit Margin | 9.6% |
| SG&A Expense | $3,300,000 |
| Operating Income | $1,800,000 |
| Operating Margin | 3.4% |
| Nonoperating Income | 0.0 |
| Nonoperating Expense | $600,000 |
| Income Before Taxes | $1,200,000 |
| Income Taxes | $100,000 |
| Net Income After Taxes | $1,100,000 |
| Total Net Income | $1,100,000 |
| Net Profit Margin | 2.1% |
| Fully Diluted EPS from Total Net Income ($) | ($0.05) |
| Dividends per Share ($) | 0.00 |

Source: Media General Financial Services, Inc. & Hoovers Online

## American Dental Partners, Inc.

| BALANCE SHEET | Dec. 97 |
|---|---|
| Assets | |
| Cash | $4,700,000 |
| Net Receivables | $3,300,000 |
| Inventories | $400,000 |
| Other Current Assets | $1,600,000 |
| Total Current Assets | $10,000,000 |
| Net Fixed Assets | $8,800,000 |
| Other Noncurrent Assets | $700,000 |
| Total Assets | $48,000,000 |
| Liabilities | |
| Accounts Payable | $2,600,000 |
| Short-Term Debt | $800,000 |
| Other Current Liabilities | $5,800,000 |
| Total Current Liabilities | $9,200,000 |
| Long-Term Debt | $31,300,000 |
| Other Noncurrent Liabilities | 0.0 |
| Total Liabilities | $30,700,000 |
| Equity | |
| Preferred Stock Equity | $16,300,000 |
| Common Stock Equity | $900,000 |
| Total Equity | $17,200,000 |
| Shares Outstanding | 2,400,000 |

Source: Media General Financial Services, Inc. & Hoovers Online

## American Dental Partners, Inc.

| CASH FLOW STATEMENT | Dec. 97. | Dec. 96 |
|---|---|---|
| Net Operating Cash Flow | $1,900,000 | ($1,500,000) |
| Net Investing Cash Flow | ($18,000,000) | ($6,800,000) |
| Net Financing Cash Flow | $14,900,000 | $14,200,000 |
| Net Change in Cash | ($1,200,000) | $5,800,000 |
| Depreciation and Amortization | $2,200,000 | $200,000 |
| Capital Expenditures | ($18,100,000) | (7,000,000) |
| Cash Dividends Paid | 0.0 | 0.0 |

Source: Media General Financial Services, Inc. & Hoovers Online

## American Dental Partners, Inc.

| Year | Revenue | Net Income | Net Profit Margin | Number of Employees |
|---|---|---|---|---|
| 1997 | $53,300,000 | $1,100,000 | 2.1% | 910 |
| 1996 | $3,900,000 | ($2,400,000) | – | 818 |

Source: Media General Financial Services, Inc. & Hoovers Online

## Birner Dental Management Services

## Birner Dental Management Services

| INCOME STATEMENT | Dec. 97 | Dec. 96 |
|---|---|---|
| Revenue | $12,700,000 | $5,400,000 |
| Cost of Goods Sold | $2,900,000 | $1,200,000 |
| Gross Profit | $9,800,000 | $4,200,000 |
| Gross Profit Margin | 77.2% | 77.8% |
| SG&A Expense | $9,100,000 | $4,200,000 |
| Operating Income | $700,000 | 0.0 |
| Operating Margin | 5.5% | 0.0% |
| Nonoperating Income | 0.0 | 0.0 |
| Nonoperating Expense | $800,000 | $300,000 |
| Income Before Taxes | 0.0 | ($300,000) |
| Income Taxes | 0.0 | 0.0 |
| Net Income After Taxes | 0.0 | ($300,000) |
| Total Net Income | 0.0 | ($300,000) |
| Net Profit Margin | 0.0% | – |
| Fully Diluted EPS from Total Net Income ($) | $0.01 | ($0.10) |
| Dividends per Share ($) | $0.00 | $0.00 |

Source: Media General Financial Services, Inc. & Hoovers Online

## Birner Dental Management Services

| BALANCE SHEET | Dec. 97 | Dec. 96 |
|---|---|---|
| Assets | | |
| Cash | $1,000,000 | $1,800,000 |
| Net Receivables | $1,400,000 | $900,000 |
| Inventories | 0.0 | 0.0 |
| Other Current Assets | $1,100,000 | $200,000 |
| Total Current Assets | $3,500,000 | $2,900,000 |
| Net Fixed Assets | $3,600,000 | $1,800,000 |
| Other Nonmurrent Assets | $500,000 | $500,000 |
| Total Assets | $15,600,000 | $9,600,000 |
| Liabilities | | |
| Accounts Payable | $3,300,000 | $900,000 |
| Short-Term Debt | $700,000 | $100,000 |
| Other Current Liabilities | 0.0 | 0.0 |
| Total Current Liabilities | $4,000,000 | $1,000,000 |
| Long-Term Debt | $10,200,000 | $6,800,000 |
| Other Nonmurrent Liabilities | 0.0 | 0.0 |
| Total Liabilities | $14,200,000 | $7,800,000 |
| Equity | | |
| Preferred Stock Equity | 0.0 | 0.0 |
| Common Stock Equity | $1,400,000 | $1,700,000 |
| Total Equity | $1,400,000 | $1,700,000 |
| Shares Outstanding | 3,300,000 | 3,300,000 |

Source: Media General Financial Services, Inc. & Hoovers Online

## Birner Dental Management Services

| CASH FLOW STATEMENT | Dec. 97. | Dec. 96 |
|---|---|---|
| Net Operating Cash Flow | $2,200,000 | ($500,000) |
| Net Investing Cash Flow | ($4,200,000) | ($4,800,000) |
| Net Financing Cash Flow | $1,100,000 | $5,700,000 |
| Net Change in Cash | ($800,000) | $300,000 |
| Depreciation and Amortization | $700,000 | $400,000 |
| Capital Expenditures | ($4,300,000) | ($1,00,000) |
| Cash Dividends Paid | 0.0 | 0.0 |

Source: Media General Financial Services, Inc. & Hoovers Online

## Birner Dental Management Services

| Year | Revenue | Net Income | Net Profit Margin | Number of Employees |
|---|---|---|---|---|
| 1997 | $12,700,000 | 0.0 | -- | 356 |
| 1996 | $5,400,000 | ($300,000) | -- | 317 |
| 1995 | $300,000 | ($200,000) | -- | -- |

Source: Media General Financial Services, Inc. & Hoovers Online

## Benchmarking off Publicly Traded Dental Management Companies

| Benchmarking Item | Range |
|---|---|
| Number of offices | 30 – 200 |
| Number of dentists employed or affiliated | 39 – 256 |
| % held for management services and fees | 9% - 78% |
| Total company gross revenue | $7,900,000 - $53,300,000 |
| Revenue per dentist | $169,532 - $413,514 |
| Total company net income | ($3,200,000) - $5,300,000 |
| Net income per dentist | ($12,500) - $62,353 |
| Percent of revenue from fee for service | 33% - 100% |
| Percent of revenue from PPO's | 0% - 38% |
| Percent of revenue from capitated managed care | 0% - 53% |
| Percent of total revenue paid to dentists | 14.5% - 23% |
| Percent of total revenue paid to hygienists | 5% - 13.7% |
| Percent of total revenue paid to front and back office labor | 14% - 22% |
| Lab & sundries expense as a percent of income | 10% - 17.7% |
| Rent expense as a percent of income | 5.4% - 9.4% |
| Advertising expense as a percent of income | 0% - 6.4% |
| Depreciation expense as a percent of income | 1.5% - 4.3% |
| General & Administrative | 5.2% - 14.5% |

Sources: 1997 Data from Individual Annual Reports, 10Ks and Phone Conversations with company officials.

## Dental Management Companies Statistics
## Revenue Sources

| Company name | Fee for Service (including indemnity insurance) | PPO When Split from Fee for Service | Capitated Managed Care When split from PPO |
|---|---|---|---|
| Coast | 66.5% | 33.5% | |
| American Dental Partners | 33% | 14% | 53% |
| Birner | 79.6% | | 20.4% |
| Castle | 50% | 38% | 12% |
| Monarch | 60.8% | | 39.2% |
| Gentle Dental | >82% | | < 18% |
| Dental Care Alliance | 75% - 80% | | 20% - 25% |
| Pentegra | 100% | 0% | 0% |

Sources: 1997 Data from Individual Annual Reports, 10Ks and Phone Conversations with company officials.

## Dental Management Companies Statistics

| Company name | Number owned or affiliated | Number of dentists employed or affiliated | % held for management services** | Revenue | Net Income |
|---|---|---|---|---|---|
| Coast | 90 | 85 | 74% –78% | $34,500,000 | $5,300,000 |
| American Dent. Partners | 100 | 215 | 9% - 29% | $53,300,000 | $1,100,000 |
| Birner | 35 | 53 | 20.3% | $12,700,000 | 0.00 |
| Castle | 55 | | 67.4% | $31,400,000 | ($2,800,000) |
| Monarch | 200 | 111 | 34% | $45,900,000 | $1,800,000 |
| Gentle Dental | 69 | 256 | 15-30% | $43,400,000 | ($3,200,000) |
| Dental Care Alliance | 30 | 39 | 70 – 74% | $7,900,000 | $400,000 |
| Pentegra | 83 | 120 | 15% or 35% | 0.0 | ($1,400,000) |

** Percents vary depending on the form of affiliation with the practice.

Source: 1997 Data from Hoovers Online & Company Annual Reports

## Dental Management Companies Statistics
## Expenses as a percent of income

| Company name | Lab & Sundries | Rent | Adver-tising | Depre-ciation | Other | G & A |
|---|---|---|---|---|---|---|
| Coast | 11.4% | 7.7% | 6.4% | 2% | 2.2% | 9% |
| American Dental Partners | 10% | 7.5% | 0% | 3% | 9.7% | 5.2% |
| Birner | 17.7% | 8.6% | 3.2% | 43% | NA | 8.4% |
| Castle | 10.5% | 5.4% | 5% | 3.7% | 9.8% | 14.5% |
| Monarch | 10.8% | 5.4% | 3.4% | 4% | NA | 9.9% |
| Gentle Dental | 11.2% | 6.3% | Included in G&A | 4.1% | NA | 8.8% |
| Dental Care Alliance | 15% | 9.4% | 4% | 1.5% | NA | 7.6% |
| Pentegra | | | | | | |

## Dental Management Companies Statistics
## Labor Expenses as a percent of income

| Company name | % paid to dentists | % paid to hygienists | % paid to staff (front & back office) | Total Labor |
|---|---|---|---|---|
| Coast | 14.5% | 6.7% | 22% | 43.2% |
| American Dental Partners | | | | |
| Birner | NA | NA | NA | NA |
| Castle | 20% | 13.7% | 14.3% | |
| Monarch | 34.7% DDS & Hyg. | | 16.9% | 51.6% |
| Gentle Dental | 44% DDS, Hyg. & Assist. | | 14% Front office | 58% |
| Dental Care Alliance | 26% - 30% DDS & Hyg. | | 19% | |
| Pentegra | | | | |

## Dental Care Alliance, Inc.

## Dental Care Alliance, Inc.

| INCOME STATEMENT | Dec. 97 | Dec. 96 |
|---|---|---|
| Revenue | $7,900,009 | $1,600,000 |
| Cost of Goods Sold | $6,100,000 | $600,000 |
| Gross Profit | $1,800,000 | $1,000,000 |
| Gross Profit Margin | 22.8% | 62.5% |
| SG&A Expense | $1,400,000 | $800,000 |
| Operating Income | $400,000 | $200,000 |
| Operating Margin | 5.1% | 12.5% |
| Nonoperating Income | $300,000 | 0.0 |
| Nonoperating Expense | 0.0 | 0.0 |
| Income Before Taxes | $700,000 | $200,000 |
| Income Taxes | $300,000 | 0.0 |
| Net Income After Taxes | $400,000 | $200,000 |
| Total Net Income | $400,000 | $200,000 |
| Net Profit Margin | 5.1% | 12.5% |
| Fully Diluted EPS from Total Net Income ($) | $0.07 | $0.00 |
| Dividends per Share ($) | $0.00 | $0.00 |

Source: Media General Financial Services, Inc. & Hoovers Online

## Dental Care Alliance, Inc.

| BALANCE SHEET | Dec. 97 | Dec. 96 |
|---|---|---|
| Assets | | |
| Cash | $26,400,000 | $1,300,000 |
| Net Receivables | $1,100,000 | $600,000 |
| Inventories | 0.0 | 0.0 |
| Other Current Assets | $700,000 | 0.0 |
| Total Current Assets | $12,200,000 | $1,900,000 |
| Net Fixed Assets | $1,100,000 | 0.0 |
| Other Noncurrent Assets | $500,000 | $500,000 |
| Total Assets | $25,800,000 | $3,100,000 |
| Liabilities | | |
| Accounts Payable | $600,000 | $500,000 |
| Short-Term Debt | $200,000 | $200,000 |
| Other Current Liabilities | $1,600,000 | $200,000 |
| Total Current Liabilities | $2,400,000 | $900,000 |
| Long-Term Debt | $500,000 | 0.0 |
| Other Noncurrent Liabilities | 0.0 | $200,000 |
| Total Liabilities | $4,000,000 | $1,100,000 |
| Equity | | |
| Preferred Stock Equity | 0.0 | $1,400,000 |
| Common Stock Equity | $24,600,000 | $600,000 |
| Total Equity | $24,600,000 | $2,000,000 |
| Shares Outstanding | 7,000,000 | 4,900,000 |

Source: Media General Financial Services, Inc. & Hoovers Online

## Dental Care Alliance, Inc.

| CASH FLOW STATEMENT | Dec. 97 | Dec. 96 | Dec. 95 |
|---|---|---|---|
| Net Operating Cash Flow | $600,000 | $300,000 | $100,000 |
| Net Investing Cash Flow | ($2,000,000) | (($500,000) | 0.0 |
| Net Financing Cash Flow | $20,600,000 | $1,400,000 | ($100,000) |
| Net Change in Cash | $19,100,000 | $1,200,000 | 0.0 |
| Depreciation and Amortization | $200,000 | 0.0 | 0.0 |
| Capital Expenditures | ($600,000) | 0.0 | 0.0 |
| Cash Dividends Paid | 0.0 | 0.0 | 0.0 |

Source: Media General Financial Services, Inc. & Hoovers Online

## Dental Care Alliance, Inc.

| Year | Revenue | Net Income | Net Profit Margin | Number of Employees |
|---|---|---|---|---|
| 1997 | $7,900,000 | $400,000 | 5.1% | 84 |
| 1996 | $1,600,000 | $200,000 | 12.5% | 76 |
| 1995 | $800,000 | 0.0 | -- | -- |
| 1994 | $700,000 | $100,000 | 12.3% | -- |
| 1993 | $100,000 | $100,000 | 62.5% | -- |

Source: Media General Financial Services, Inc. & Hoovers Online

## Gentle Dental Services Corporation

## Gentle Dental Services Corporation

| INCOME STATEMENT | Dec. 97 | Dec. 96 | Dec. 95 |
|---|---|---|---|
| Revenue | $43,400,000 | $10,700,000 | $9,800,000 |
| Cost of Goods Sold | $8,100,000 | $11,300,000 | $8,900,000 |
| Gross Profit | $35,3000,000 | ($500,000) | $900,000 |
| Gross Profit Margin | 81.3% | (4.6%) | 9.2% |
| SG&A Expense | $37,800,000 | 0.0 | 0.0 |
| Operating Income | ($2,500,000) | ($600,000) | $900,000 |
| Operating Margin | -- | -- | 9.2% |
| Nonoperating Income | ($100,000) | 0.0 | ($100,000) |
| Nonoperating Expense | $700,000 | $700,000 | $300,000 |
| Income Before Taxes | ($3,300,000) | ($1,300,000) | $500,000 |
| Income Taxes | ($100,000) | ($300,000) | $200,000 |
| Net Income After Taxes | ($3,200,000) | ($1,000,000) | $300,000 |
| Total Net Income | ($3,200,000) | ($1,000,000) | $300,000 |
| Net Profit Margin | -- | -- | 3.1% |
| Fully Diluted EPS from Total Net Income ($) | ($1.17) | ($1.18) | $0.19 |
| Dividends per Share ($) | $0.00 | $0.00 | $0.00 |

Source: Media General Financial Services, Inc. & Hoovers Online

## Gentle Dental Services Corporation

| BALANCE SHEET | Dec. 97 | Dec. 96 | Dec. 95 |
|---|---|---|---|
| Assets | | | |
| Cash | $300,000 | $200,000 | $700,000 |
| Net Receivables | $8,200,000 | $4,100,000 | $2,900,000 |
| Inventories | $1,100,000 | $400,000 | $300,000 |
| Other Current Assets | $1,600,000 | $700,000 | $200,000 |
| Total Current Assets | $11,200,000 | $5,400,000 | $4,100,000 |
| Net Fixed Assets | $10,100,000 | $4,200,000 | $3,700,000 |
| Other Noncurrent Assets | $500,000 | $100,000 | $400,000 |
| Total Assets | $44,400,000 | $12,300,000 | $10,200,000 |
| Liabilities | | | |
| Accounts Payable | $2,500,000 | $1,300,000 | $300,000 |
| Short-Term Debt | $700,000 | $3,000,000 | $1,500,000 |
| Other Current Liabilities | $5,300,000 | $900,000 | $900,000 |
| Total Current Liabilities | $8,400,000 | $5,100,000 | $2,700,000 |
| Long-Term Debt | $14,400,000 | $2,500,000 | $2,700,000 |
| Other Noncurrent Liabilities | $100,000 | $100,000 | $100,000 |
| Total Liabilities | $23,000,000 | $7,500,000 | $5,700,000 |
| Equity | | | |
| Preferred Stock Equity | 0.00 | 0.00 | 0.00 |
| Common Stock Equity | $21,500,000 | $5,400,000 | $4,500,000 |
| Total Equity | $21,500,000 | $5,400,000 | $4,500,000 |
| Shares Outstanding | 7,500,000 | 1,500,000 | 1,400,000 |

Source: Media General Financial Services, Inc. & Hoovers Online

## Gentle Dental Services Corporation

| CASH FLOW STATEMENT | Dec. 97 | Dec. 96 | Dec. 95 |
|---|---|---|---|
| Net Operating Cash Flow | ($1,000,000) | ($600,000) | ($800,000) |
| Net Investing Cash Flow | ($12,500,000) | ($1,400,000) | ($2,600,000) |
| Net Financing Cash Flow | $11,600,000 | $1,500,000 | $4,100,000 |
| Net Change in Cash | ($1,900,000) | ($500,000) | $700,000 |
| Depreciation and Amortization | $1,800,000 | $1,100,000 | $500,000 |
| Capital Expenditures | ($12,500,000) | ($700,000) | ($1,300,000) |
| Cash Dividends Paid | 0.0 | 0.0 | 0.0 |

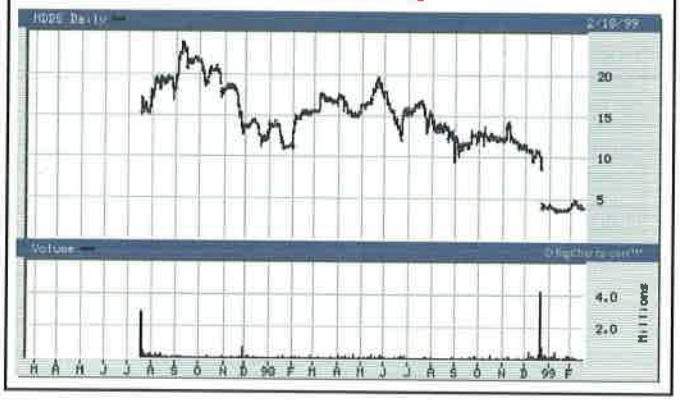
Source: Media General Financial Services, Inc. & Hoovers Online

## Gentle Dental Services Corporation

| Year | Revenue | Net Income | Net Profit Margin | Number of Employees |
|---|---|---|---|---|
| 1997 | $43,400,000 | ($3,200,000) | -- | 898 |
| 1996 | $10,700,000 | ($1,000,000) | -- | 137 |
| 1995 | $9,800,000 | $300,000 | 3.1% | -- |
| 1994 | $2,700,000 | $600,000 | 22.5% | -- |
| 1993 | $1,500,000 | $400,000 | 24.0% | -- |

Source: Media General Financial Services, Inc. & Hoovers Online

## Monarch Dental Corporation




## Monarch Dental Corporation

| INCOME STATEMENT | Dec. 97 | Dec. 96 |
|---|---|---|
| Revenue | $45,900,000 | $36,000,000 |
| Cost of Goods Sold | $10,100,000 | $13,200,000 |
| Gross Profit | $35,800,000 | $22,800,000 |
| Gross Profit Margin | 78.0% | 63.3% |
| SG&A Expense | $30,700,000 | $19,900,000 |
| Operating Income | $5,100,000 | $2,900,000 |
| Operating Margin | 11.1% | 8.1% |
| Nonoperating Income | 0.0 | 0.0 |
| Nonoperating Expense | $1,500,000 | $1,700,000 |
| Income Before Taxes | $3,500,000 | $1,100,000 |
| Income Taxes | $1,400,000 | $400,000 |
| Net Income After Taxes | $2,100,000 | $700,000 |
| Total Net Income | $1,800,000 | $700,000 |
| Net Profit Margin | 3.9% | 1.9% |
| Fully Diluted EPS from Total Net Income ($) | $0.22 | $0.13 |
| Dividends per Share ($) | $0.00 | $0.00 |

Source: Media General Financial Services, Inc. & Hoovers Online

## Monarch Dental Corporation

| BALANCE SHEET | Dec. 97 | Dec. 96 |
|---|---|---|
| Assets | | |
| Cash | $3,000,000 | $1,100,000 |
| Net Receivables | $5,900,000 | $3,400,000 |
| Inventories | 0.0 | 0.0 |
| Other Current Assets | $300,000 | $200,000 |
| Total Current Assets | $9,100,000 | $4,700,000 |
| Net Fixed Assets | $3,700,000 | $4,700,000 |
| Other Noncurrent Assets | $600,000 | $600,000 |
| Total Assets | $64,600,000 | $32,900,000 |
| Liabilities | | |
| Accounts Payable | $1,900,000 | $1,100,000 |
| Short-Term Debt | $600,000 | $3,600,000 |
| Other Current Liabilities | $5,200,000 | $4,000,000 |
| Total Current Liabilities | $7,700,000 | $8,700,000 |
| Long-Term Debt | $11,200,000 | $18,800,000 |
| Other Noncurrent Liabilities | $1,200,000 | $1,000,000 |
| Total Liabilities | $32,600,000 | $29,600,000 |
| Equity | | |
| Preferred Stock Equity | 0.0 | $3,000,000 |
| Common Stock Equity | $42,000,000 | ($3,700,000) |
| Total Equity | $42,000,000 | $4,300,000 |
| Shares Outstanding | 10,200,000 | 6,300,000 |

Source: Media General Financial Services, Inc. & Hoovers Online

## Monarch Dental Corporation

| CASH FLOW STATEMENT | Dec. 97. | Dec. 96 |
|---|---|---|
| Net Operating Cash Flow | $4,100,000 | $2,300,000 |
| Net Investing Cash Flow | ($19,800,000) | ($23,400,000) |
| Net Financing Cash Flow | $17,700,000 | $21,500,000 |
| Net Change in Cash | $1,900,000 | $300,000 |
| Depreciation and Amortization | $2,900,000 | $1,400,000 |
| Capital Expenditures | ($3,300,000) | ($1,200,000) |
| Cash Dividends Paid | 0.0 | ($1,300.000) |

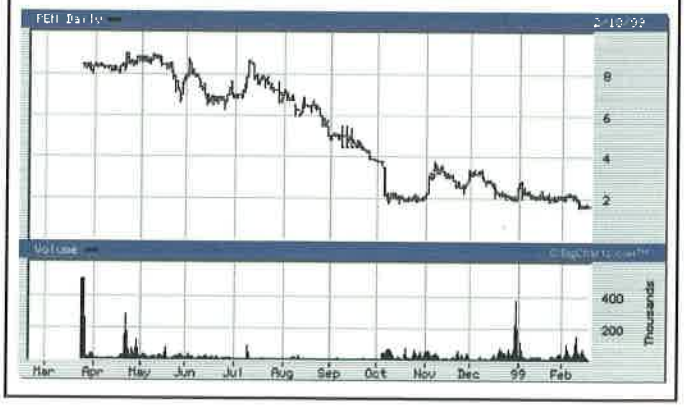
Source: Media General Financial Services, Inc. & Hoovers Online

## Monarch Dental Corporation

| Year | Revenue | Net Income | Net Profit Margin | Number of Employees |
|---|---|---|---|---|
| 1997 | $45,900,000 | $1,800,000 | 3.9% | 1,157 |
| 1996 | $36,000,000 | $700,000 | 1.9% | 641 |
| 1995 | $8,900,000 | $1,600,000 | 18.0% | -- |
| 1994 | $6,500,000 | $1,000,000 | 15.4% | -- |

Source: Media General Financial Services, Inc. & Hoovers Online

## Pentegra Dental Group, Inc.



## Pentegra Dental Group, Inc.

| Year | Revenue | Net Income | Net Profit Margin | Number of Employees |
|---|---|---|---|---|
| 1997 | 0.0 | ($1,400,000) | -- | 3 |

Source: Media General Financial Services, Inc. & Hoovers Online

## Apple Orthodontix, Inc.

## Apple Orthodontix, Inc.

| INCOME STATEMENT | Dec. 97 | Dec. 96 |
|---|---|---|
| Revenue | $19,200,000 | $100,000 |
| Cost of Goods Sold | $900,000 | 0.0 |
| Gross Profit | $18,300,000 | $100,000 |
| Gross Profit Margin | 95.3% | 100% |
| SG&A Expense | $17,100,000 | $900,000 |
| Operating Income | $1,200,000 | ($800,000) |
| Operating Margin | 6.3% | -- |
| Nonoperating Income | $200,000 | 0.0 |
| Nonoperating Expense | $300,000 | 0.0 |
| Income Before Taxes | $1,100,000 | ($900,000) |
| Income Taxes | $400,000 | 0.0 |
| Net Income After Taxes | $700,000 | ($900,000) |
| Total Net Income | $700,000 | ($900,000) |
| Net Profit Margin | 3.6% | -- |
| Fully Diluted EPS from Total Net Income ($) | $0.09 | ($7.24) |
| Dividends per Share ($) | 0.0 | 0.0 |

Source: Media General Financial Services, Inc. & Hoovers Online

## Apple Orthodontix, Inc.

| BALANCE SHEET | Dec. 97 | Dec. 96 |
|---|---|---|
| Assets | | |
| Cash | $2,100,000 | 0.0 |
| Net Receivables | $2,400,000 | 0.0 |
| Inventories | 0.0 | 0.0 |
| Other Current Assets | $3,000,000 | $1,400,000 |
| Total Current Assets | $7,500,000 | $1,400,000 |
| Net Fixed Assets | $8,000,000 | 0.0 |
| Other Noncurrent Assets | $2,500,000 | 0.0 |
| Total Assets | $55,200,000 | $1,500,000 |
| Liabilities | | |
| Accounts Payable | $3,200,000 | $1,400,000 |
| Short-Term Debt | $1,000,000 | 0.0 |
| Other Current Liabilities | $700,000 | $900,000 |
| Total Current Liabilities | $4,900,000 | $2,300,000 |
| Long-Term Debt | $200,000 | 0.0 |
| Other Noncurrent Liabilities | 0.0 | 0.0 |
| Total Liabilities | $19,600,000 | $2,300,000 |
| Equity | | |
| Preferred Stock Equity | 0.0 | 0.0 |
| Common Stock Equity | $35,500,000 | ($800,000) |
| Total Equity | $35,500,000 | ($800,000) |
| Shares Outstanding | 13,200,000 | 4,100,000 |

Source: Media General Financial Services, Inc. & Hoovers Online

## Apple Orthodontix, Inc.

| CASH FLOW STATEMENT | Dec. 97. | Dec. 96 |
|---|---|---|
| Net Operating Cash Flow | ($3,200,000) | ($500,000) |
| Net Investing Cash Flow | ($15,900,000) | 0.0 |
| Net Financing Cash Flow | 21,200,000 | $500,000 |
| Net Change in Cash | $2,100,000 | 0.0 |
| Depreciation and Amortization | $900,000 | 0.0 |
| Capital Expenditures | ($3,600,000) | 0.0 |
| Cash Dividends Paid | 0.0 | 0.0 |

Source: Media General Financial Services, Inc. & Hoovers Online

## Apple Orthodontix, Inc.

| Year | Revenue | Net Income | Net Profit Margin | Number of Employees |
|---|---|---|---|---|
| 1997 | $19,200,000 | $700,000 | 3.6% | 481 |
| 1996 | $100,000 | ($900,000) | -- | 10 |

Source: Media General Financial Services, Inc. & Hoovers Online

## Omega Orthodontics, Inc.

## Omega Orthodontics, Inc.

| INCOME STATEMENT | Dec. 97 |
|---|---|
| Revenue | $1,000,000 |
| Cost of Goods Sold | $1,000,000 |
| Gross Profit | 0.0 |
| Gross Profit Margin | 0% |
| SG&A Expense | $1,000,000 |
| Operating Income | ($1,000,000) |
| Operating Margin | -- |
| Nonoperating Income | $100,000 |
| Nonoperating Expense | $100,000 |
| Income Before Taxes | ($3,600,000) |
| Income Taxes | 0.0 |
| Net Income After Taxes | ($3,600,000) |
| Total Net Income | ($3,600,000) |
| Net Profit Margin | -- |
| Fully Diluted EPS from Total Net Income ($) | ($1.59) |
| Dividends per Share ($) | 0.0 |

Source: Media General Financial Services, Inc. & Hoovers Online

## Omega Orthodontics, Inc.

| BALANCE SHEET | Dec. 97 | Dec. 96 |
|---|---|---|
| Assets | | |
| Cash | $5,400,000 | $300,000 |
| Net Receivables | $1,100,000 | 9,000 |
| Inventories | 0.0 | 0.0 |
| Other Current Assets | $100,000 | 130,000 |
| Total Current Assets | $6,600,000 | $439,000 |
| Net Fixed Assets | $500,000 | 10,000 |
| Other Noncurrent Assets | $100,000 | 0.0 |
| Total Assets | $12,300,000 | $560,000 |
| Liabilities | | |
| Accounts Payable | $200,000 | 20,000 |
| Short-Term Debt | $100,000 | $100,000 |
| Other Current Liabilities | $1,600,000 | $579,000 |
| Total Current Liabilities | $1,900,000 | $700,000 |
| Long-Term Debt | $500,000 | 0.0 |
| Other Noncurrent Liabilities | 0.0 | 0.0 |
| Total Liabilities | $2,400,000 | $500,000 |
| Equity | | |
| Preferred Stock Equity | 0.0 | 0.0 |
| Common Stock Equity | $10,000,000 | $16,150 |
| Total Equity | $10,000,000 | $500,000 |
| Shares Outstanding | 4,300,000 | 1,615,000 |

Source: Media General Financial Services, Inc. & Hoovers Online

## Omega Orthodontics, Inc.

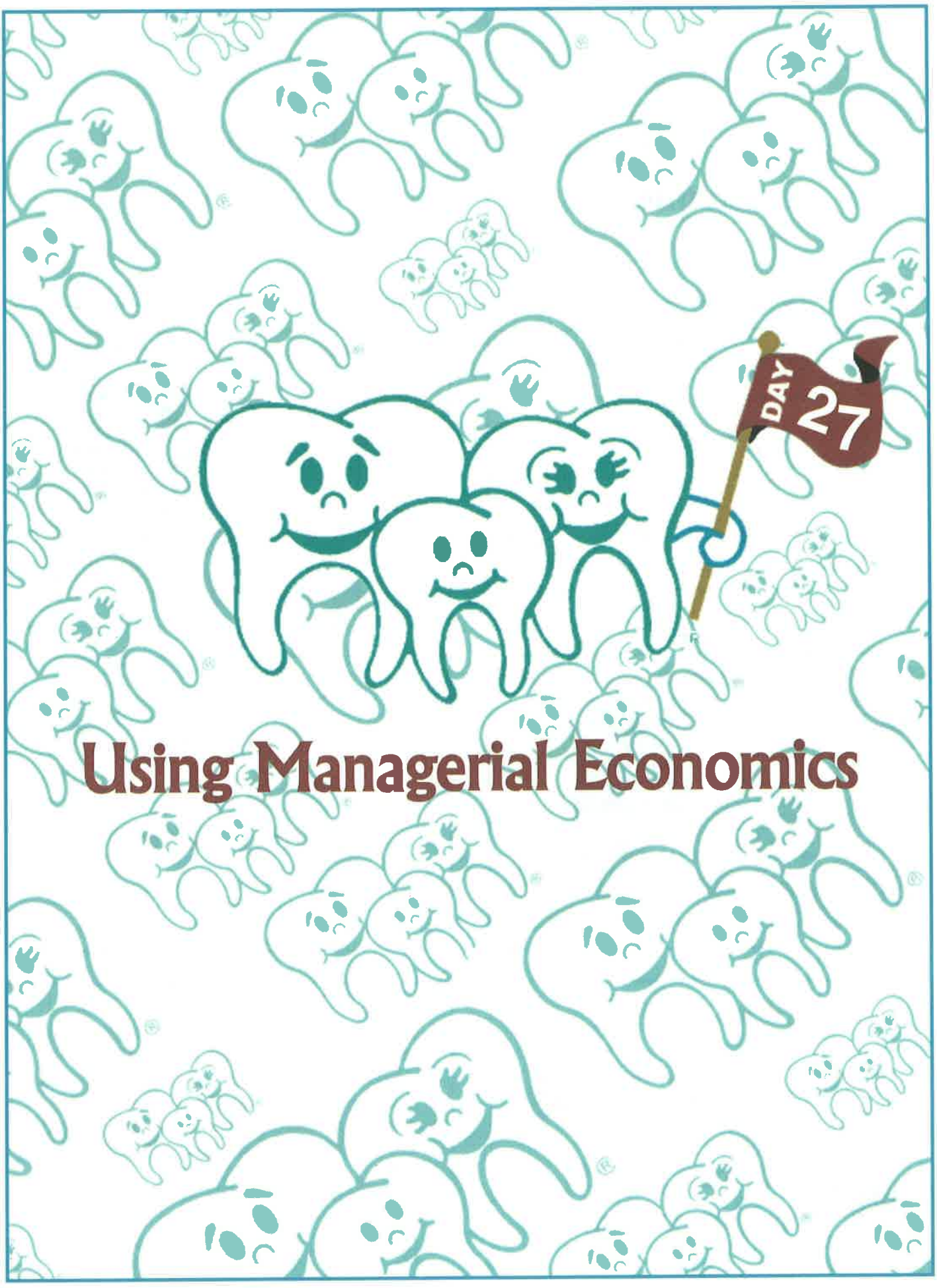
| CASH FLOW STATEMENT | Dec. 97 |
|---|---|
| Net Operating Cash Flow | ($1,400,000) |
| Net Investing Cash Flow | ($2,600,000) |
| Net Financing Cash Flow | $900,000 |
| Net Change in Cash | $5,100,000 |
| Depreciation and Amortization | $100,000 |
| Capital Expenditures | ($100,000) |
| Cash Dividends Paid | 0.0 |

Source: Media General Financial Services, Inc. & Hoovers Online

## Omega Orthodontics, Inc.

| Year | Revenue | Net Income | Net Profit Margin | Number of Employees |
|---|---|---|---|---|
| 1997 | $1,000,000 | ($3,600,000) | -- | 74 |
| 1996 | 0.0 | ($200,000) | -- | 5 |

Source: Media General Financial Services, Inc. & Hoovers Online




# Using Managerial Economics

Your 30 Day Dental MBA
Day 27

# Using Managerial Economics

## Power is Clarity of Focus!

Anthony Robbins

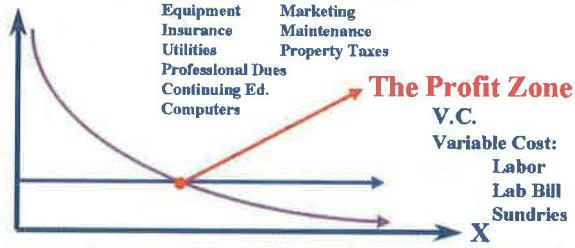
## Fixed Costs vs. Variable Cost

Cost which are incurred on a monthly bases whether you are open and treating patients or closed.

Y

F.C.
Fixed Costs:

Land
Building
Equipment
Insurance
Utilities
Professional Dues
Continuing Ed.
Computers
Tenant Improvements
Treatment Rooms
Marketing
Maintenance
Property Taxes




Output of High Quality Dental Services During a Monthly Period.

## Control your overhead with the Magic of Group Practice!

| MON | TUE | WED | THU | FRI | SAT | SUN |
|---|---|---|---|---|---|---|
| | | 7 | 7 | | | |
| | | 8 | 8 | | | |
| | | 9 | 9 | | | |
| 10 | 10 | 10 | 10 | | | |
| 11 | 11 | 11 | 11 | | | |
| 12 | 12 | 12 | 12 | | | |
| 1 | 1 | | | | | |
| 2 | 2 | 1 | 1 | | | |
| | | 2 | 2 | | | |
| 3 | 3 | 3 | 3 | | | |
| 4 | 4 | 4 | 4 | | | |
| 5 | 5 | | | | | |
| 6 | 6 | | | | | |
| 7 | 7 | | | | | |

FIXED OVERHEAD
Rent/Mortgage
Equipment
Build-Out
Electric
Phone
Advertisement
Malpractice
Computer & Updates
Insurance

Working 32 hours per week in solo practice utilizes your fixed overhead just 19% of the time, or just 29% of your total waking hours!

## Control your overhead with the Magic of Group Practice!

| MON | TUE | WED | THU | FRI | SAT | SUN |
|---|---|---|---|---|---|---|
| 7 | 7 | 7 | 7 | 7 | | |
| 8 | 8 | 8 | 8 | 8 | 8 | |
| 9 | 9 | 9 | 9 | 9 | 9 | |
| 10 | 10 | 10 | 10 | 10 | 10 | |
| 11 | 11 | 11 | 11 | 11 | 11 | |
| 12 | 12 | 12 | 12 | 12 | 12 | |
| 1 | 1 | | | | 1 | |
| 2 | 2 | 1 | 1 | 1 | 2 | |
| | | 2 | 2 | 2 | | |
| 3 | 3 | 3 | 3 | 3 | | |
| 4 | 4 | 4 | 4 | 4 | | |
| 5 | 5 | | | | | |
| 6 | 6 | | | | | |
| 7 | 7 | | | | | |

FIXED OVERHEAD
Rent/Mortgage
Equipment
Build-Out
Electric
Phone
Advertisement
Malpractice
Computer & Updates
Insurance

Working 64 hours per week in solo practice utilizes your fixed overhead just 40% of the time, or just 56% of your total waking hours!

## There are 8,766 hours in a year!

## The Effect of FEES

Assuming an overhead of 71%:

A 10% fee decrease means you need to do 53% more dentistry for the same net profit.

A 20% fee decrease means you need to do 222% more dentistry for the same net profit.

In contrast...

A 10% fee increase means you can make the same profit doing only 74% of the dentistry you're doing now.

A 20% fee increase means you can make the same profit doing only 59% of the dentistry you're doing now.

You should reconsider your competitive strategy in regards to all PPO's, HMO's fee schedules, and Delta Dental when the monetary amount you adjust off per insurance claim is greater than the dollar amount you spend on attracting each new patient!

Howard Farran DDS, MBA, MAGD

## American Dental Partners, Inc.

## American Dental Partners, Inc.

| INCOME STATEMENT | Dec. 97 |
|---|---|
| Revenue | $53,300,000 |
| Cost of Goods Sold | $48,200,000 |
| Gross Profit | $5,100,000 |
| Gross Profit Margin | 9.6% |
| SG&A Expense | $3,300,000 |
| Operating Income | $1,800,000 |
| Operating Margin | 3.4% |
| Nonoperating Income | 0.0 |
| Nonoperating Expense | $600,000 |
| Income Before Taxes | $1,200,000 |
| Income Taxes | $100,000 |
| Net Income After Taxes | $1,100,000 |
| Total Net Income | $1,100,000 |
| Net Profit Margin | 2.1% |
| Fully Diluted EPS from Total Net Income ($) | ($0.05) |
| Dividends per Share ($) | 0.00 |

Source: Media General Financial Services, Inc. & Hoovers Online

## American Dental Partners, Inc.

| BALANCE SHEET | Dec. 97 |
|---|---|
| Assets | |
| Cash | $4,700,000 |
| Net Receivables | $3,300,000 |
| Inventories | $400,000 |
| Other Current Assets | $1,600,000 |
| Total Current Assets | $10,000,000 |
| Net Fixed Assets | $8,800,000 |
| Other Noncurrent Assets | $200,000 |
| Total Assets | $48,000,000 |
| Liabilities | |
| Accounts Payable | $2,600,000 |
| Short-Term Debt | $900,000 |
| Other Current Liabilities | $5,800,000 |
| Total Current Liabilities | $9,200,000 |
| Long-Term Debt | $21,500,000 |
| Other Noncurrent Liabilities | 0.0 |
| Total Liabilities | $30,700,000 |
| Equity | |
| Preferred Stock Equity | $16,300,000 |
| Common Stock Equity | $900,000 |
| Total Equity | $17,200,000 |
| Shares Outstanding | 2,400,000 |

Source: Media General Financial Services, Inc. & Hoovers Online

## American Dental Partners, Inc.

| CASH FLOW STATEMENT | Dec. 97, | Dec. 96 |
|---|---|---|
| Net Operating Cash Flow | $1,900,000 | ($1,500,000) |
| Net Investing Cash Flow | ($18,000,000) | ($6,800,000) |
| Net Financing Cash Flow | $14,900,000 | $14,200,000 |
| Net Change in Cash | ($1,200,000) | $5,800,000 |
| Depreciation and Amortization | $2,200,000 | $200,000 |
| Capital Expenditures | ($18,100,000) | (7,000,000) |
| Cash Dividends Paid | 0.0 | 0.0 |

Source: Media General Financial Services, Inc. & Hoovers Online

## American Dental Partners, Inc.

| Year | Revenue | Net Income | Net Profit Margin | Number of Employees |
|---|---|---|---|---|
| 1997 | $53,300,000 | $1,100,000 | 2.1% | 910 |
| 1996 | $3,900,000 | ($2,400,000) | -- | 818 |

Source: Media General Financial Services, Inc. & Hoovers Online

## Birner Dental Management Services

## Birner Dental Management Services

| INCOME STATEMENT | Dec. 97 | Dec. 96 |
|---|---|---|
| Revenue | $12,700,000 | $5,400,000 |
| Cost of Goods Sold | $2,900,000 | $1,200,000 |
| Gross Profit | $9,800,000 | $4,200,000 |
| Gross Profit Margin | 77.2% | 77.8% |
| SG&A Expense | $9,100,000 | $4,200,000 |
| Operating Income | $700,000 | 0.0 |
| Operating Margin | 5.5% | 0.0% |
| Nonoperating Income | 0.0 | 0.0 |
| Nonoperating Expense | $800,000 | $300,000 |
| Income Before Taxes | 0.0 | ($300,000) |
| Income Taxes | 0.0 | 0.0 |
| Net Income After Taxes | 0.0 | ($300,000) |
| Total Net Income | 0.0 | ($300,000) |
| Net Profit Margin | 0.0% | -- |
| Fully Diluted EPS from Total Net Income ($) | $0.01 | ($0.10) |
| Dividends per Share ($) | $0.00 | $0.00 |

Source: Media General Financial Services, Inc. & Hoovers Online

## Birner Dental Management Services

| BALANCE SHEET | Dec. 97 | Dec. 96 |
|---|---|---|
| Assets | | |
| Cash | $1,000,000 | $1,300,000 |
| Net Receivables | $1,400,000 | $900,000 |
| Inventories | 0.0 | 0.0 |
| Other Current Assets | $1,100,000 | $200,000 |
| Total Current Assets | $3,500,000 | $2,900,000 |
| Net Fixed Assets | $2,600,000 | $1,300,000 |
| Other Noncurrent Assets | $500,000 | $500,000 |
| Total Assets | $15,600,000 | $9,600,000 |
| Liabilities | | |
| Accounts Payable | $3,500,000 | $900,000 |
| Short-Term Debt | $700,000 | $100,000 |
| Other Current Liabilities | 0.0 | 0.0 |
| Total Current Liabilities | $4,000,000 | $1,000,000 |
| Long-Term Debt | $10,200,000 | $6,800,000 |
| Other Noncurrent Liabilities | 0.0 | 0.0 |
| Total Liabilities | $14,200,000 | $7,800,000 |
| Equity | | |
| Preferred Stock Equity | 0.0 | 0.0 |
| Common Stock Equity | $1,400,000 | $1,700,000 |
| Total Equity | $1,400,000 | $1,700,000 |
| Shares Outstanding | 3,200,000 | 3,300,000 |

Source: Media General Financial Services, Inc. & Hoovers Online

## Birner Dental Management Services

| CASH FLOW STATEMENT | Dec. 97. | Dec. 96 |
|---|---|---|
| Net Operating Cash Flow | $2,200,000 | ($500,000) |
| Net Investing Cash Flow | ($4,200,000) | ($4,800,000) |
| Net Financing Cash Flow | $1,100,000 | $5,700,000 |
| Net Change in Cash | ($800,000) | $300,000 |
| Depreciation and Amortization | $700,000 | $400,000 |
| Capital Expenditures | ($4,300,000) | ($1,00,000) |
| Cash Dividends Paid | 0.0 | 0.0 |

Source: Media General Financial Services, Inc. & Hoovers Online

## Birner Dental Management Services

| Year | Revenue | Net Income | Net Profit Margin | Number of Employees |
|---|---|---|---|---|
| 1997 | $12,700,000 | 0.0 | -- | 356 |
| 1996 | $5,400,000 | ($300,000) | -- | 317 |
| 1995 | $300,000 | ($200,000) | -- | -- |

Source: Media General Financial Services, Inc. & Hoovers Online

## Benchmarking off Publicly Traded Dental Management Companies

| Benchmarking Item | Range |
|---|---|
| Number of offices | 30 – 200 |
| Number of dentists employed or affiliated | 39 – 256 |
| % held for management services and fees | 9% - 78% |
| Total company gross revenue | $7,900,000 - $53,300,000 |
| Revenue per dentist | $169,532 - $413,514 |
| Total company net income | ($3,200,000) - $5,300,000 |
| Net income per dentist | ($12,500) - $62,353 |
| Percent of revenue from fee for service | 33% - 100% |
| Percent of revenue from PPO's | 0% - 38% |
| Percent of revenue from capitated managed care | 0% - 53% |
| Percent of total revenue paid to dentists | 14.5% - 23% |
| Percent of total revenue paid to hygienists | 5% - 13.7% |
| Percent of total revenue paid to front and back office labor | 14% - 22% |
| Lab & sundries expense as a percent of income | 10% - 17.7% |
| Rent expense as a percent of income | 5.4% - 9.4% |
| Advertising expense as a percent of income | 0% - 6.4% |
| Depreciation expense as a percent of income | 1.5% - 4.3% |
| General & Administrative | 5.2% - 14.5% |

Sources: 1997 Data from Individual Annual Reports, 10Ks and Phone Conversations with company officials.

## Dental Management Companies Statistics
### Revenue Sources

| Company name | Fee for Service (including indemnity insurance) | PPO When Split from Fee for Service | Capitated Managed Care When split from PPO |
|---|---|---|---|
| Coast | 66.5% | 33.5% | |
| American Dental Partners | 33% | 14% | 53% |
| Birner | 79.6% | | 20.4% |
| Castle | 50% | 38% | 12% |
| Monarch | 60.8% | | 39.2% |
| Gentle Dental | >82% | | < 18% |
| Dental Care Alliance | 75% - 80% | | 20% - 25% |
| Pentegra | 100% | 0% | 0% |

Sources: 1997 Data from Individual Annual Reports, 10Ks and Phone Conversations with company officials.

## Dental Management Companies Statistics

| Company name | Number owned or affiliated | Number of dentists employed or affiliated | % held for management services** | Revenue | Net Income |
|---|---|---|---|---|---|
| Coast | 90 | 85 | 74% –78% | $34,500,000 | $5,300,000 |
| American Dent. Partners | 100 | 215 | 9% - 29% | $53,300,000 | $1,100,000 |
| Birner | 35 | 53 | 20.3% | $12,700,000 | 0.00 |
| Castle | 55 | | 67.4% | $31,400,000 | ($2,800,000) |
| Monarch | 200 | 111 | 34% | $45,900,000 | $1,800,000 |
| Gentle Dental | 69 | 256 | 15-30% | $43,400,000 | ($3,200,000) |
| Dental Care Alliance | 30 | 39 | 70 – 74% | $7,900,000 | $400,000 |
| Pentegra | 83 | 120 | 15% or 35% | 0.0 | ($1,400,000) |

** Percents vary depending on the form of affiliation with the practice.

Source: 1997 Data from Hoovers Online & Company Annual Reports

## Dental Management Companies Statistics
### Expenses as a percent of income

| Company name | Lab & Sundries | Rent | Advertising | Depreciation | Other | G & A |
|---|---|---|---|---|---|---|
| Coast | 11.4% | 7.7% | 6.4% | 2% | 2.2% | 9% |
| American Dental Partners | 10% | 7.5% | 0% | 3% | 9.7% | 5.2% |
| Birner | 17.7% | 8.6% | 3.2% | 43% | NA | 8.4% |
| Castle | 10.5% | 5.4% | 5% | 3.7% | 9.8% | 14.5% |
| Monarch | 10.8% | 5.4% | 3.4% | 4% | NA | 9.9% |
| Gentle Dental | 11.2% | 6.3% | Included in G&A | 4.1% | NA | 8.8% |
| Dental Care Alliance | 15% | 9.4% | 4% | 1.5% | NA | 7.6% |
| Pentegra | | | | | | |

## Dental Management Companies Statistics
### Labor Expenses as a percent of income

| Company name | % paid to dentists | % paid to hygienists | % paid to staff (front & back office) | Total Labor |
|---|---|---|---|---|
| Coast | 14.5% | 6.7% | 22% | 43.2% |
| American Dental Partners | | | | |
| Birner | NA | NA | NA | NA |
| Castle | 20% | 13.7% | 14.3% | |
| Monarch | 34.7% DDS & Hyg. | | 16.9% | 51.6% |
| Gentle Dental | 44% DDS, Hyg. & Assist. | | 14% Front office | 58% |
| Dental Care Alliance | 26% - 30% DDS & Hyg. | | 19% | |
| Pentegra | | | | |

## Dental Care Alliance, Inc.

## Dental Care Alliance, Inc.

| INCOME STATEMENT | Dec. 97 | Dec. 96 |
|---|---|---|
| Revenue | $7,900,009 | $1,600,000 |
| Cost of Goods Sold | $6,100,000 | $600,000 |
| Gross Profit | $1,800,000 | $1,000,000 |
| Gross Profit Margin | 22.8% | 62.5% |
| SG&A Expense | $1,400,000 | $800,000 |
| Operating Income | $400,000 | $200,000 |
| Operating Margin | 5.1% | 12.5% |
| Nonoperating Income | $300,000 | 0.0 |
| Nonoperating Expense | 0.0 | 0.0 |
| Income Before Taxes | $700,000 | $200,000 |
| Income Taxes | $300,000 | 0.0 |
| Net Income After Taxes | $400,000 | $200,000 |
| Total Net Income | $400,000 | $200,000 |
| Net Profit Margin | 5.1% | 12.5% |
| Fully Diluted EPS from Total Net Income ($) | $0.07 | $0.00 |
| Dividends per Share ($) | $0.00 | $0.00 |

Source: Media General Financial Services, Inc. & Hoovers Online

## Dental Care Alliance, Inc.

| BALANCE SHEET | Dec. 97 | Dec. 96 |
|---|---|---|
| Assets | | |
| Cash | $10,400,000 | $1,300,000 |
| Net Receivables | $1,100,000 | $600,000 |
| Inventories | 0.0 | 0.0 |
| Other Current Assets | $700,000 | 0.0 |
| Total Current Assets | $12,200,000 | $1,300,000 |
| Net Fixed Assets | $1,100,000 | 0.0 |
| Other Noncurrent Assets | $500,000 | $500,000 |
| Total Assets | $13,600,000 | $3,100,000 |
| Liabilities | | |
| Accounts Payable | $600,000 | $500,000 |
| Short-Term Debt | $200,000 | $200,000 |
| Other Current Liabilities | $1,600,000 | $200,000 |
| Total Current Liabilities | $2,400,000 | $900,000 |
| Long-Term Debt | $500,000 | 0.0 |
| Other Noncurrent Liabilities | 0.0 | $200,000 |
| Total Liabilities | $4,000,000 | $1,100,000 |
| Equity | | |
| Preferred Stock Equity | 0.0 | $1,400,000 |
| Common Stock Equity | $24,600,000 | $600,000 |
| Total Equity | $24,600,000 | $2,000,000 |
| Shares Outstanding | 7,000,000 | 4,900,000 |

Source: Media General Financial Services, Inc. & Hoovers Online

## Dental Care Alliance, Inc.

| CASH FLOW STATEMENT | Dec. 97 | Dec. 96 | Dec. 95 |
|---|---|---|---|
| Net Operating Cash Flow | $600,000 | $300,000 | $100,000 |
| Net Investing Cash Flow | ($2,000,000) | (($500,000) | 0.0 |
| Net Financing Cash Flow | $20,600,000 | $1,400,000 | ($100,000) |
| Net Change in Cash | $19,100,000 | $1,200,000 | 0.0 |
| Depreciation and Amortization | $200,000 | 0.0 | 0.0 |
| Capital Expenditures | ($600,000) | 0.0 | 0.0 |
| Cash Dividends Paid | 0.0 | 0.0 | 0.0 |

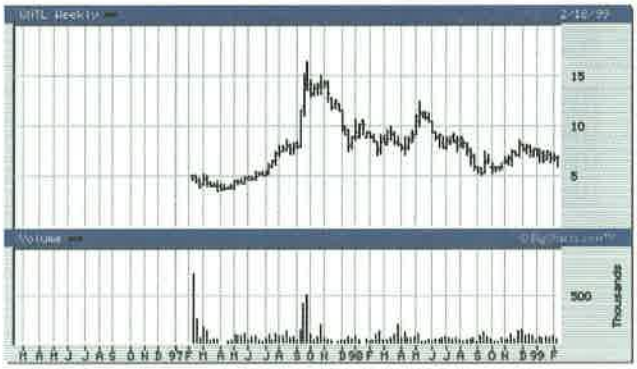
Source: Media General Financial Services, Inc. & Hoovers Online

## Dental Care Alliance, Inc.

| Year | Revenue | Net Income | Net Profit Margin | Number of Employees |
|---|---|---|---|---|
| 1997 | $7,900,000 | $400,000 | 5.1% | 84 |
| 1996 | $1,600,000 | $200,000 | 12.5% | 76 |
| 1995 | $800,000 | 0.0 | -- | -- |
| 1994 | $700,000 | $100,000 | 12.3% | -- |
| 1993 | $100,000 | $100,000 | 62.5% | -- |

Source: Media General Financial Services, Inc. & Hoovers Online

## Gentle Dental Services Corporation




## Gentle Dental Services Corporation

| INCOME STATEMENT | Dec. 97 | Dec. 96 | Dec. 95 |
|---|---|---|---|
| Revenue | $43,400,000 | $10,700,000 | $9,800,000 |
| Cost of Goods Sold | $8,100,000 | $11,300,000 | $8,900,000 |
| Gross Profit | $35,3000,000 | ($500,000) | $900,000 |
| Gross Profit Margin | 81.3% | (4.6%) | 9.2% |
| SG&A Expense | $37,800,000 | 0.0 | 0.0 |
| Operating Income | ($2,500,000) | ($600,000) | $900,000 |
| Operating Margin | -- | -- | 9.2% |
| Nonoperating Income | ($100,000) | 0.0 | ($100,000) |
| Nonoperating Expense | $700,000 | $700,000 | $300,000 |
| Income Before Taxes | ($3,300,000) | ($1,300,000) | $500,000 |
| Income Taxes | ($100,000) | ($300,000) | $200,000 |
| Net Income After Taxes | ($3,200,000) | ($1,000,000) | $300,000 |
| Total Net Income | ($3,200,000) | ($1,000,000) | $300,000 |
| Net Profit Margin | -- | -- | 3.1% |
| Fully Diluted EPS from Total Net Income ($) | ($1.17) | ($1.18) | $0.19 |
| Dividends per Share ($) | $0.00 | $0.00 | $0.00 |

Source: Media General Financial Services, Inc. & Hoovers Online

## Gentle Dental Services Corporation

| BALANCE SHEET | Dec. 97 | Dec. 96 | Dec. 95 |
|---|---|---|---|
| Assets | | | |
| Cash | $300,000 | $200,000 | $700,000 |
| Net Receivables | $8,200,000 | $4,100,000 | $2,900,000 |
| Inventories | $1,100,000 | $400,000 | $300,000 |
| Other Current Assets | $1,600,000 | $700,000 | $200,000 |
| Total Current Assets | $11,200,000 | $5,400,000 | $4,100,000 |
| Net Fixed Assets | $10,100,000 | $4,200,000 | $3,700,000 |
| Other Noncurrent Assets | $300,000 | $100,000 | $400,000 |
| Total Assets | $44,400,000 | $13,800,000 | $10,200,000 |
| Liabilities | | | |
| Accounts Payable | $2,500,000 | $1,300,000 | $500,000 |
| Short-Term Debt | $700,000 | $3,000,000 | $1,500,000 |
| Other Current Liabilities | $5,300,000 | $900,000 | $900,000 |
| Total Current Liabilities | $8,400,000 | $5,100,000 | $2,700,000 |
| Long-Term Debt | $14,400,000 | $3,300,000 | $2,700,000 |
| Other Noncurrent Liabilities | $100,000 | $100,000 | $100,000 |
| Total Liabilities | $23,000,000 | $7,500,000 | $5,700,000 |
| Equity | | | |
| Preferred Stock Equity | 0.00 | 0.00 | 0.00 |
| Common Stock Equity | $21,500,000 | $5,400,000 | $4,500,000 |
| Total Equity | $21,500,000 | $5,400,000 | $4,500,000 |
| Shares Outstanding | 7,500,000 | 1,500,000 | 1,400,000 |

Source: Media General Financial Services, Inc. & Hoovers Online

## Gentle Dental Services Corporation

| CASH FLOW STATEMENT | Dec. 97 | Dec. 96 | Dec. 95 |
|---|---|---|---|
| Net Operating Cash Flow | ($1,000,000) | ($600,000) | ($800,000) |
| Net Investing Cash Flow | ($12,500,000) | ($1,400,000) | ($2,600,000) |
| Net Financing Cash Flow | $11,600,000 | $1,500,000 | $4,100,000 |
| Net Change in Cash | ($1,900,000) | ($500,000) | $700,000 |
| Depreciation and Amortization | $1,800,000 | $1,100,000 | $500,000 |
| Capital Expenditures | ($12,500,000) | ($700,000) | ($1,300,000) |
| Cash Dividends Paid | 0.0 | 0.0 | 0.0 |

Source: Media General Financial Services, Inc. & Hoovers Online

## Gentle Dental Services Corporation

| Year | Revenue | Net Income | Net Profit Margin | Number of Employees |
|---|---|---|---|---|
| 1997 | $43,400,000 | ($3,200,000) | -- | 898 |
| 1996 | $10,700,000 | ($1,000,000) | -- | 137 |
| 1995 | $9,800,000 | $300,000 | 3.1% | -- |
| 1994 | $2,700,000 | $600,000 | 22.5% | -- |
| 1993 | $1,500,000 | $400,000 | 24.0% | -- |

Source: Media General Financial Services, Inc. & Hoovers Online

## Monarch Dental Corporation

## Monarch Dental Corporation

| INCOME STATEMENT | Dec. 97 | Dec. 96 |
|---|---|---|
| Revenue | $45,900,000 | $36,000,000 |
| Cost of Goods Sold | $10,100,000 | $13,200,000 |
| Gross Profit | $35,800,000 | $22,800,000 |
| Gross Profit Margin | 78.0% | 63.3% |
| SG&A Expense | $30,700,000 | $19,900,000 |
| Operating Income | $5,100,000 | $2,900,000 |
| Operating Margin | 11.1% | 8.1% |
| Nonoperating Income | 0.0 | 0.0 |
| Nonoperating Expense | $1,500,000 | $1,700,000 |
| Income Before Taxes | $3,500,000 | $1,100,000 |
| Income Taxes | $1,400,000 | $400,000 |
| Net Income After Taxes | $2,100,000 | $700,000 |
| Total Net Income | $1,800,000 | $700,000 |
| Net Profit Margin | 3.9% | 1.9% |
| Fully Diluted EPS from Total Net Income ($) | $0.22 | $0.13 |
| Dividends per Share ($) | $0.00 | $0.00 |

Source: Media General Financial Services, Inc. & Hoovers Online

## Monarch Dental Corporation

| BALANCE SHEET | Dec. 97 | Dec. 96 |
|---|---|---|
| Assets | | |
| Cash | $3,000,000 | $1,100,000 |
| Net Receivables | $5,900,000 | $3,400,000 |
| Inventories | 0.0 | 0.0 |
| Other Current Assets | $300,000 | $200,000 |
| Total Current Assets | $9,100,000 | $4,700,000 |
| Net Fixed Assets | $3,700,000 | $4,700,000 |
| Other Noncurrent Assets | $600,000 | $600,000 |
| Total Assets | $64,600,000 | $32,900,000 |
| Liabilities | | |
| Accounts Payable | $1,900,000 | $1,100,000 |
| Short-Term Debt | $600,000 | $3,600,000 |
| Other Current Liabilities | $5,200,000 | $4,000,000 |
| Total Current Liabilities | $7,700,000 | $8,700,000 |
| Long-Term Debt | $11,200,000 | $18,800,000 |
| Other Noncurrent Liabilities | $1,300,000 | $1,800,000 |
| Total Liabilities | $22,600,000 | $29,600,000 |
| Equity | | |
| Preferred Stock Equity | 0.0 | $8,000,000 |
| Common Stock Equity | $42,000,000 | ($3,700,000) |
| Total Equity | $42,000,000 | $4,300,000 |
| Shares Outstanding | 10,200,000 | 6,500,000 |

Source: Media General Financial Services, Inc. & Hoovers Online

## Monarch Dental Corporation

| CASH FLOW STATEMENT | Dec. 97 | Dec. 96 |
|---|---|---|
| Net Operating Cash Flow | $4,100,000 | $2,300,000 |
| Net Investing Cash Flow | ($19,800,000) | ($23,400,000) |
| Net Financing Cash Flow | $17,700,000 | $21,500,000 |
| Net Change in Cash | $1,900,000 | $300,000 |
| Depreciation and Amortization | $2,900,000 | $1,400,000 |
| Capital Expenditures | ($3,300,000) | ($1,200,000) |
| Cash Dividends Paid | 0.0 | ($1,300,000) |

Source: Media General Financial Services, Inc. & Hoovers Online

## Monarch Dental Corporation

| Year | Revenue | Net Income | Net Profit Margin | Number of Employees |
|---|---|---|---|---|
| 1997 | $45,900,000 | $1,800,000 | 3.9% | 1,157 |
| 1996 | $36,000,000 | $700,000 | 1.9% | 641 |
| 1995 | $8,900,000 | $1,600,000 | 18.0% | -- |
| 1994 | $6,500,000 | $1,000,000 | 15.4% | -- |

Source: Media General Financial Services, Inc. & Hoovers Online

## Pentegra Dental Group, Inc.

## Pentegra Dental Group, Inc.

| Year | Revenue | Net Income | Net Profit Margin | Number of Employees |
|---|---|---|---|---|
| 1997 | 0.0 | ($1,400,000) | -- | 3 |

Source: Media General Financial Services, Inc. & Hoovers Online

## Apple Orthodontix, Inc.

## Apple Orthodontix, Inc.

| INCOME STATEMENT | Dec. 97 | Dec. 96 |
|---|---|---|
| Revenue | $19,200,000 | $100,000 |
| Cost of Goods Sold | $900,000 | 0.0 |
| Gross Profit | $18,300,000 | $100,000 |
| Gross Profit Margin | 95.3% | 100% |
| SG&A Expense | $17,100,000 | $900,000 |
| Operating Income | $1,200,000 | ($800,000) |
| Operating Margin | 6.3% | -- |
| Nonoperating Income | $200,000 | 0.0 |
| Nonoperating Expense | $300,000 | 0.0 |
| Income Before Taxes | $1,100,000 | ($900,000) |
| Income Taxes | $400,000 | 0.0 |
| Net Income After Taxes | $700,000 | ($900,000) |
| Total Net Income | $700,000 | ($900,000) |
| Net Profit Margin | 3.6% | -- |
| Fully Diluted EPS from Total Net Income ($) | $0.09 | ($7.24) |
| Dividends per Share ($) | 0.0 | 0.0 |

Source: Media General Financial Services, Inc. & Hoovers Online

## Apple Orthodontix, Inc.

| BALANCE SHEET | Dec. 97 | Dec. 96 |
|---|---|---|
| Assets | | |
| Cash | $1,100,000 | 0.0 |
| Net Receivables | $2,400,000 | 0.0 |
| Inventories | 0.0 | 0.0 |
| Other Current Assets | $5,000,000 | $1,400,000 |
| Total Current Assets | $7,500,000 | $1,400,000 |
| Net Fixed Assets | $6,000,000 | 0.0 |
| Other Noncurrent Assets | $2,500,000 | 0.0 |
| Total Assets | $55,200,000 | $1,500,000 |
| Liabilities | | |
| Accounts Payable | $3,200,000 | $1,400,000 |
| Short-Term Debt | $1,000,000 | 0.0 |
| Other Current Liabilities | $700,000 | $900,000 |
| Total Current Liabilities | $4,900,000 | $2,300,000 |
| Long-Term Debt | $200,000 | 0.0 |
| Other Noncurrent Liabilities | 0.0 | 0.0 |
| Total Liabilities | $19,600,000 | $2,300,000 |
| Equity | | |
| Perferred Stock Equity | 0.0 | 0.0 |
| Common Stock Equity | $35,580,000 | ($800,000) |
| Total Equity | $35,580,000 | ($800,000) |
| Shares Outstanding | 13,300,000 | 4,100,000 |

Source: Media General Financial Services, Inc. & Hoovers Online

## Apple Orthodontix, Inc.

| CASH FLOW STATEMENT | Dec. 97. | Dec. 96 |
|---|---|---|
| Net Operating Cash Flow | ($3,200,000) | ($500,000) |
| Net Investing Cash Flow | ($15,900,000) | 0.0 |
| Net Financing Cash Flow | 21,200,000 | $500,000 |
| Net Change in Cash | $2,100,000 | 0.0 |
| Depreciation and Amortization | $900,000 | 0.0 |
| Capital Expenditures | ($3,600,000) | 0.0 |
| Cash Dividends Paid | 0.0 | 0.0 |

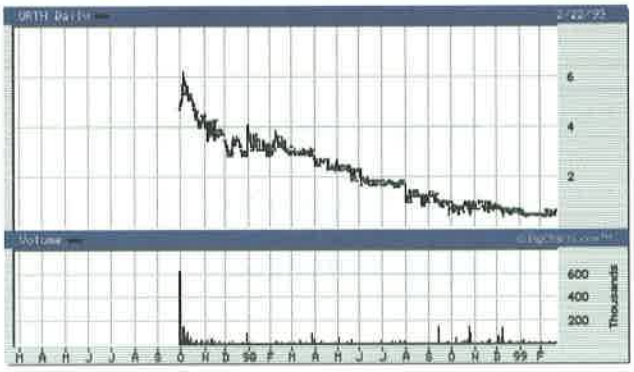
Source: Media General Financial Services, Inc. & Hoovers Online

## Apple Orthodontix, Inc.

| Year | Revenue | Net Income | Net Profit Margin | Number of Employees |
|---|---|---|---|---|
| 1997 | $19,200.000 | $700,000 | 3.6% | 481 |
| 1996 | $100,000 | ($900,000) | -- | 10 |

Source: Media General Financial Services, Inc. & Hoovers Online

## Omega Orthodontics, Inc.




## Omega Orthodontics, Inc.

| INCOME STATEMENT | Dec. 97 |
|---|---|
| Revenue | $1,000,000 |
| Cost of Goods Sold | $1,000,000 |
| Gross Profit | 0.0 |
| Gross Profit Margin | 0% |
| SG&A Expense | $1,000,000 |
| Operating Income | ($1,000,000) |
| Operating Margin | -- |
| Nonoperating Income | $100,000 |
| Nonoperating Expense | $100,000 |
| Income Before Taxes | ($3,600,000) |
| Income Taxes | 0.0 |
| Net Income After Taxes | ($3,600,000) |
| Total Net Income | ($3,600,000) |
| Net Profit Margin | -- |
| Fully Diluted EPS from Total Net Income ($) | ($1.59) |
| Dividends per Share ($) | 0.0 |

Source: Media General Financial Services, Inc. & Hoovers Online

## Omega Orthodontics, Inc.

| BALANCE SHEET | Dec. 97 | Dec. 96 |
|---|---|---|
| Assets | | |
| Cash | $5,400,000 | $300,000 |
| Net Receivables | $1,100,000 | 9,000 |
| Inventories | 0.0 | 0.0 |
| Other Current Assets | $100,000 | $30,000 |
| Total Current Assets | $6,600,000 | $439,000 |
| Net Fixed Assets | $500,000 | 10,000 |
| Other Noncurrent Assets | $100,000 | 0.0 |
| Total Assets | $12,300,000 | $500,000 |
| Liabilities | | |
| Accounts Payable | $200,000 | 20,000 |
| Short-Term Debt | $100,000 | $100,000 |
| Other Current Liabilities | $1,600,000 | $575,000 |
| Total Current Liabilities | $1,800,000 | $700,000 |
| Long-Term Debt | $500,000 | 0.0 |
| Other Noncurrent Liabilities | 0.0 | 0.0 |
| Total Liabilities | $2,400,000 | $800,000 |
| Equity | | |
| Perferred Stock Equity | 0.0 | 0.0 |
| Common Stock Equity | $10,000,000 | $16,150 |
| Total Equity | $10,000,000 | $500,000 |
| Shares Outstanding | 4,300,000 | 1,615,000 |

Source: Media General Financial Services, Inc. & Hoovers Online

## Omega Orthodontics, Inc.

| CASH FLOW STATEMENT | Dec. 97. |
|---|---|
| Net Operating Cash Flow | ($1,400,000) |
| Net Investing Cash Flow | ($2,600,000) |
| Net Financing Cash Flow | $900,000 |
| Net Change in Cash | $5,100,000 |
| Depreciation and Amortization | $100,000 |
| Capital Expenditures | ($100,000) |
| Cash Dividends Paid | 0.0 |

Source: Media General Financial Services, Inc. & Hoovers Online

## Omega Orthodontics, Inc.

| Year | Revenue | Net Income | Net Profit Margin | Number of Employees |
|---|---|---|---|---|
| 1997 | $1,000,000 | ($3,600,000) | -- | 74 |
| 1996 | 0.0 | ($200,000) | -- | 5 |

Source: Media General Financial Services, Inc. & Hoovers Online

"People always overestimate how complex business is!"

- It isn't rocket science; it's one of the world's more simple professions!
- Most global businesses only have three or four critical competitors, and you know who they are!
- There aren't that many things you can do with a business! It's not as if you're choosing among 2,000 options...."

Jack Welch: General Electric's Revolutionary

## Dental Office Revenue

| | | |
|---|---|---|
| 43% | Patient | $22 Billion |
| 52% | Private Insurance | $18 Billion |
| | Managed Care | $ 6 Billion |
| | Total Insurance | $24 Billion |
| 5% | Government | $ 2 Billion |
| | Total US Dental Industry | $48 Billion |

Source: ADA Survey Center, 1996 Survey of Dental Practice

## The 3 Major Business Strategies

1) Market Differentiation
2) Cost Leadership
3) Target Market

## The 3 Major Business Strategies

1) Market Differentiation

**Can you differentiate your product or service from your competitors?**

- Courteous Long Term Staff
- Tooth Colored Fillings
- Same day appointments

## The 3 Major Business Strategies

1) Market Differentiation

- Market Differentiation commands the highest profit margin of all three of the Major Business Strategies!
- This is the only area where legendary investor billionaire Warren Buffett will put his money! (Coke & Disney)

## The 5 Deadly Business Sins

by Peter F. Drucker:

1. Do not worship high profit margins and premium pricing!
2. Do not misprice a new product by charging what the market will bear!
3. Do not use: Cost + Profit = Price
   Try to use: Price - Profit = Budget
4. Do not slaughter tomorrow's opportunities on the alter of yesterday!
5. Do not feed problems and starve opportunities!

Source: Managing in a time of Great Change by Peter F. Drucker

**You either compete on Price with Cost Leadership or Quality with Market Differentiation.**

## The 3 Major Business Strategies

### 2) Cost Leadership

**Do you have a cost competitive advantage over your competitors?**

- Do you take their dental benefits?
- Do you have lower prices?

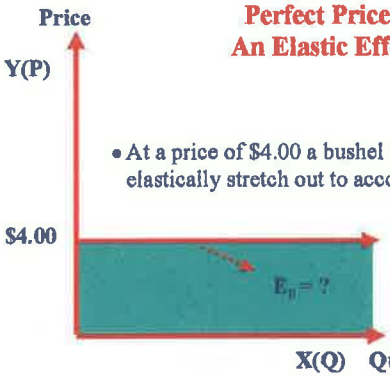
## The 3 Major Business Strategies

### 3) Target Market

**Do you target a specific group of people that have special unmet needs, wants, and desires?**

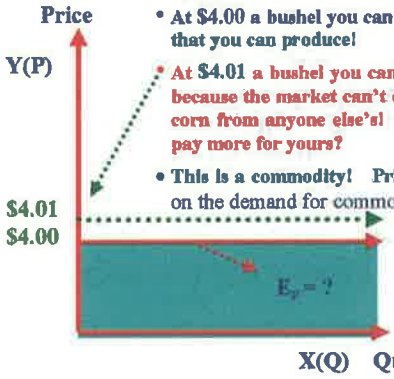
- Does your office speak a foreign language?
- Does your office have a diversified staff?

## Perfect Price Elasticity Has An Elastic Effect On Demand




- At a price of $4.00 a bushel the market demand will elastically stretch out to accommodate your supply!

## Perfect Price Elasticity Has An Elastic Effect On Demand

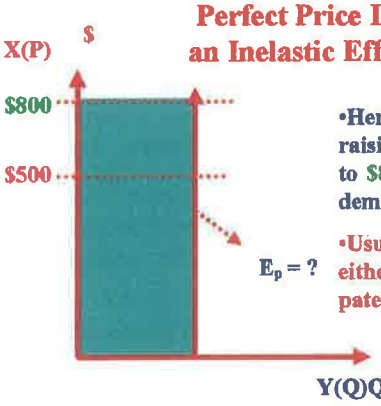



- At $4.00 a bushel you can sell the market all the corn that you can produce!
- At $4.01 a bushel you can't unload any of your corn because the market can't differentiate your bushel of corn from anyone else's! So why should the market pay more for yours?
- This is a commodity! Price has a very elastic effect on the demand for commodities!

In an unregulated commodity business, a company must lower its costs to competitive levels or face extinction!

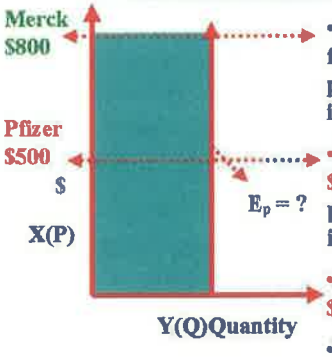
*The Essays of Warren Buffett: Lessons for Corporate America*, Warren Buffet Selected, Arranged and Introduced by Lawrence A. Cunningham. 1998

## Perfect Price Inelasticity Has an Inelastic Effect on Demand!



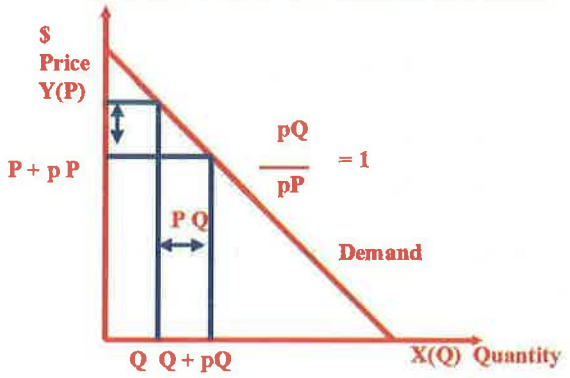

- Here you can see that raising their price from $500 to $800 had no effect on the demand for their product!
- Usually this is caused from either a monopoly or a patent!

## Perfect Price Inelasticity Has an Inelastic Effect on Demand!



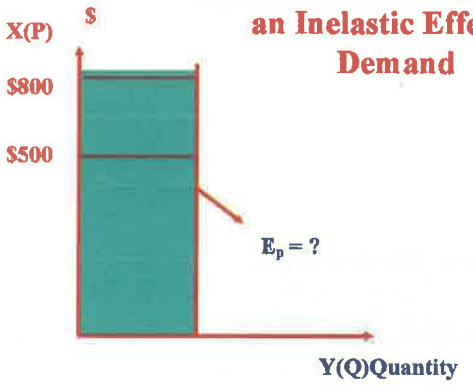

- If Merck had a cancer drug for $800 where 7 out of 10 patients treated were still alive in 5 years and...
- Pfizer had a cancer drug for $500 where only 6 out of 10 patients treated were still alive in 5 years, ...
- Would you pay the extra $300?
- Would your HMO pay the extra $300?

## Price is the number one variable on demand




## Perfect Price Elasticity Has An Elastic Effect On Demand

## Perfect Price Inelasticity Has an Inelastic Effect on Demand




## Microsoft

- Word
- Excel
- Powerpoint
- Publisher/Layout
- Exchange/E-Mail
- Network
- Money

## Happiness!

Happiness is an epiphenomenon, a by-product, something not to be sought directly but an indirect reward for virtue.

The only happy people I know are the ones who are working well at something they consider important.

Source: Maslow on Management, Abraham Maslow, 1998

## Do you love your job?

To recognize one's responsibility or one's work out there is like a love relationship, a recognition of a belongingness, a *Zusammenhang*; it has many of the paradoxical or dichotomy-transcending qualities of sexual intercourse and love embracing, of two become one perfectly.

Source: Maslow on Management, Abraham Maslow, 1998

## How do you define work?

The typically implied notion in our society, perhaps throughout the world, is that labor is unpleasant by definition and that enjoying yourself means lying in the sun and doing nothing.

But, to force people not to work is as cruel a punishment as could be devised!

Source: Maslow on Management, Abraham Maslow, 1998

## People are our most important assets!

Most of us would argue that we believe in the potential of people and that people are our most important organizational assets.

If that is the case, why then do we frequently design organizations to satisfy our need for control and not to maximize the contributions of people?

Source: Maslow on Management, Abraham Maslow, 1998

## Paradic design

**Paradic design** equals **recognition of suitability** and belongingness and normality and rightness through the recognition of the intention or fate implied by the design.

ie. Relationships between the two people who should get married as compared to two people who obviously should not get married. **One personality can be seen to fit with another personality in this same paradic design.**

Source: C.D. King, "The Meaning of Normal," Yale Journal of Biology and Medicine, 1945.

## David Lewin covered 495 organizations and reached the following conclusions:

- Companies that **share profits and gains** with employees have significantly better financial performance than those who don't.
- Companies that **share information broadly** and that have broad programs of **employee involvement** perform significantly better than companies that are run autocratically
- Flexible work design (**flexible hours, rotation, and job enlargement**), is significantly related to financial success.
- **Training and development** have a positive effect on business financial performance.
- Two-thirds of the bottom line impact was due to combined effect of **group economic participation, intellectual participation, flexible job design, and training and development.**

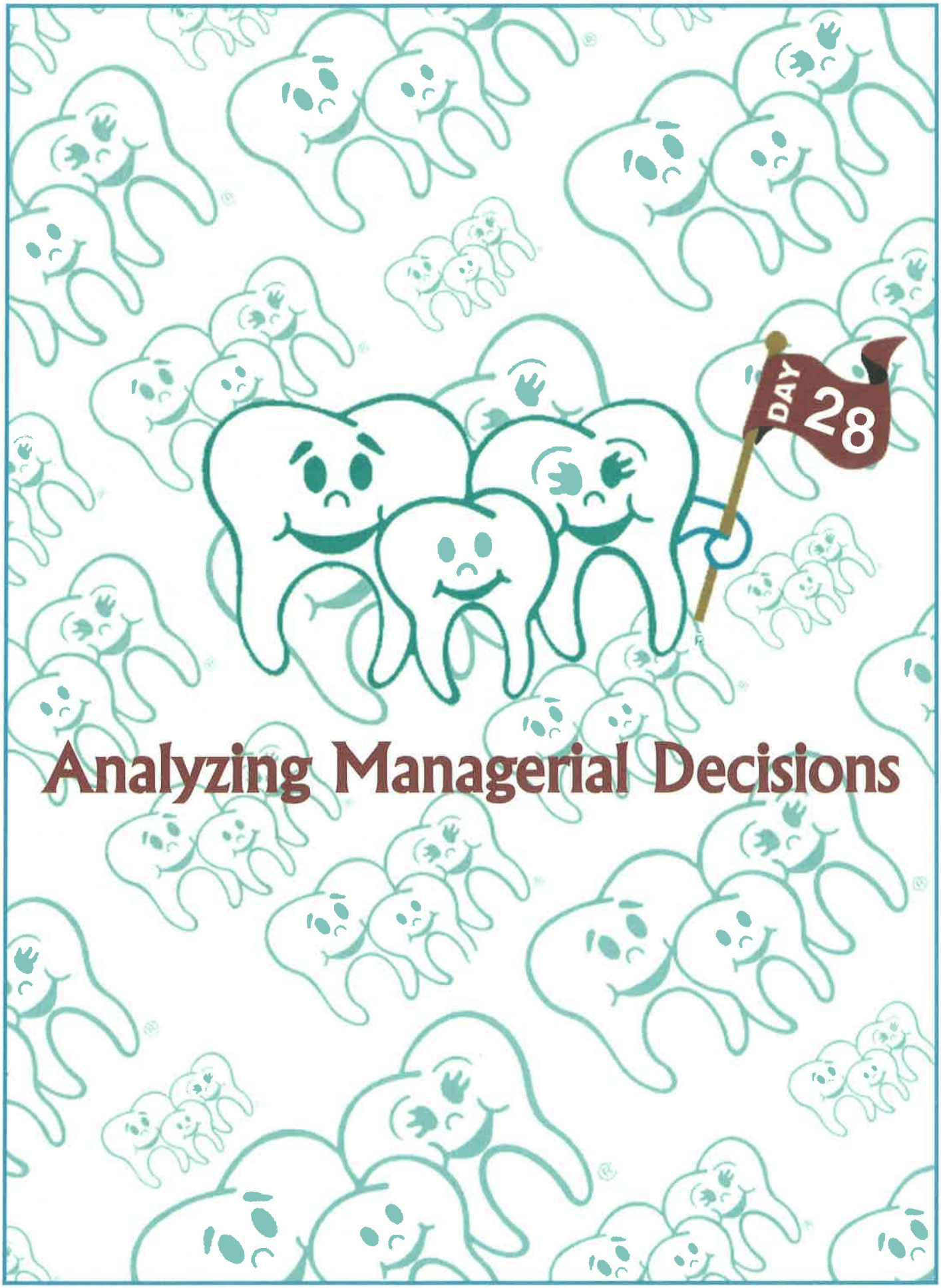
Source: Maslow on Management, Abraham Maslow, 1998

In general, we may say that **management theory can stress roughly two products**, two consequences:

One is the **economic productivity**, the quality of products, profit making, etc.

The other is the **human products**, that is, the psychological health of the workers, their movement toward self-actualization, their increase in safety, belongingness, loyalty, ability to love, self respect, etc.

Source: Maslow on Management, Abraham Maslow, 1998




# Analyzing Managerial Decisions

## Your 30 Day Dental MBA
## Day 28

# Analyzing Managerial Decisions

## What Are Decisions?

**Decisions** are well-informed choices considering all available data for all aspects of a problem. A **lucky outcome** may occur despite the approach, but it is less likely and inconsistent.

Arizona State University, QBA502, Professor Diane Walker

## Five Sources of Difficulty in Decision Making

- Complexity
- Inherent Uncertainty
- Multiple Objectives
- Different Perspectives
- Slight Changes in inputs may lead to different choices

Arizona State University, QBA502, Professor D. Walker

## What Makes Decisions Hard?

1. Complexity
2. Inherent Uncertainty
3. Multiple Objectives
4. Different Perspectives lead to different conclusions
5. Slight Changes in inputs lead to different choices

**Decision Analysis** requires personal subjective judgments.

**Requisite Decision** model is when the model contains everything that is essential for solving the problem and when new intuitions emerge about the problem from which the decision maker can take action.

Arizona State University, QBA502, Professor Diane Walker

## 4 Phases of Creativity
## P I I V

1. Preparation
2. Incubation
3. Illumination
4. Verification

Arizona State University, QBA502, Professor Diane Walker

## 4 Framing and Perceptual Blocks
## S T I I

1. Stereotyping
2. Tacit Assumptions
3. Inability to understand from different levels
4. Inability to see from another person's perspective

Arizona State University, QBA502, Professor Diane Walker

## 4 Value & Objective Blocks
## FSRJ

1. Fear of Taking a Risk
2. Status Quo
3. Reality versus Fantasy
4. Judgment and criticism

Arizona State University, QBA502, Professor Diane Walker

## Higher-Order Thinking

✓ **Open**
- Shows a willingness to entertain alternative perspectives.

✓ **Differentiated**
- Able to draw increasingly finer distinctions between concepts.

✓ **Integrated**
- Able to weave differences into an increasingly complex whole; a systems view rather than an ethnocetric and fragmented view.

Arizona State University, QBA502, Professor Diane Walker

## Developing Constructed Thinking Skills

| | |
|---|---|
| Answers | Questions |
| Analysis | Synthesis |
| Argue, defend | Explore |
| Rely on method | Challenge |
| Reduce | Expand |
| Separate | Holistic |
| Judgmental | Accepting |
| Control | Self-organizing |
| Objective | Intuitive + factual |
| Many options | Many perspectives |
| Knowing | Understanding |

Arizona State University, QBA502, Professor Diane Walker

## How We Think

**Hardware**

**Brain –**
Built for efficiency
**Capacity –**
Many intelligences
**Memory –**
Builds our mindsets
**Perception –**
No objective reality

**Software**

**Dualistic –**
Authority driven
**Subjective –**
Experience driven
**Procedural –**
Method driven
**Constructed –**
Improvisation driven

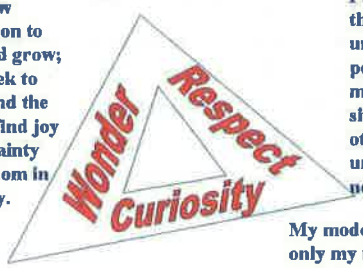
NEW OPERATING SYSTEM

**Mindset Shift** – recognize perceptions and allow provocation
**Conversation Choice** – skillfull discussion and dialogue

Arizona State University, QBA502, Professor Diane Walker

## Attitudes Necessary for Higher-Order Thinking

I need new information to thrive and grow; I must seek to understand the whole; I find joy in uncertainty and freedom in ambiguity.




I respect other models of the world and seek to understand that perspective; I am doing my best to understand the situation - it is likely others are as well; I try to understand other views not insist on mine.

My models of the world are only my models; there is much to learn; I never have a full answer.

## Conversation Choices

| Characteristic | Debate | Discussion | Dialogue |
|---|---|---|---|
| Listening | • To attack and defeat<br>• Impatient | • To persuade/ respond<br>• To articulate options | • Seek to understand<br>• No resistance |
| Judgment | • Right/wrong<br>• Certainty | • Better/Worse<br>• Choice, must limit | • Suspends judgment<br>• Wonder, uncertainty |
| Agreement | • Telling, gives speeches<br>• No inquiry | • Selling<br>• Rely on method | • Asking<br>• Advocacy & inquiry |

Arizona State University, QBA502, Professor Diane Walker

## Conversation Choices

| Characteristic | Debate | Discussion | Dialogue |
|---|---|---|---|
| Agreement | • Win/lose; competitive<br>• Forced | • Seeks compromise<br>• Analytical | • Unnecessary<br>• Understand perceptions |
| Focus | • Attack issue/person<br>• Weight of evidence | • Change other's views<br>• Efficiency | • Draw out, learn<br>• No change necessary |
| Process | • Defend own position<br>• Single issue; polarity | • Air all opinions<br>• Choose | • Explore assumptions<br>• Maintain whole, create |

Arizona State University, QBA502, Professor Diane Walker

## Conversation Choices

**Knowledge is created and shared through conversation**

Arizona State University, QBA502, Professor Diane Walker

## Values & Objectives in Decision Making

**Values** are things that matter to you and are the reason for making decisions in the first place.

**Objectives** are specific things you want to do and taken together make up a person's values.

No model of the decision situation can be built without knowing what the decision problem at hand is. Not identifying the exact decision is call "an error of the 3rd kind."

Arizona State University, QBA502, Professor Diane Walker

## Consequences

Your **consequence** happens after the last decision has been made and the last uncertain event has been resolved.

**Fundamental Objectives** structured in a hierarchy are those things that the decision maker want to accomplish and the **Means Objectives** restructured in a network to describe ways to accomplish the fundamental objective.

Arizona State University, QBA502, Professor Diane Walker

## WITT Test
## Why Is That Important?

WITT distinguishes whether your objective is a means or fundamental objective. The Decision Context should:

1. Include the broadest strategic context possible to ensure all appropriate but no superfluous objectives.
2. Make sure you have defined the decision ownership
3. That you have the feasibility necessary in both time and resources.

Arizona State University, QBA502, Professor Diane Walker

## Clarity Test

The process of reviewing all decision elements within a model to assure that each has an absolutely clear definition with a universal understanding.

This is necessary so that all individuals involved in a decision are viewing the events and applying the variables in the same manner.

Arizona State University, QBA502, Professor Diane Walker

## Good Decision vs. Lucky Outcome

**Good Decisions** are well-informed choices considering all available data for all aspects of the problem.

**Lucky Outcome** may occur despite the approach, but is less likely and inconsistent.

**Decision Analysis** can help by assisting you in developing a thorough and comprehensive view of the problem.

Arizona State University, QBA502, Professor D. Walker

## Clarity Test

The **Clarity Test** is the process of reviewing all decision elements within a model to assure that each has an absolutely clear definition with a universal understanding. (This is necessary so that all individuals involved in a decision are viewing the events and applying the variables in the same manner.)

Arizona State University, QBA502, Professor D. Walker

## Creativity

**4 Phases of Creativity**

1. Preparation
2. Incubation
3. Illumination
4. Verification

**4 Blocks to Creativity of Framing and Perception**

1. Stereotyping
2. Tacit Assumptions
3. Inability to understand problem at different levels
4. Inability to understand problem from another perspective

Arizona State University, QBA502, Professor Diane Walker

## Creativity Blocks

**4 Blocks of Values and Objectives**

1. Fear of taking a risk
2. Status Quo Bias
3. Reality versus Fantasy
4. Judgment and criticism

**3 Blocks of Social, Cultural, and Environmental**

1. Taboos
2. Strength of Tradition
3. Reason and logic versus humor, fantasy, and artistic

Arizona State University, QBA502, Professor Diane Walker

## Creativity Techniques

**Teresa Amabile: 3 Things Needed for Creativity in an Organization:**

1. Expertise in domain and good at what they are doing
2. Skill in creative thinking
3. Intrinsic motivation and has fun doing it

**Other Creativity Techniques**

1. Fluent and flexible thinking
2. Idea checklist
3. Brainstorming with no evaluation
4. Metaphorical thinking
   direct analogy, personal analogy, fantasy analogy

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## Biases and Scrutiny

**Heuristics and Biases**

1. Representiveness
2. Availability
3. Anchoring and Adjusting
4. Motivational Bias

**Protocol for Expert Assessment that Satisfy Personal Scrutiny**

1. Background
2. Identification and recruitment of experts
3. Motivating experts
4. Structuring and decomposition
5. Probability Assessment Training
6. Aggregation of experts probability distribution

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## 3 Framing and Perceptual Blocks:

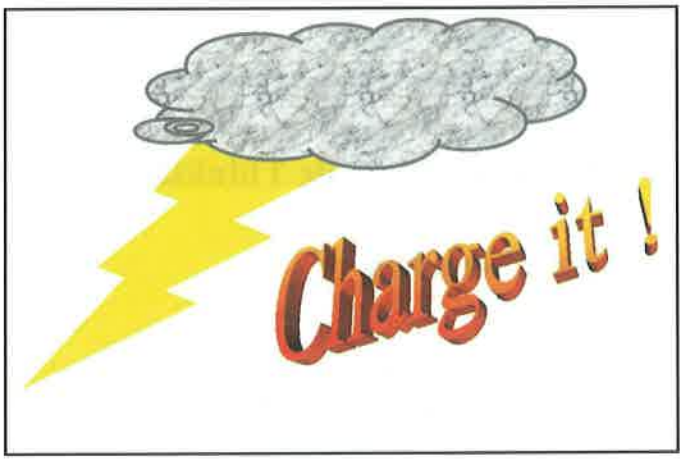
1. Inability to see from another person's perspective
2. Stereotyping
3. Tacit Assumptions



## Inability To See From Another Person's Perspective

Would be an inner-city democrat with sympathy towards people stuck in a generational cycle of poverty and bad habits not understanding the views of a supply side economist who would want to cut spending programs to force a change.

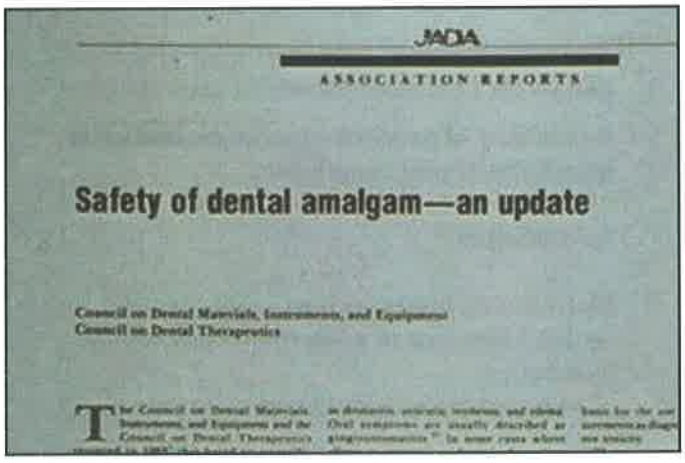





## Stereotyping

To pre-judge a problem based on an overgeneralization, such as anyone with an earring and long hair must be a hippie.




JADA

ASSOCIATION REPORTS

Safety of dental amalgam—an update

Council on Dental Materials, Instruments, and Equipment
Council on Dental Therapeutics

## Tacit Assumptions

To assume there are limits to solving the problem, such as connecting the nine dots many assume you can't go out of the nine dot boundaries.



## Value Based Blocks:

1. Fear of Taking a Risk
2. Status Quo Bias
3. Reality versus Fantasy
4. Judgment and Criticism



## Fear of Taking a Risk

Is inherently against the nature of many people. They have an aversion to risk, which limits their decision making ability.

## Status Quo Bias

Many people prefer things to be the way they are. Change is stressful and to keep things the way they are is more preferable and thus limits their decision making abilities.



## Reality versus Fantasy

Many people are afraid and embarrassed to think of acting out far-out, unimaginable ideas and fear other people's judgement and criticism or being made fun of.



## Judgment and Criticism

Embarrassment and fear of other people's judgment and criticism of one's thoughts or actions.



## 2 Creativity Enhancing Techniques

Fluent and Flexible Thinking

Idea Checklists



## Fluent and Flexible Thinking

A fluent thinker can think of many ideas very quickly almost like an idea digging a deep, deep hole, where as a flexible thinker can think of many different solutions from a broad perspective like digging many different shallow holes.



## The Implications of how heuristics and biases can impact the assessments of probabilities

**Availability** of previous experiences and prior knowledge of past experiences

**Anchoring** to

**Motivational** biases such as a sales person setting a low goal so when they break it they look better.



## Decomposition

Decomposition is breaking the problem down into components so each part of the problem can be analyzed in and of itself. Then you can see if each composition is a fundamental objective that is important in and of itself or a means objective that is important more in getting to a more important fundamental objective. This helps quantify the decision context.



## Steps in the process of obtaining expert risk assessment within the decision making process.

1. Decomposition of the problem
2. Assessment of experts in the field
3. Motivation of experts
4. Experts training in risk assessment and decision making
5. Probability assessment of verification
6. Probability assessment of experts in the field

## Culture

**Acquired knowledge, beliefs, and customs that we take from society.**

## Cultural Beliefs and Values

**Widely held beliefs about what is desirable.**

## Norms

**Unwritten rules (based upon what we think is correct in our culture) that specify or prohibit certain behaviors in specific situations. Incorrect behavior can result in sanctions!**

## Sanctions

**Mild disapproval to banishment!**

## Nodes

Nodes are decision, chance and calculation/consequence value nodes arrows into chance and consequence nodes represent relevance, arrows into decision nodes represent sequence.

Value Nodes represent a mathematical calculation or a constant value.

Chance Nodes represent uncertain events or values by outlining possible states or outcomes and their respective probabilities.

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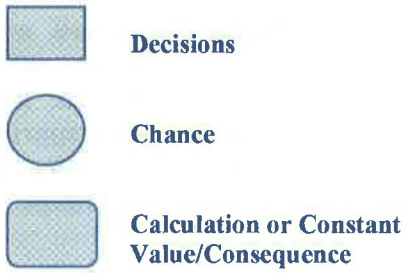
## Nodes

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## Influence Diagrams

Influence Diagrams provide compact representations of decision problems while suppressing many of the details. They are ideal for obtaining overviews, especially for complex problems, and are easily understood for people of little technical background. They are superior graphical representation, most useful for communication.

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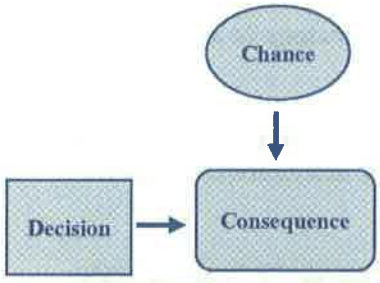
## The Basic Risky Decision




Nodes are connected in a diagram by arrows or arcs. We call a node at the beginning of an arc a predecessor and a node at the end of an arc a successor.

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## Value Nodes vs. Chance Nodes

**Value Nodes** represent a mathematical calculation or a constant value. Given specific inputs these nodes have a single known state.

**Chance Nodes** represent uncertain events or values by outlining possible states (or outcomes) and their respective probabilities.

Arizona State University, QBA502, Professor D. Walker

## Influence Diagrams vs. Decision Trees

| | |
|---|---|
| Influence Diagrams | Superior graphical representation, most useful for structuring and communication |
| Decision Trees | Display more information, can be "messy" and large in size, display details appropriate for analyzing values and probability inputs. |
| Rarely used separately, they compliment each other well during various phases of decision modeling. | |

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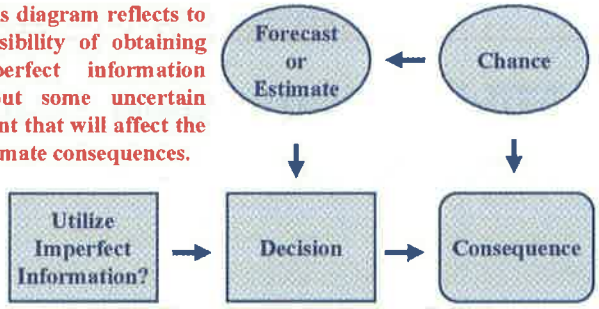
## Imperfect Information

This diagram reflects to possibility of obtaining imperfect information about some uncertain event that will affect the ultimate consequences.

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## Decision Trees

Decision Trees show minute details, more information, more messy and more complicated.

**Requirements of a Decision Tree:**

1. The options represented from a decision node must be that the decision maker can only choose one option.
2. Each chance node must have branches that are mutually exclusive and collectively exhaustive.
3. Must have all the possible paths.
4. The decision and chance nodes appear in chronological order.

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## Intermediate Calculation Nodes

Intermediate calculation nodes are used to emphasize the structure of an influence diagram. Whenever a node has a large number of predecessors, it may be appropriate to include one or more intermediate calculations to define the relationships of the predecessors more precisely.

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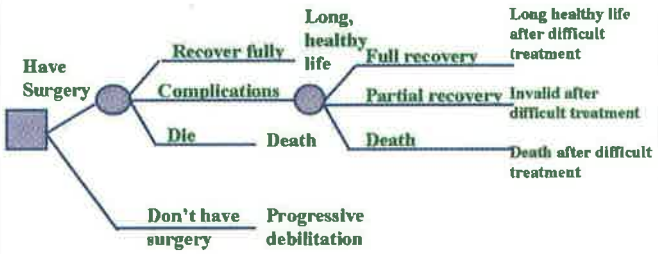
## Analyzing Decision Trees Using Risk Profiles

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## Strategy

When applying Strategy to analyzing Decision Trees:

A particular immediate alternative, as well as specific alternatives in future decisions.

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## Risk Profiles vs. Expected Value

**Risk Profiles:** Displays relative risk level of alternatives, tedious for large number of strategies, choice of optimal strategy more subjective.

**EMV:** Calculation is straight forward, masks the variance of possible outcomes, is not a perfect indicator of possible outcomes but a weighted average, requires education on the method of calculation.

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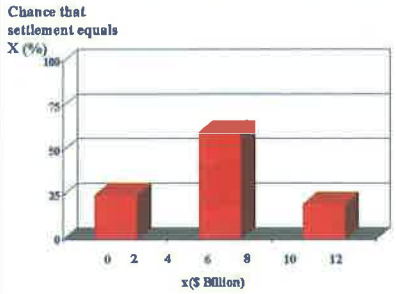
## Cumulative Risk Profiles Give the Following Insights When Evaluating Strategies of a Decision:

**Dominance: displays dominant strategy within ranges of outcome.**

**Gives a more comprehensive view of outcomes and displays dominant strategy within ranges of those outcomes.**

## Cumulative Risk Profiles




A cumulative risk profile is the addition or accumulation of the chances of individual payoffs on the risk profile for the specified strategy.

The vertical axis is the chance that the payoff is less than or equal to the corresponding value on the horizontal axis.

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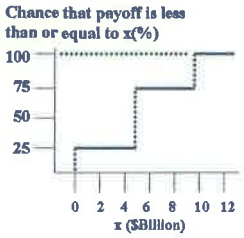
## Cumulative Risk Profiles




There is no chance that the settlement will be less than 0.

There is a 24.9% chance that the settlement will be greater than or equal to 0 and less than $5 billion.

There is an 83.4% chance (24.9% + 58.5%) that the settlement will be less than $10.3 billion.

And there is a 100% chance (24.9% + 58.5% + 16.6%) that the settlement will be less than or equal to $10.3 billion.

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## Risk Profiles

Strategy is a particular immediate alternative as well as a specific alternative in future decisions.

Risk Profiles display relative risk level of alternative, tedious for large number of strategies, choice of optimal strategy more subjective.

Cumulative Risk Profiles show dominance-displays dominant strategy within ranges of outcomes and gives a more comprehensive view of outcomes and displays dominant strategy within ranges of those outcomes.

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## EMV

**Calculation** is straight forward, masks the variance of possible outcomes, is not a perfect indicator of possible outcomes but a weighted average, requires education on the method of calculation.

**Creativity** must be novel and effective in satisfying objectives. It is looking for new alternatives with elements that achieve fundamental objectives in ways previously unseen.

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## Sensitivity Analysis

**One-Way Sensitivity Analysis** evaluates the magnitude that a single variable impacts on the outcome.

**Sensitivity Analysis** answers what is it that matters and what part matters more than others.

**Two Way Sensitivity Analysis** is a graphical technique for studying the joint impact of changes in two of the most critical variables.

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## EVPI and EVII

**EVPI: Expected Value of Perfect Information**

That the arrow into the decision means that you know the outcome of the chance node, before making the decision.

**EVII: Expected Value of Imperfect Information**

That the chance node arrow goes into a forecast chance node before entering the decision square because the outcome of that information is not known prior to making the decision.

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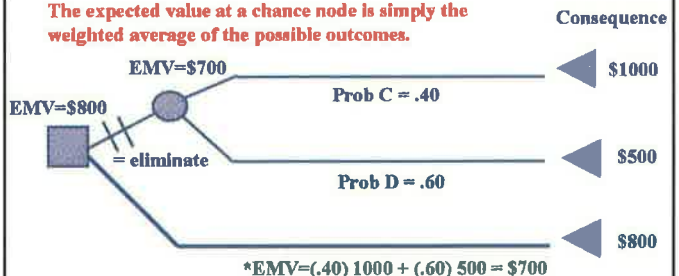
## Expected Monetary Value

The expected value at a chance node is simply the weighted average of the possible outcomes.




*EMV=(.40) 1000 + (.60) 500 = $700

At decision nodes, the optimal path or branch is the branch with the highest value or expected value when the decision is encountered.

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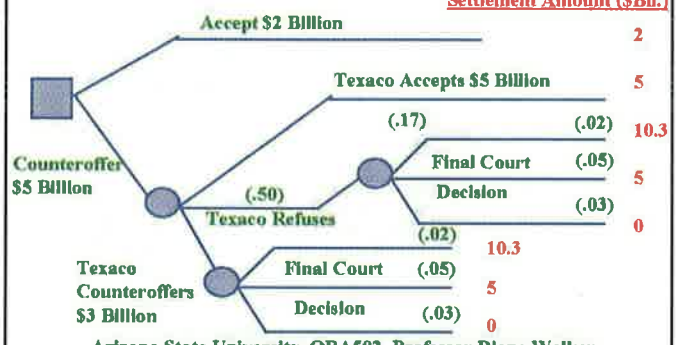
## Analyzing Decision Trees Using Risk Profiles

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## Probability Basics

- Probabilities must lie between 0 and 1
- Probabilities must add up
  P(A or B) = P(A) + P(B)
- Total Probability must equal 1
- "Mutually Exclusive"
- Joint Probability P(A and B)
- Conditional Probability P(A / B)
  the probability of A given B

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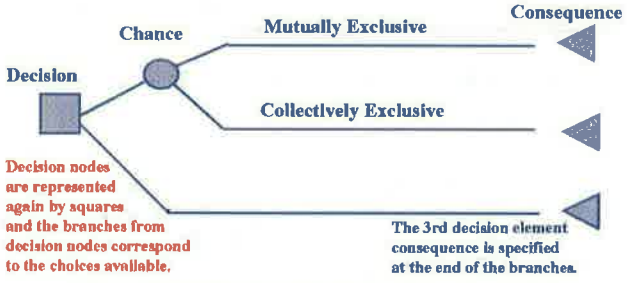
## Decision Trees

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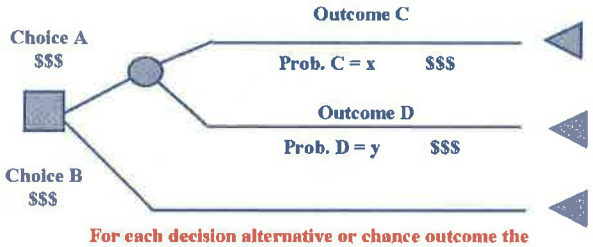
## Cash Flows & Probabilities




For each decision alternative or chance outcome the associated cashflow is indicated beneath the branch.

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## Imperfect Information

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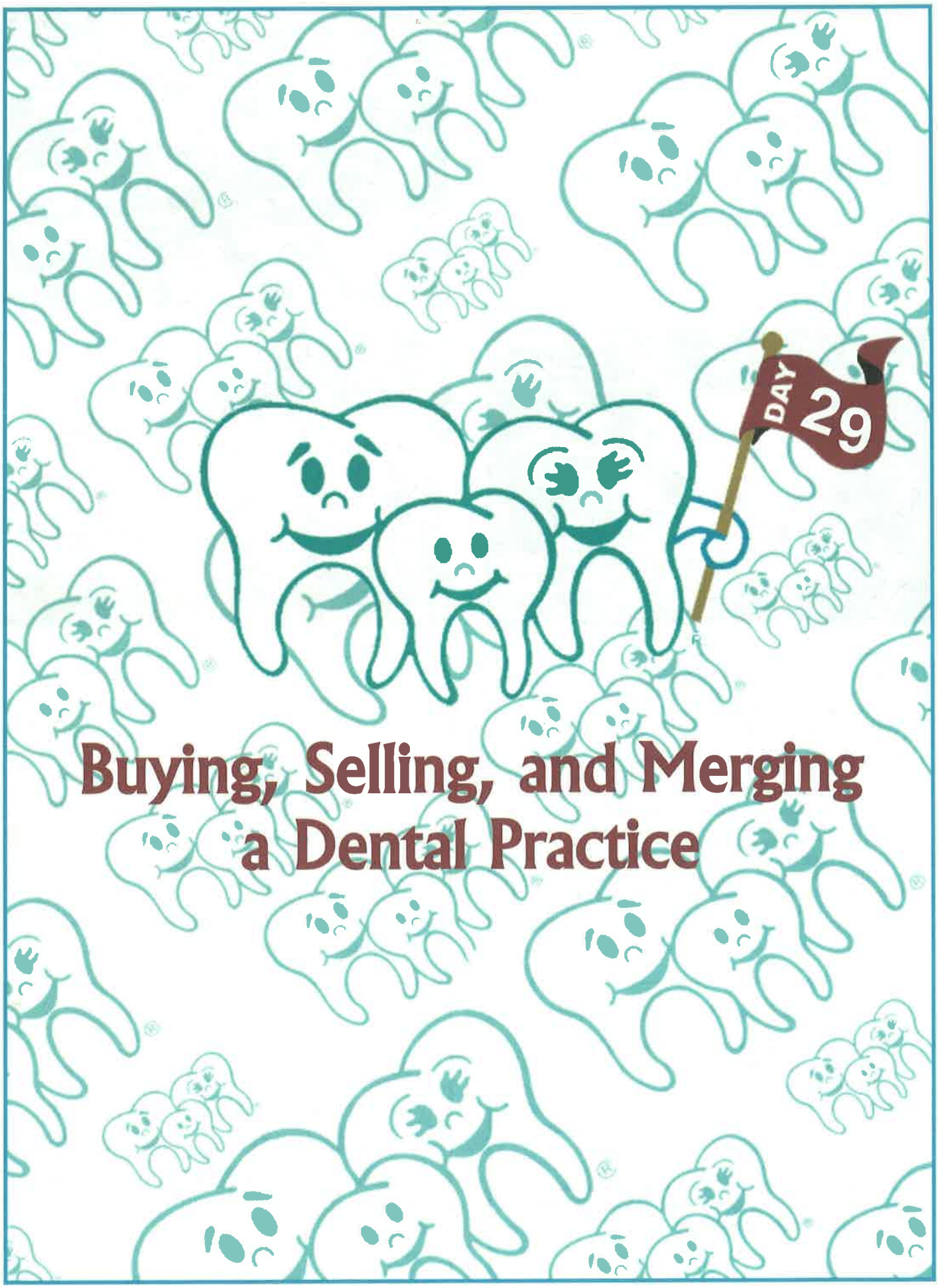



# Buying, Selling, and Merging a Dental Practice

Your 30 Day Dental MBA
Day 29

# Buying, Selling and Merging a Dental Practice

## How to get into an office for no money down!

- You see an office suite bay to rent in a highly attractive Neighborhood Grocery Store Center with a high volume of traffic!
- The asking rental price is $20 a square foot per year for a term of 3-years! $20 a square foot per year is worth $20,000 a year, times a 3-year lease, which is $60,000!
- You have checked out with a contractor who says that your buildout will cost about $50 a square foot, times your 1000 square foot office, for a total of $50,000!
- A $50,000 buildout divided by 5 years is $10,000 a year! If you add the $10,000 a year buildout to the $20,000 a year lease, you come up with $30,000 a year! Divide the $30,000 a year lease by the 1000 square foot size of the bay and you come up with a $30 a square foot per year rent for 5-years!

**In 1960 there was little to no value in buying a dental practice other than the equipment because anybody could go down the street, start a practice and within a year would be at the same level!**

**Bernie Fink**

## It is just not apples to apples!

You cannot compare apples to apples the same debt amount to build a business from scratch with no income stream to the same amount of debt for an existing business with a known current income stream. It is even more ludicrous to compare the amount of risk at stake.

Would you prefer to have your retirement money invested in 100% IPO's (Initial Public Offerings) or in an S&P 500 Index Fund?

## Risk Inc.!

**Would you pay $200,000 for a business with no customers or sales! If so, you should start your own business and call it Risk Inc.!**

**In valuation, the value of illiquid assets such as dental office equipment is figured at what someone is willing to pay for it now!**

## Only one way to value an asset!

There is no such thing as an arithmetic, mathematics, quantitative formula for deriving the value of any business or asset! The only way to value anything is to find what amount someone is willing to pay for it! The most any formula can do is to make an estimate based on judgement of what someone will pay based on similar comps!

## Alan F. Thornberg

Alan F. Thornberg started AFTCO in 1968 when Howard Farran was 6 years old! Trust me, this man single handedly wrote the original book on selling a dental practice!

**Great opportunities are not seen with your eyes! They are seen with your mind!**

## There is no goodwill in a dental practice!

If you bought a practice and the selling dentist went next door, you would only have the value of the dental equipment and build out. If you bought a McDonald's and the seller went next door and opened Mean Gene's Hamburger Machine, you couldn't care less. The supposed "goodwill" value in a selling practice is only in the restrictive covenant clause.

**The simplest benchmark determinant today for what dental practices are clearing for in the market if you may, is 1 1/2 to 2 times total net income.**

## 110% to 50% of Production!

Right now the highest purchase price seen for a practice is 110% of production! This is seen only in the very largest of cities! That exact same practice would go for 50% of production in a town of 2000!

## Be Careful!

Be careful when doing business deals. Everyone deals in their own self-interest whether they are consciously aware of it or not. No one ever looks in the mirror and sees a snake oil salesman cheat!

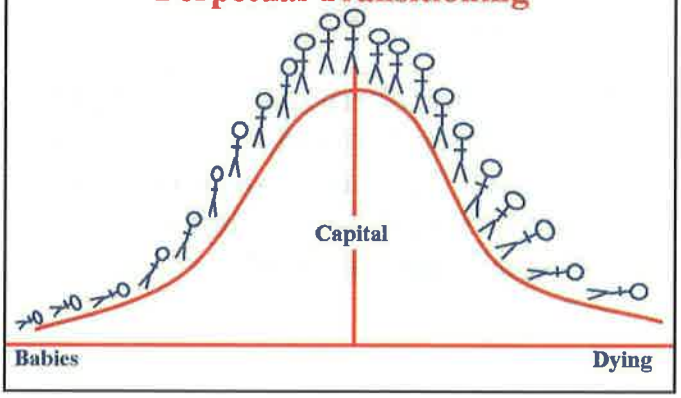
**The usual and customary fee for a business transaction fee in dentistry is 10% of the sales price due at the time of closing!**

**Get a consultant after you buy a practice!**

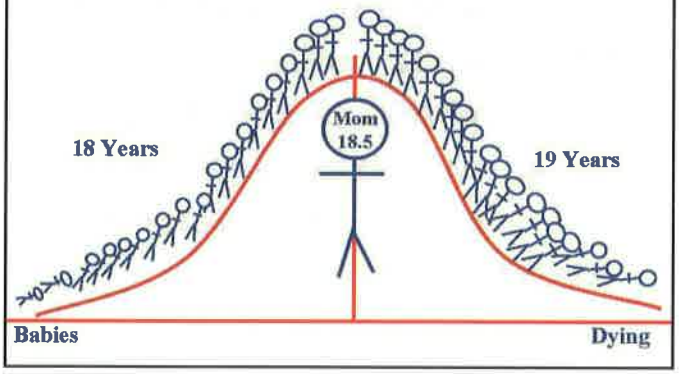
**Buying a practice from a broker is shallow in regards to the depth of experience or value added services available after the sale! When you buy a dental office from a dental practice analyst, the best value added service available is a $15,000 to $20,000, after the sale, dental practice management consultant to help facilitate the transaction for a year or two!**

**The average dental practice in America runs at 40% of its practice potential.**

**Perpetual Transitioning**




**The average child spends 18 years at home, the average elderly parent will spend 19 years with their children!**




**Fact:**

**Nearly 90% of dental practices sell for 2/3 of their peak value!**

*The Farran Report*, 1997

**Group Practice and incorporation allows for your dental office to have perpetual succession while you gain control of your life!**

**In my opinion, the only ideal office sharing arrangement is two specialists in two different small towns altering back and forth!**

**You need at least 300 active patients to work one full 8 hour day!**

1 Day 300 active patients
2 Days 600 active patients
3 Days 900 active patients
4 Days 1200 active patients
5 Days 1500 active patients

## Aggregate Audit Numbers:

Every 400 patients should produce $100,000 a year in production!

Every 1 new patient in an open at large long-term running dental office should equate with $2,000 worth of production. A dental office doing $30,000 per month production is probably getting 15 new patients a month!

## It is not the number of charts....

There is only one way to appraise any business in the world! What is someone willing to pay for it! It has nothing to do with the number of charts, or stools! This is where a full-time practice broker can tell you all day long what this type of practice "Will" sell for!

**At 2500 active patients you and your patients could both benefit with an associate!**

| Dr. A | Dr. B |
|---|---|
| Mon. Tues. Wed. | Thurs. Fri. Sat. |
| 10 hour days | 10 hour days |

- For each 10-hour day you need 375 patients.
- The clinical staff rotates with the dentist.
- An active patient is someone who has been in the practice at least once.
- This setup needs 4 treatment rooms, 2 for hygiene and 2 for the restorative dentist.

**When the selling dentist has equity in the sell:**

The seller with equity will be your best patient referral. History also shows that more of the existing patients will stay with the new dentist!

**You don't make money from owning sheet rock and dental equipment!**

Fixed Expenses will depreciate all the way to zero dollars! You make money by fixing up patients' teeth beyond their expectations!

## Associate not Assistant Dentist!

The Associate dentist is not an assistant dentist. If your associate dentist is not treated as a professional equal, they are designed to fail!

## Dental Ownership Facts

21% of dentist graduates in the last 10 years are nonowners.

8% of all dentists are nonowners.

Average age of a nonowner dentist is 40 years old.

Average net income of a nonowner dentist is $65,000 per year.

| Top 25% | Medium | Bottom 25% |
|---|---|---|
| Over $85,000 | $60,000 | $40,000 |

Source: ADA Survey, 1996

## Dentist Average Incomes

- The average general dentist earns $122,000 a year
- The average specialist earns $192,000 a year
- The average for all dentists is $135,000 a year
- The Top 25% of dentists earn over $175,000
- The Median dentist earns around $120,000
- The Bottom 25% of dentists earn less than $75,000

Source: ADA Survey Center, 1996 Survey of Dental Practice

## The number of hours per week that you work drastically affects your net income!

| | | |
|---|---|---|
| Dr. A 40% | 40 + hours a week | Averages $140,000/year |
| Dr. B 44% | 32 + hours a week | Averages $105,000/year |
| Dr. C 14% | 32 or less hours a week | Averages $85,000/year |

Notice: that Doctor A works 25% more hours than Doctor B, yet nets 33% more!

Source: ADA Survey of Dental Practice, 1996.

## Family Practice General Dentist by the Number of Years Since

### Graduation in 5 year age groups

| Years after grad. | 5 - 9 | 10 - 14 | 15 - 19 | 20 - 24 | 25 - 29 | 30 - 34 | 35 - 40 |
|---|---|---|---|---|---|---|---|
| Production | $290 K | $345 K | $355 K | $370 K | $380 K | $295 K | $225 K |
| Net Profit | $105 K | $125 K | $130 K | $135 K | $140 K | $115 K | $110 K |
| Profit Margin | 36% | 36% | 37% | 36% | 37% | 39% | 49% |

ADA Survey Center, 1996 Survey of Dental Practice.

## Incentive vs. Disincentive

A fixed salary or fixed hourly rate is a disincentive to the employee and the employer!

An incentive-based profit sharing plan is an incentive for the employees and the employers!

Win – Win or Lose – Lose!

A Win – Lose or Lose – Win scenario can only work in the short run!

## It's not the percent it's the practice!

Regarding associates: There are a heck of a lot of associates making a fortune at 25% and a heck of a lot barely scraping by at 40%! If the associate works for a profitable practice then everyone grows the pie and makes money! If the practice is not making money they can't afford to invest in the practice so the pie starts to shrink!

## Young dental graduates by and large are:

- Insecure
- Paranoid
- Scared
- Believe they know it all
- Have too many hormones
- Have no experience
- Have no money
- Have little to no dental skills

Other than that, they're great!

Howard Farran DDS, MBA, MAGD

## Money & Sex

Contrary to popular belief, most group practices don't break up. The number one reason those that do break up do so is over how the income is divided or spent. The same is also true with marriages. Sexual related problems are number 2!

## When doing a deal:

If it's meant to be there is almost no way to stop it!

If it's not meant to be there is almost no way to close it!

Learn to say no to a bad deal!

## Ask Yourself These Questions

1. Do you have the same energy, more energy, or less energy than you did 5 years ago?
2. If you had to do it all over again would you still become a dentist?
3. What part of the profession of dentistry do you dislike the most?
   - Managing the staff
   - Paying the bills
   - Dealing with accountants?

## Group Practice Means Freedom!

**Group practice means that you don't have to wait until you're 65 to have freedom!**

## You weren't born a dentist and you don't have to die a dentist!

## Start Planning Early!

**The number one problem in selling your business today is waiting until the last year and then trying to sell an owner walk away! The correct selling of your business should start 2 to 5 years in advance.**

## Why is it that starting around 50 years old, no matter how old a dentist is they always say that they are going to only practice 5 more years?

## You should have your first business ownership transition consultant at least before 45 to 50 years of age.

## The 2 most important words in practice management consulting are:

- **Why**
- **No**

## The meaning of the word "No"

**In business transitions the word "No" means the deal is not meant to be. You didn't "lose" the "deal" between the two parties. Not being able to say "no" is because you waited until the last minute and tried to arrange a no equity walk away "deal"!**

## A sign of faith!

If you are thinking about buying a practice and the seller wants 100% of the purchase price in cash, it is only because the seller has no faith in you, the practice, or both!

## If you don't come up with one half the practice purchase price in cash then you don't have faith in yourself!

## Look in the mirror!

If you can't find one bank out of the 8000+ banks in America to loan you one half of the money when the selling dentist with more information than the banker is willing to carry one half of the loan, then the problem is with you and you alone.

## The expense oriented business owner is a myopic thinker who never achieves success!

## Debt is a consumption expense or a business investment.

## Buying a good business is an investment which is usually worth more in 5 years than what you paid for it!

Howard Farran DDS, MBA, MAGD

## It is metaphysically impossible for a lawyer or an accountant to be an expert in your business!

Howard Farran DDS, MBA, MAGD

## Behind every successful...

The single most important business decision you could ever make is to marry or develop a business interest in your spouse! Behind every successful businessperson is a business-oriented spouse!

Milton Friedman – Rose Friedman
Gordon Christensen – Rella Christensen
Howard Farran – Judith Farran

## Group Practice means Diversity!

**A group practice is like an index fund! It provides a diversification format for risk, stress, responsibility and ultimately your income!**

## Homing Pigeon DDS!

Deciding that you want to set up your business in a certain geographical area simply because you were born there when you have no other research as to whether or not that geographical area needs your business services represents the exact same intelligence as a homing pigeon!

Howard Farran DDS, MBA, MAGD

**When a person spouts off judgmental accusations of other people's character it is almost always that person's unconscious talking about themselves!**

Howard Farran DDS, MBA, MAGD

## Ask yourself why?

If you purchase a practice from a selling dentist and you ask for a 10-mile radius and the seller decides that he/she only wants 5, your response should be to now ask for 15! Why would any dentist who truly wanted to sell their practice and retire be focusing on the restrictive covenant! Whatever people talk about is what their mind is focusing on! Ask yourself, why are they focusing on this?

**True confidence only comes from true competence!**

Howard Farran DDS, MBA, MAGD

## Do you really want to be the boss?

**Benefits:**

Responsibility for
- Staff
- Rent
- Payroll
- Bills
- Equipment

If you feel the rewards for bossing around the staff exceed the benefits of stress free personal responsibility and freedom then you are dysfunctional!

## Why must so many dentists own?

Why do so many dentists insist on wanting to own their dental offices which is nothing more than a large non-interest bearing asset? What's even more bizarre is that these same dentists usually do not even take full advantage and maximize an interest bearing tax deferred 401K!

**When someone spouts off "Are you telling me how to run my business?" I always reply, "No! You're showing me that you don't know how to run a business!"**

## Of course, you have life insurance and a will....

At 50 years old, if you have not made a solid relationship with a long-term, risk adverse national brand name practice transition broker, you are essentially making the same decision as not having life insurance or a will!

Howard Farran DDS, MBA, MAGD

## What's good for the goose...

Regarding dentist – associate practice transactions, whatever contract the associate dentist works under until the practice transition, has to be the exact same contract the selling dentist works under after the sell. What's good for the goose is good for the gander!

### A no money down deferred owner transition is:

- Practice price determined
- Buying dentist – associate signs an associate contract
- 1/3 of dentist associate gross pay is withheld in a savings account until 50% of the purchase price is accumulated
- At the 50 – 50 yard line, the selling dentist reserves the option to cancel the selling "deal" contract and refund the money plus interest to the associate dentist (or)
- The practice title is transferred and now the selling dentist works under the same exact associate contract for as long as agreed upon by both parties. I believe this is where "an eye for an eye and a tooth for a tooth" may have come from.

## Grow the Pie!

When you advertise for a dentist to come into your office for an office sharing agreement, you are essentially cutting up your own geographical area market by one more slice. This is not "Growing the Pie"!

## Success!

Success defined succinctly is fulfilling your needs by doing what you want to when you want to!

## AFTCO

I can say with great confidence that AFTCO doesn't sell practices, but dentists all across America have simply bought over one billion dollars of solutions from AFTCO to solve their own personal practice needs!

## Negotiating and Legal Bills!

When you are negotiating with another party on a business mater, if both parties initially agree that neither party will release the name and phone number of their respective attorney, and that all legal recommendations and changes are made in writing, you will significantly reduce your legal bill charges!

## Balanced Thinking!

In accounting, all credits have to balance with all debits! All Assets have to balance with all Liabilities and Equities! To be successful you have to master balanced thinking! Unsuccessful people think unilaterally, with emphasis on scarcity and destruction. Successful people do unto others, as they want done to themselves.

**A buying dentist cannot be responsible for collecting the accounts receivable because the buyer didn't extend the credit, the seller did!**

## Penalties make contracts stronger!

There should be penalties expressly stated for each contractual agreement so that if one party reneges on an item of the contract after the agreement goes into effect, you will have more control over the resultant penalty. For instance, if the buyer reneges on the restrictive covenant not to compete, then the seller has to refund one half of the purchase price within 30 days or be held in breach of contract.

## And so it goes....

Dentists go dysfunctional when their favorite way of thinking, based on their own half-baked value belief system, runs head on into the realities of Economics 101! The dentists usually spend the best productive years of their profession seeking out superstitious dental speakers who run ghostly dental offices that only exist in Never Never land. They tell dentists exactly what they want to hear and the cycle repeats itself and so it goes.

## Residencies do wonders for a dentist!

When looking for the ideal associate, on the aggregate, a dentist who has completed a general practice residency is a cut above those who haven't! They seem overall to be willing to do far more procedures that the average dentist refers out, such as root canals, surgeries, perio, etc.!

## Come retire in Arizona!

You wouldn't be listening to me right now if the ownership of a dental practice weren't an outright burden. Never confuse ownership with profit! The smartest thing any dentist over 50 could do is to sell their practice, put the money in their pension fund to grow with the miracle of compound interest, then retire to Arizona and come play in my office with no management headaches for more profit!

## Who should pay for an associate's disability insurance?

**Who's going to benefit from the insurance?**

**The Associate!**

## Who should pay for an associate's life insurance?

**Who's going to benefit from the life insurance?**

**The Associate!**

## Everything is tax deductible *until you're audited!*

One of the strangest comments from associate dentists when they're deciding whether or not to own a dental practice is when they say that if they owned their own office they could run a lot of personal expenses through the office.

My answer is "Everything is tax deductible until you're audited by the not so dumb IRS! It will be just you in front of the IRS judge, with no jury to try to fool , and you'll lose.

## Success & Failure

**Success comes from a lifelong practice of critical balanced thinking for hope, growth & prosperity!**

**Failure comes from a lifelong practice of unilateral asymmetrical scarcity thinking!**

## Choose Group Practice!

**If you could make more money without the burden and stress from ownership would you take that option! Critical balanced thinking for hope, growth and prosperity chooses group practice!**

## Fair deals close!

**Your attorney is your unilateral representative with the same business experience of dentists, physicians, pharmacists, and professors. Business brokers make a living by closing deals which are balanced and fair because if they aren't they don't close and the broker doesn't eat!**

## More Advantages of Group Practice!

**When you are in a group practice you can go on vacation and concentrate on where you are and not worry about where you aren't!**

## High quality decisions vs. burnout

**At the unconscious level, psychological depression and burnout, as opposed to chemical clinical depression is really all about the effects from having the true needs produced from your thoughts about making a life change without following through with the physical action of making a high quality decision!**

## The importance of cosigners!

**The fastest surest way for a young dentist to buy an existing dental practice is to obtain a cosigner! The reason this is resented is mostly pride and that's okay! But the incorrect part of this existing belief model is that the young dentist believes their parents would have to cosign for the entire purchase price amount. That is false! We're only talking about cosigning for the amount of the down payment! Usually this is only 30 to 60 thousand dollars! Not nearly the frightening amount causing your unconscious fear and anxiety!**

## Economic Incentives are a MUST!

**The number one flaw in all practice management material and lecturers is the complete inattention to economic incentives for the entire staff's own self-interest!**

**Divine arrogance is when you don't respect someone's right to be wrong!**

## High risk vs. risk diversification!

Owning your own practice is high risk, high stress solo economic dependency! Group practice is risk diversification, economies of scale and scope, and creates a profit for each dentist that collectively is greater than the sum of all its parts!

## $25,000 invested for 10 years from 1979 - 1989 would return:

| Return on $25,000 from 1979-1989 | Percent Return | Investment Vehicle |
|---|---|---|
| $81,908 | 12.6% | Real Estate |
| $60,279 | 9.2% | Dow Jones Industrial Average |
| $39,574 | 4.7% | Gold |

Source: Lifted from Alan F. Thornberg, founder & owner of AFTCO and Associates, 800.23AFTCO

## The Best External Marketing!

When you attract new patients chasing coupons, they are usually short-term low quality patients; when you merge a retiring older dentist's practice up the street into yours, you get long-term high quality patients. The ultimate associate for 2 – 5 years, and the R.O.I. from the actual purchase price is second to none! Every dentist should call AFTCO for a practice analysis so you and your AFTCO broker could have a long term relationship and be on the lookout for the right high quality high value practice merger!

Remember that in 1995 the U.S. has 12,000 banks! By the year 2000 there were only 8000! Mergers and aquistitions are great business!

## The number one professional competence of group practice is cross consultation and professional camaraderie!

## If you do not prefer to present large cases then you simply market until you can reach 2 full time hygienists for each full time restorative dentist!

## External Marketing!

When moving your practice, buying a practice to merge in with yours, or using direct mail to attract new patients remember most people have mental blocks about going across rivers and interstates. They act as real psychological barriers to trade entry!

## If it ain't in writing it ain't!

If an associate leaves your practice and violates the restrictive covenant and opens up next door, the government is not going to shut them down.

If you sue for economic damages you probably won't be able to prove them because most likely they are not profitable, and secondly you probably picked up the slack.

So always put the punishment into the agreed upon and signed associate contract. "If you violate the restrictive covenant you owe Dr. Good $30,000 cash for every year worked due no later than 30 days after the first day patients were seen in the new practice!

## Are you in an Associateship or an Ambiguouship?

## It's never a problem until it's a problem!

## Price is what you pay and value is what you get!

## Never is there just one cockroach in the kitchen—no sooner is one problem solved than another surfaces!

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham

## We want the business to be one that:

- We can understand
- With favorable long-term prospects
- Operated by honest and competent people
- Available at a very attractive price!

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham

## An overlooked factor!

One factor often overlooked in practice transition valuation is considering the skills of the buyer verses the skill and energy level of the seller! A young dentist will probably go in and at least match or exceed the production level of a 60-year-old plus selling dentist! But never expect a young green buying dentist to go in and match the production of a selling dentist in his or her prime of age 40 – 45!

## Fairness!

In negotiations, fairness can be determined but not negotiated. If every party has equity into the deal, everyone will follow their own self-interest and all should turn out well!

## The higher the opportunity cost you pay the dentist in terms of the percentage of production pay, the less profit you will make! Try to determine the real market value of a dentist in your area!

## Satellite offices double your fixed costs!

On the aggregate, satellite offices double your fixed costs not your variable costs! Fixed costs are usually 15% of collections while variable costs are usually 65%. Fixed costs include the opportunity costs of the dentist, staff labor, lab & sundries! Satellite offices generally are very lucrative for specialists who currently average a 40% - 50% total costs overhead but have a very poor outcome for the far more competitive environment of the general dentist that runs a total cost overhead of nearly 80%!

The average general practice nets 31% of collection

Bernie Fink

Arrogance + Ignorance = Governance

For liability purposes you should never add an associate to an unincorporated practice!

## Why Incorporate?

I know of a dentist that sent his receptionist out for a sandwich, on the way back she killed a pedestrian! He was held liable for 2.5 million dollars! He lost his practice, house, accounts receivable, bank accounts and everything! Play defense, get more insurance than you need, and get incorporated!

When you incorporate you significantly lower your risk of an IRS audit! Your gross sales of $500,000 makes you nearly insignificant for an IRS audit!

The 4 Basic Characteristics of a Corporation:

1) Central management
2) Transferability
3) Perpetuity
4) Limited Liability

Central Management means that someone is in charge of the corporation!

Transferability means that you can transfer some or all of the stock!

**Perpetual Succession!**

**Perpetuity means that stock holders can come and go but the corporation continues. It also allows the addition of more partners to keep the corporation in perpetual motion.**

**It shouldn't cost any more for an accountant to prepare your taxes whether you are incorporated or not!**

**Corporations have been around for 500 years because of the limited liability issue!**

**Always incorporate your practice in a generic name so that you don't have to change the name during a practice transition!**

**Keep in mind the story of the man with an ailing horse. Visiting the vet, he said: "Can you help me? Sometimes my horse walks just fine and sometimes he limps!"**

**The vet's reply was pointed: "No problem—when he is walking fine, sell him!"**

**The Essays of Warren Buffett: Lessons for Corporate America, Warren Buffet Selected, arranged and introduced by Lawrence A. Cunningham. 1998**

**An investment of $75,000 or more is made 3 - 5 times during the average dental career.**

**The average dentist spends $30,000 per year on equipment and practice enhancements**

## Mergernomics:

## Mergers & Acquisitions

**After 10 years, the average orthodontist obtains 60% - 80% of their referrals from their own patients!**

## Pleeeeeeeeeeaasssssse!

**The average orthodontic practice is 2/3 children and 1/3 adults. The "open bay" Ortho concept is a very high psychological barrier for adults! If you were a 45 year old woman would you want to be placed between 2 children with their parents present?!**

**Money owed on orthodontics is not accounts receivable, it is "work in Progress"!**

## Active Patients in Orthodontics:

**For an orthodontics practice aggregate numbers analysis of the average orthodontic case is $4,000 and takes 2 years to complete! Take one year's production and divide it by 2. If an orthodontic practice has production of $400,000 a year, it has about 200 active patients!**

**If your specialist refers to themselves as a specialist and is too proud to admit that they are a dentist, then they will not co-diagnose each patient and create a two way referral road!**

Buffett attributes high-premium takeovers outside those unusual categories to three motives of buying-managers: the thrill of an acquisition, the thrill of enhanced size and excessive optimism about synergies.

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham

Buffet emphasizes that useful financial statements must enable a user to answer three basic questions about a business:

1) approximately how much a company is worth.
2) its likely ability to meet its future obligations.
3) how good a job its managers are doing in operating the business.

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham

Purchase only businesses that are particularly well adapted to an inflationary environment. Such favored businesses must have two characteristics: 1) an ability to increase prices rather easily (even when product demand is flat and capacity is not fully utilized) without fear of significant loss of either market share or unit volume, and 2) an ability to accommodate large dollar volume increases in business (often produced more by inflation than by real growth) with only minor additional investment of capital!

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham

Accounting goodwill is essentially the amount by which the purchase price of a business exceeds the fair value of the assets acquired (after deducting liabilities). It is recorded as an asset on the balance sheet and then amortized as an annual expense, usually over forty years.

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham

Economic goodwill is the combination of intangible assets, like brand name recognition, that enable a business to produce earnings on tangible assets, like plant and equipment, in excess of average rates.

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham

Intrinsic value is the discounted value of the cash that can be taken out of a business during its remaining life.

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham

**Is your business enjoying an industry tailwind or is it facing a headwind?**

The primary factors bearing on this business evaluation are:

1. The certainty with which the long term economic characteristics of the business can be evaluated;
2. The certainty with which management can be evaluated, both as to its ability to realize the full potential of the business and to wisely employ its cash flows;
3. The certainty with which management can be counted on to channel the reward from the business to the shareholders rather than to itself;
4. The purchase price of the business
5. The levels of taxation and inflation that will be experienced and that will determine the degree by which an investor's purchasing-power return is reduced from his gross return.

In "The Theory of Investment Value" written over 50 years ago, John Burr Williams set forth the equation for value:

The value of any stock, bond or business today is determined by the cash inflows and outflows—discounted at an appropriate interest rate—that can be expected to occur during the remaining life of the asset!

| | Family Practice General Dentist | Specialist |
|---|---|---|
| Number of operatories: | 3.5 | 5 |
| Square feet of dental office: | 1600 | 2300 |
| Have more than one dental office location: | 5% | 35% |

ADA Survey Center, 1996

**What you know is your greatest wealth! What you do not know is your greatest risk!**

**The 4 main management skills needed for success are:**

1. **The management of cash flow**
2. **The management of systems**
3. **The management of people**
4. **The management of yourself**

I like Texans! In Texas everything is bigger! When Texans win, they win big! And when they lose, it's spectacular! It is a Texan's attitude toward risk, reward and failure! It's how they handle life! They live it big!

I like the Texas attitude! They're proud when they win, and they brag when they lose! Texans have a saying, "If you're going to go broke, go broke big! You don't want to admit that you went broke over a duplex! Most people are so afraid of losing, they don't even have a duplex to go broke with!"

"Winning means being unafraid to lose!"

**Fran Tarkenton**

**(A one-time great NFL quarterback!)**

"If you really want to learn the attitude of how to handle risk, losing and failure, go to San Antonio and visit the Alamo! The Alamo is a great story of brave people who chose to fight, knowing there was no hope of success against overwhelming odds! They chose to die instead of surrendering! It's an inspiring story worthy of study; nonetheless, it's still a tragic military defeat! They got their butts kicked! A failure if you will! They lost!

**So how do Texans handle failure? They still shout, "Remember the Alamo!"**

**I like Texans, they took a great failure, "The Alamo", and turned it into a tourist destination that makes them millions!**

From the movie *Tora, Tora, Tora*, a somber Japanese admiral says to his cheering subordinates, "I am afraid we have awakened a sleeping giant! "Remember Pearl Harbor" became a rallying cry! It turned one of America's greatest losses into the reason to win! This great defeat gave America strength, and America soon emerged as a world power!

**Failure inspires winners and defeats losers!**

**This is the biggest secret of winners! It is the secret that losers do not understand or know!**

**The greatest secret of winners is that failure inspires winning! This is what makes winners not afraid of losing!**

**Winners are also not afraid of losing because they know who they are!**

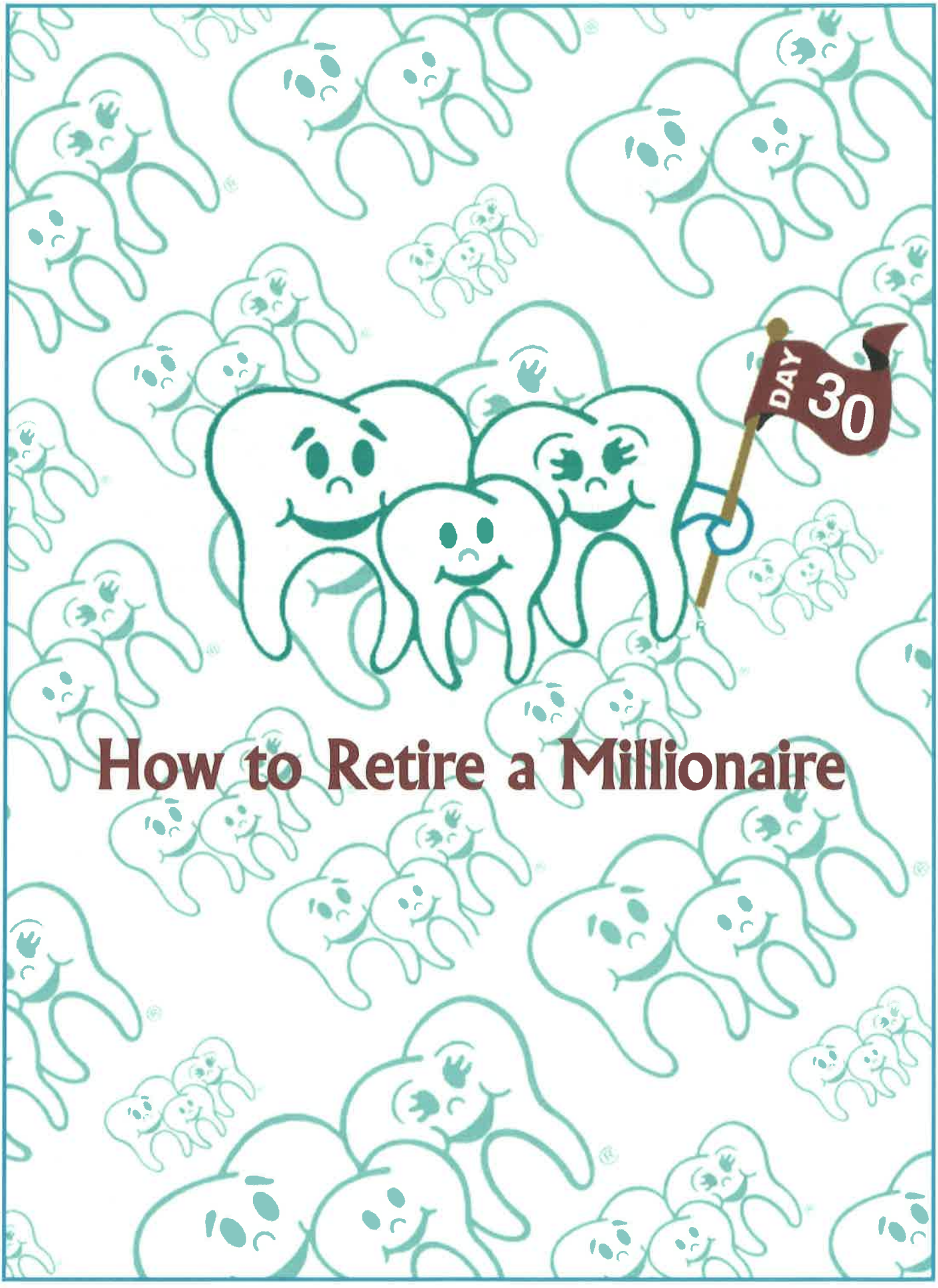
## People simply play not to win!

**The main reason that over 90 percent of the American public struggles financially is because they plan not to lose!**

**There is a great book called**
***Think & Grow Rich***
**by Napoleon Hill!**

**The title is not**
***Work Hard & Grow Rich***
**by *I. M. Nuts*!**

**Learn how to make your money work harder for you & your life will be a lot easier & happier!**




# How to Retire a Millionaire

Your 30 Day Dental MBA
Day 30

# How To Retire A Millionaire

The number one professional competence of group practice is cross consultation and professional camaraderie!

## External Marketing!

When moving your practice, buying a practice to merge in with yours, or using direct mail to attract new patients remember most people have mental blocks about going across rivers and interstates. They act as real psychological barriers to trade entry!

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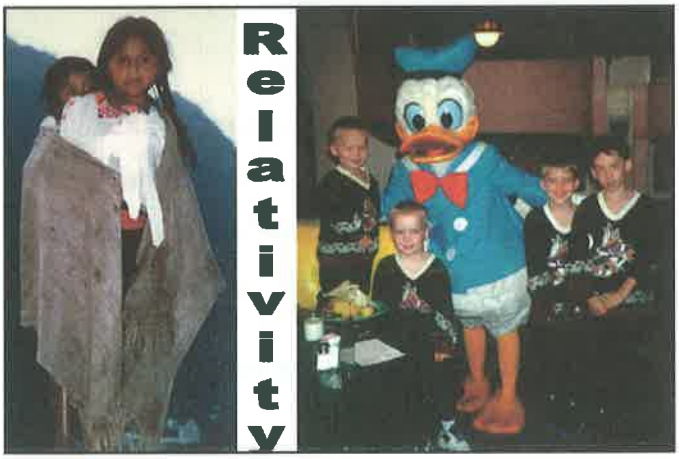
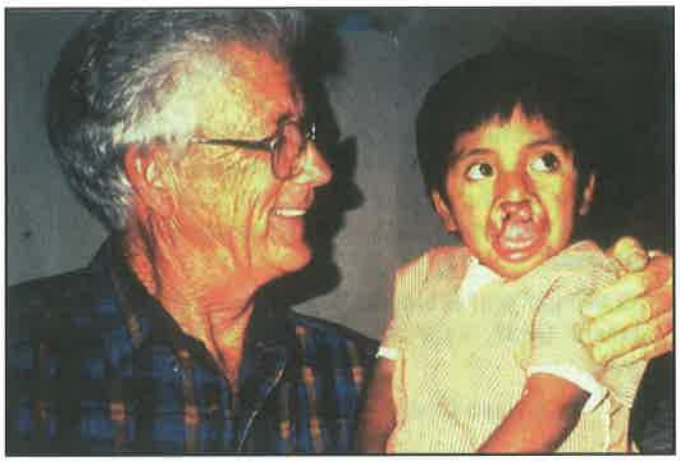


Give me your tired, your poor,
Your huddled masses yearning to breathe free,
The wretched refuse of your teeming shore.
Send these, the homeless, tempest-tossed to me,
I lift my lamp beside the golden door.

From the inscription on the Statue of Liberty

## Wealth comes from an attitude of gratitude!

**Anthony Robbins**



# The 4 Steps to Retire as a Millionaire Are:

## Start Saving for Retirement Now!

The earlier you start saving, the easier it will be to reach your retirement goal. For example:

- A person desiring a retirement income of $60,000 per year needs to save $3,066 annually from age 30 to 65.
- If the same person starts saving at age 40, they would need to save $7,227 annually for the same income goal.

## Start an IRA Now!

If you start funding a $2,000 per year IRA at age 25, the total amount you will have deposited by age 65 is $80,000, but it will have grown to $973,704 – and will earn you an annual interest only income of $116,379 per year!

$2,000 per year is only $5.48 per day – your fast food lunch! Or $2.74 for the husband and $2.74 for the wife.

Go hear Greg Stanley (602) 934-2108

## To retire you either need a little money and a lot of time, or a lot of money and a little time!

## Go and hear one of Greg Stanley's Seminars: (602) 934-2108

## Dentists Net Worth at Retirement

| Percent of Dentists | Net Worth at Retirement |
|---|---|
| 6% | Less than $50,000 |
| 24% | $100,000 – $199,000 |
| 35% | $200,000 - $499,000 |
| 15% | $500,000 – $999,000 |
| 4% | $1 million – $3 million |
| 1% | Greater than $3 million |

Source: ADA News, Sept, 1984

## Fact:

The average dentist owns 5 cars during his/her career!

The average dentist owns 3 homes during his/her career!

## Fact:

The average dentist retires with $160,000 in the bank!

The average dentist retires at age 54!

## Dental Specialist Net Income by Number of Years Since Graduation

| Years Since Graduation | Annual Income |
|---|---|
| 5 - 9 | $145,000 |
| 10 - 14 | $180,000 |
| 15 - 19 | $225,000 |
| 20 - 24 | $210,000 |
| 25 - 29 | $190,000 |
| 30 - 34 | $180,000 |
| 35 - 40 | $145,000 |

Source: ADA Survey Center, 1996 Survey of Dental Practice

Imagine that you had only $1, which we put in a security that doubled by yearend and was then sold!
Imagine further that we used the after-tax proceeds to repeat this process in each of the next 19 years, scoring a double each time!
At the end of the 20 years, the 34% capital gains tax that we would have paid on the profits from each sale would have delivered about $13,000 to the government and we would be left with about $25,250!

Not bad!

If, however, we made a single fantastic investment that itself doubled 20 times during the 20 years, our dollar would grow to $1,048,576!
Were we then to cash out, we would pay a 34% capital gains tax of roughly $356,500 and be left with about $692,000!
The sole reason for this staggering difference in results would be the timing of tax payments! Interestingly, the government would gain from Scenario 2 in exactly the same 27:1 ratio as we! They would be taking in taxes $356,500 versus $13,000!
Admittedly, it would have to wait for its money!

The Essays of Warren Buffett: Lessons for Corporate America, Warren Buffet Selected, Arranged and Introduced by Lawrence A. Cunningham. 1998

## Dental Ownership Facts

21% of dentist graduates in the last 10 years are nonowners.

8% of all dentists are nonowners.

Average age of a nonowner dentist is 40 years old.

Average net income of a nonowner dentist is $65,000 per year.

| Top 25% | Medium | Bottom 25% |
|---|---|---|
| Over $85,000 | $60,000 | $40,000 |

Source: ADA Survey, 1996

## The controlled company offers two main advantages:

1) We get to allocate capital, whereas we are likely to have little or nothing to say about this process with marketable holdings!
2) The second advantage has to do with taxes!

Source: *The Essays of Warren Buffet: Lessons for Corporate America*, 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham

## Your small business is a grape vine:

Concentrate on growing grapes,
which are net income,
not leaves,
which are gross sales.

## Definition of an Entrepreneur:

**Anyone who moves their limited resources of money, time & capital from a lower return to a higher return!**

## If you find yourself in a hole, stop digging!

## Filling up the Medical and Law Schools!

Millionaire couples with children are five times more likely to send their children to medical school than other parents in America and about four times more likely to send them to law school!

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## The affluent tend to answer "yes" to these 3 questions:

1. Were your parents very frugal?
2. Are you frugal?
3. Is your spouse more frugal than you are?

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## Personal Savings Growth Factors

To learn the value of your personal savings at retirement, multiply the current value of your personal savings by the appropriate factor from the table below.

| Years to Retirement | Growth Factor Rates of Return | | | |
|---|---|---|---|---|
| | 6% | 8% | 10% | 12% |
| 1 | 1.06 | 1.08 | 1.10 | 1.12 |
| 2 | 1.12 | 1.17 | 1.21 | 1.25 |
| 3 | 1.19 | 1.26 | 1.33 | 1.40 |
| 4 | 1.26 | 1.36 | 1.46 | 1.57 |
| 5 | 1.34 | 1.47 | 1.61 | 1.76 |
| 6 | 1.42 | 1.59 | 1.77 | 1.97 |
| 7 | 1.50 | 1.71 | 1.95 | 2.21 |
| 8 | 1.59 | 1.85 | 2.14 | 2.48 |

Source: Price Waterhouse

## Personal Savings Growth Factors

To learn the value of your personal savings at retirement, multiply the current value of your personal savings by the appropriate factor from the table below.

| Years to Retirement | Growth Factor Rates of Return | | | |
|---|---|---|---|---|
| | 6% | 8% | 10% | 12% |
| 9 | 1.69 | 2.00 | 2.36 | 2.77 |
| 10 | 1.79 | 2.16 | 2.59 | 3.11 |
| 11 | 1.90 | 2.33 | 2.85 | 3.48 |
| 12 | 2.01 | 2.52 | 3.14 | 3.90 |
| 13 | 2.13 | 2.72 | 3.45 | 4.36 |
| 14 | 2.26 | 2.94 | 3.80 | 4.89 |
| 15 | 2.40 | 3.17 | 4.18 | 5.47 |
| 16 | 2.54 | 3.43 | 4.59 | 6.13 |

**Source: Price Waterhouse**

## Personal Savings Growth Factors

To learn the value of your personal savings at retirement, multiply the current value of your personal savings by the appropriate factor from the table below.

| Years to Retirement | Growth Factor Rates of Return | | | |
|---|---|---|---|---|
| | 6% | 8% | 10% | 12% |
| 17 | 2.69 | 3.70 | 5.05 | 6.87 |
| 18 | 2.85 | 4.00 | 5.56 | 7.69 |
| 19 | 3.03 | 4.32 | 6.12 | 8.61 |
| 20 | 3.21 | 4.66 | 6.73 | 9.65 |
| 21 | 3.40 | 5.03 | 7.40 | 10.80 |
| 22 | 3.60 | 5.44 | 8.14 | 12.10 |
| 23 | 3.82 | 5.87 | 8.95 | 13.55 |
| 24 | 4.05 | 6.34 | 9.85 | 15.18 |

**Source: Price Waterhouse**

## Personal Savings Growth Factors

To learn the value of your personal savings at retirement, multiply the current value of your personal savings by the appropriate factor from the table below.

| Years to Retirement | Growth Factor Rates of Return | | | |
|---|---|---|---|---|
| | 6% | 8% | 10% | 12% |
| 25 | 4.29 | 6.85 | 10.83 | 17.00 |
| 26 | 4.55 | 7.40 | 11.92 | 19.04 |
| 27 | 4.82 | 8.00 | 13.11 | 21.32 |
| 28 | 5.11 | 8.63 | 14.42 | 23.88 |
| 29 | 5.42 | 9.32 | 15.86 | 26.75 |
| 30 | 5.74 | 10.06 | 17.45 | 29.96 |
| 31 | 6.09 | 10.87 | 19.19 | 33.56 |
| 32 | 6.45 | 11.74 | 21.11 | 37.58 |

**Source: Price Waterhouse**

## Personal Savings Growth Factors

To learn the value of your personal savings at retirement, multiply the current value of your personal savings by the appropriate factor from the table below.

| Years to Retirement | Growth Factor Rates of Return | | | |
|---|---|---|---|---|
| | 6% | 8% | 10% | 12% |
| 33 | 6.84 | 12.68 | 23.22 | 42.09 |
| 34 | 7.25 | 13.69 | 25.55 | 47.14 |
| 35 | 7.69 | 14.79 | 28.10 | 52.80 |
| 36 | 8.15 | 15.97 | 30.91 | 59.14 |
| 37 | 8.64 | 17.25 | 34.00 | 66.23 |
| 38 | 9.15 | 18.63 | 37.40 | 74.18 |
| 39 | 9.70 | 20.12 | 41.14 | 83.08 |
| 40 | 10.29 | 21.72 | 45.26 | 93.05 |

**Source: Price Waterhouse**

## The Top Ten Most Profitable Sole-Proprietorship Businesses

| Type of Business | Number of Businesses | Average Net Income | Rank According To Average Net Income | Percent With Net Income | Average Return On Receipts | Average Receipts Required to Generate Average net Income |
|---|---|---|---|---|---|---|
| Coal Mining | 76 | $196,600 | 1 | 34.2% | 8.2% | $2,398,000 |
| Offices of Physicians | 192,545 | $87,000 | 2 | 87.2% | 56.2% | $155,000 |
| Offices of Osteopaths | 10,598 | $77,600 | 3 | 96.3% | 57.8% | $134,300 |
| Offices of Dentists | 96,746 | $73,100 | 4 | 94.9% | 34.2% | $201,900 |
| Offices of Optometrists | 12,576 | $60,100 | 5 | 96.1% | 30.7% | $195,800 |
| Bowling Centers | 1,547 | $57,400 | 6 | 91.3% | 31.0% | $185,200 |
| Offices of Chiropractors | 32,501 | $47,500 | 7 | 85.1% | 39.3% | $120,900 |
| Drug Stores | 8,324 | $45,500 | 8 | 82.2% | 8.7% | $523,000 |
| Veterinarian Services | 19,622 | $41,700 | 9 | 92.5% | 22.5% | $185,300 |
| Legal Services | 280,946 | $39,800 | 10 | 86.6% | 47.4% | $84,000 |

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## Fact:

**Nearly 90% of dental practices sell for 2/3 of their peak value!**

**The Farran Report, 1997**

## Funding your IRA, 401K, or any other retirement plan is always a top priority!

**If you start funding a $2,000 per year IRA at age 25, the total amount you will have deposited by age 65 is $80,000, but it will have grown to $973,704 – and will earn you an annual interest only income of $116,379 per year!**

**$2,000 per year is only $5.48 per day!**

**$2.74 for the husband and $2.74 for the wife.**

**This could be your fast food lunch!**

**Everyone should hear Greg Stanley 602 934-2108**

## Taxes are like protection money you give to gangsters!

**The old concept of taxes is that they are like the fees which the robber barons arbitrarily imposed, or which some group of bandits squeezed out of a passerby under threat of military oppression. The "protection money" which the gangsters used to impose in Chicago is very close to this original meaning of the word "tax." The word today still carries some of this connotation that of arbitrary, greedy people who are demanding some money for which they return nothing, just simply because they're in a position of power, and you have to grind your teeth and give in.**

**Source: Maslow on Management, Abraham Maslow, 1998**

## A better way to look at taxes!

Under good circumstances taxes are a very different kind of thing and must be seen in a very different way, that is, as payment for necessary services at a bargain rate, because otherwise the healthy long-term enterprise would have to replace all of these services on a private basis, which would cost a great deal more. This is true for water, police services, fire etc.

Source: Maslow on Management, Abraham Maslow, 1998

- You should ignore political and economic forecasts!
- They are an expensive distraction for many investors and businessmen!
- Thirty years ago no one could have foreseen the huge expansion of the Vietnam War, wage and price controls, two oil shocks, the resignation of a president, the dissolution of the Soviet Union, a one-day drop in the Dow of 508 points, or treasury bill yields fluctuating between 2.8% and 17.4%!

The Essays of Warren Buffett: Lessons for Corporate America, Warren Buffet Selected, Arranged and Introduced by Lawrence A. Cunningham. 1998

By periodically investing in an index fund, the know-nothing investor can actually out-perform most investment professionals! Paradoxically, when "dumb" money acknowledges its limitations, it ceases to be dumb!

The Essays of Warren Buffett: Lessons for Corporate America, Warren Buffet Selected, Arranged and Introduced by Lawrence A. Cunningham. 1998

## Delayed Gratification!

The fact is that ultimately there are many existential conflicts in human life; there are many insoluble problems; there are many situations in which we have to give up something I order to get something else, and this is in the very essence of the human condition.

Source: Maslow on Management, Abraham Maslow, 1998

## Why we go to work!

The trouble is when most people talk about earning a living these days they really mean earning an automobile, a fine house, landscaped garden, and so on and so on.

Source: Maslow on Management, Abraham Maslow, 1998

The fear of being without money motivates us to work hard, and then once we get that paycheck greed or desire starts us thinking about all the wonderful things money can buy! The pattern is then set! The pattern of get up, go to work, pay bills, get up, go to work, pay bills! Our lives are then run forever by two emotions, fear and greed! Offer more money, and the cycle is continued because we also increase our spending! This is what I call the Rat Race!

*Rich Dad Poor Dad* By Robert Kiyosaki &Sharon L. Lechter CPA

## Children spend years in an antiquated educational system, studying subjects they will never use, preparing for a world that no longer exists!

*Rich Dad Poor Dad*
By Robert Kiyosaki &
Sharon L. Lechter CPA

### Which messages do you tell yourself and your children?

Is it: "I can't afford it." Or is it: "How can I afford it?"

Is it: "Proper physical exercise increases your chances for health, and proper mental exercise increases your chances of wealth." Or is it: "Laziness decreases both health and wealth."

Is it: "Study hard so you can find a good company to work for." Or is it: "Study hard so you can find a good company to buy."

Is it: "The reason I'm not rich is because I have you kids." Or is it: "The reason I must be rich is because I have you kids."

Is it: "When it comes to money, play it safe" Or is it: "Don't take risks. Learn to manage risk."

Is it: "Our home is our largest investment and our greatest asset." Or is it: "My house is a liability, and if your house is your largest investment you're in trouble."

*Rich Dad Poor Dad* By Robert Kiyosaki & Sharon L. Lechter CPA

I've met so many people who say, 'Oh, I'm not interested in money! Yet they will work at a job for eight hours a day! That is a denial of truth! If they were not interested in money, then why are they working? That kind of thinking is probably more psychotic than a person who hoards money!

*Rich Dad Poor Dad* By Robert Kiyosaki &Sharon L. Lechter CPA

There is a difference between being poor and being broke! Broke is temporary, and poor is eternal!

*Rich Dad Poor Dad*
By Robert Kiyosaki &
Sharon L. Lechter CPA

"The only thing more powerful than money is financial education! That's why a self made millionaire can go bankrupt and be a millionaire again in a short time!"

Howard Farran DDS, MBA, MAGD

"Life is a struggle between ignorant illusions and earthly reality!"

Howard Farran DDS, MBA, MAGD

Financial intelligence is the mental process via which we solve our financial problems!

*Rich Dad Poor Dad*
By Robert Kiyosaki &
Sharon L. Lechter CPA

If you are going to build the Empire State Building, the first thing you need to do is dig a deep hole and pour a strong foundation! If you are going to build a home in the suburbs, all you need to do is pour a 6-inch slab of concrete! Most people, in their drive to get rich, are trying to build an Empire State Building on a 6-inch slab! Our public school system still believes in homes with no foundation! Dirt floors are still the rage! So kids graduate from school with virtually no financial foundation! One day, sleepless and deep in debt in suburbia, living the American Dream, they decide that the answer to their financial problems is to find a way to get rich quick! Construction on the skyscraper begins! It goes up quickly, and soon instead of the Empire State Building, we have the Leaning Tower of Suburbia!

*Rich Dad Poor Dad* By Robert Kiyosaki &Sharon L. Lechter CPA

The reason the rich get richer, the poor get poorer, and the middle class struggle in debt is because the subject of money is taught at home, not in school. Most of us learn about money from our parents. So what can a poor parent tell their child about money?

*Rich Dad Poor Dad*
By Robert Kiyosaki &
Sharon L. Lechter CPA

You must know the difference between an asset and a liability, and buy assets! If you want to be rich, this is all you need to know!

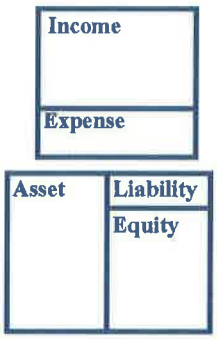
It is Rule No. 1!

It is the only rule!

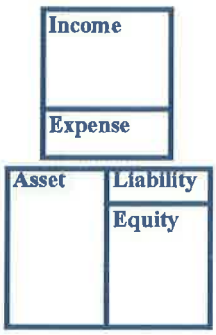
Rich people acquire assets! The poor and middle class acquire liabilities, but they think they are assets!

*Rich Dad Poor Dad* By Robert Kiyosaki &Sharon L. Lechter CPA

## Upper Class

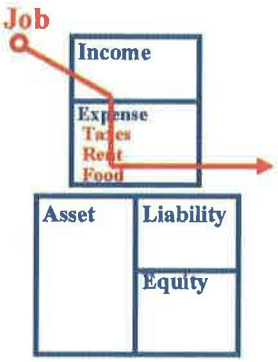



## Middle Class



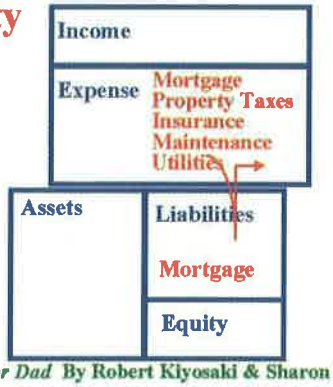

*Rich Dad Poor Dad* By Robert Kiyosaki & Sharon L. Lechter CPA

## A diagram of the Middle Class:



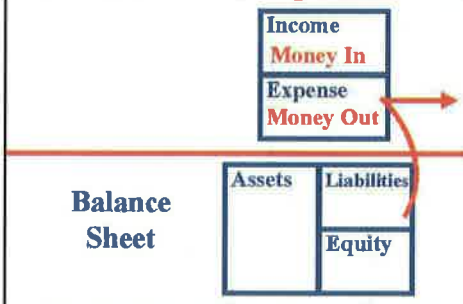

*Rich Dad Poor Dad* By Robert Kiyosaki & Sharon L. Lechter CPA

## Liability




*Rich Dad Poor Dad* By Robert Kiyosaki & Sharon L. Lechter CPA

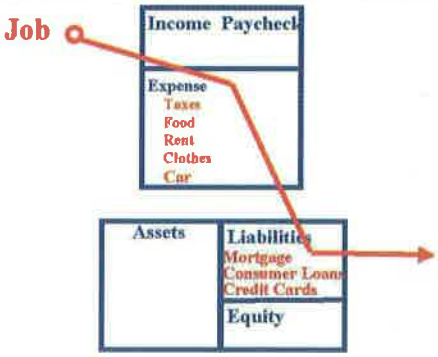
## The Cash Flow pattern of a liability:




An Asset is something that should put money in your pocket!

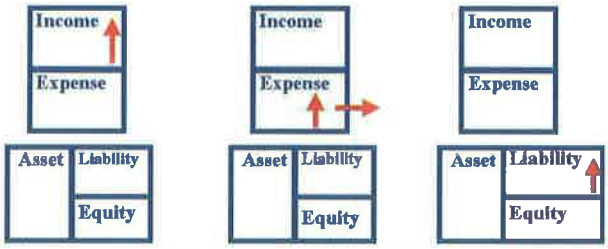
*Rich Dad Poor Dad* By Robert T. Kiyosaki & Sharon L. Lechter CPA

## The Cash Flow pattern of a person in the middle class:



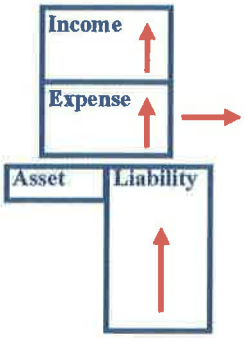

## The story of how the quest for a financial dream turns into a financial nightmare!

As their incomes go up.., their expenses go up as well, ..and then their liabilities go up too!




*Rich Dad Poor Dad* By Robert Kiyosaki & Sharon L. Lechter CPA

## Why does the middle class struggle?




*Rich Dad Poor Dad* By Robert Kiyosaki & Sharon L. Lechter CPA

**More money will often not solve our problems in fact, it may actually accelerate the problem!**

**Money often makes obvious our tragic human flaws!**

**Money often puts a spotlight on what we do not know!**

**Wealthy people believe a Home is a Liability:**

| Asset | Liability |
|---|---|
| | Home |
| | Equity |

**Working class people believe a Home is an Asset:**

| Asset | Liability |
|---|---|
| Home | Equity |

*Rich Dad Poor Dad* By Robert Kiyosaki & Sharon L. Lechter CPA

**If you do what the masses do, you get the following picture:**

| Income |
|---|
| Work for Paycheck |
| **Expense** |
| Give one half to the Government |

| Asset | Liability |
|---|---|
| Do not fund an IRA or a 410K! | Give the rest to the Bank |

*Rich Dad Poor Dad* By Robert Kiyosaki & Sharon L. Lechter CPA

## The Statement of Income

| Income |
|---|
| **Expense** |

| Assets | Liabilities |
|---|---|
| | |

*Rich Dad Poor Dad* By Robert Kiyosaki & Sharon L. Lechter CPA

## The cash-flow pattern of a wealthy person:

| Income - Dividends<br>Interest<br>Rental Income<br>Royalties |
|---|
| **Expense** |

| Assets | Liabilities |
|---|---|
| Stocks<br>Bonds<br>Notes<br>Real Estate<br>Intellectual Property | Equity |

*Rich Dad Poor Dad* By Robert Kiyosaki & Sharon L. Lechter CPA

## Why the Rich Get Richer!

| Income |
|---|
| **Expense** |

| Assets | Liability |
|---|---|
| | Equity |

*Rich Dad Poor Dad* By Robert Kiyosaki & Sharon L. Lechter CPA

## Real Assets are income producing:

1. Stocks
2. Bonds
3. Mutual funds
4. Index funds
5. Businesses that do not require your presence where you can own them and have other people run them!
6. Income producing real estate!
7. Anything else that has value, produces income, or appreciates and has a ready market!

**Coke went public in 1919 at $40 per share! At yearend 1993, that single share, with dividends reinvested, was worth more than $2.1 million!**

Source: *The Essays of Warren Buffet: Lessons for Corporate America,* 1997 Selected, Arranged and Introduced by Lawrence A. Cunningham

## A Diagram of Wealthy People:

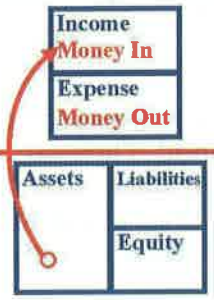
Job

| Income |
|---|
| **Expense** Taxes<br>Rent<br>Food |

| Asset | Liability |
|---|---|
| Save<br>Invest | Equity |

*Rich Dad Poor Dad* By Robert Kiyosaki & Sharon L. Lechter CPA

## The Cash Flow pattern of an asset:




Statement of Income

Balance Sheet

An Asset is something that should put money in your pocket!

*Rich Dad Poor Dad* By Robert T. Kiyosaki & Sharon L. Lechter CPA

## The poor and the middle class work for money! The rich have money work for them!

*Rich Dad Poor Dad*
By Robert Kiyosaki &
Sharon L. Lechter CPA

## I don't work for money! Money works for me!

*Rich Dad Poor Dad*
By Robert Kiyosaki &
Sharon L. Lechter CPA

## The Richest Man in Babylon taught us all 3 things:

1) Give away your first 10%!
2) Take the next 10% and pay down debt!
3) Take the next 10% and invest it so it will work for you!

Wealth is a person's ability to survive so many number of days forward... or if I stopped working today, how long could I survive?

Wealth is the measure of the cash flow from the asset column compared with the expense column!

Net worth often includes these non-cash-producing assets, like your house, wealth measures how much money your assets are making and, therefore, your financial survivability!

## What does it mean to be rich vs. wealthy?

Let's say you have cash flow from an asset column of $1,000 a month! And you have expenses of $2,000 a month! What is your wealth? How many days forward can you survive? Let's assume a 30-day month. By that definition, you have enough cash flow for half a month! When you have achieved a $2,000 a month cash flow from your assets, then you will be wealthy! You may not be rich, but you will be wealthy!

## Just Remember:

- The rich buy income-producing assets!
- The middle-class buy liabilities like cars and homes and think that they are assets!
- The poor only have expenses!

## When your monthly expenses keep up with your monthly wages, you're in the 'rat race!'

To become financially secure, a person needs to mind his or her own income-producing investment assets! Your investments revolve around your income producing asset column, as opposed to your paycheck income column!

The No. 1 rule is to know the difference between an income-producing asset, where your money is working for you, from a liability! The rich only focus and invest in income-producing assets while everyone else focuses on their paycheck income!

When downsizing became the "in" thing to do, millions of workers found out their largest so-called asset, their home, was eating them alive!

Their asset, called a house, still cost them money every month! Their car, another "asset," was eating them alive! The golf clubs in the garage that cost $1,000 were not worth $1,000 anymore! They are called an illiquid asset!

Don't let your money get too far from cash!

I cringe every time I hear a dentist say to me that their net worth is a million dollars! One of the main reasons net worth is not accurate is simply because the moment you begin selling your assets, you are taxed for any gains!

People's net worth is almost always worth less than they think!

Who ever has the most employees reaches insanity first!

I would not encourage anyone to start a company unless they really want to! Knowing what I know about running a company, I would not wish that task on anyone! There are times when people cannot find employment, where starting a company is a solution for them! The odds are against success: Nine out of 10 companies fail in five years. So only if you really have the desire to own your own company do I recommend it! Otherwise, keep your daytime job, control your spending, and build up an income producing asset column that is strong, flexible, and liquid! Once a dollar goes into it, it should never come out of it!

Think of it this way, once a dollar goes into your asset column, it becomes your employee! The best thing about having all of your employees be money is that they work 24 yours a day, never take a break, and can even work for generations! Keep your daytime job, be a great hard-working employee, but keep building your income producing asset column!

Rich people buy luxuries last, while the poor and middle class tend to buy luxuries first! The poor and the middle class often buy luxury items such as big houses, diamonds, furs, jewelry, or boats because they want to "look" rich! They "look" rich, but in reality they just get deeper in debt and usually on credit!

The old-money people, the long-term rich, built their income producing assets column first! Then, the income generated from these assets eventually will buy luxuries! The poor and middle class buy luxuries with their own sweat and blood! A true luxury is a reward from investing in an income-producing asset!

"The fundamental principle of wealth building is:

Delayed Gratification

instead of

Instant Gratification!"

Howard Farran DDS, MBA, MAGD

## The 3 determinants of your personal income.

1. Chance: genes family culture environment time
2. Personal Choice
3. Coercive choices made for you by others.

Free to Choose, Milton & Rose Friedman, copyright 1980

# Your Aptitude is only determined by your Attitude!

**True learning takes energy, passion and a burning desire! Fear is a big part of that formula, for passion is fear and love combined!**

*Rich Dad Poor Dad*
By Robert Kiyosaki &
Sharon L. Lechter CPA

# Are you Fearfully Falling Forward Or Flippantly Flying Freely?

Every single thought that you think and word that you speak will factually determine your destiny!

The Fearful Falling Forward say that they are bad in math and have to do 5 problems !

The Flippantly Flying Freely say that math is a game and they are going to solve 5 puzzles !

The Fearful Falling Forward say , I will be happy when ... !"
The Flippantly Flying Freely say , I am happy now!"

The Fearful Falling Forward always think, say and believe negative thoughts about themselves!

The Flippantly Flying Freely always think, say and believe high self esteem thoughts about themselves!

Emotions are what make us human! Make us real! The word 'emotion' stands for energy in motion! Be truthful about your emotions, and use your mind and emotions in your favor, not against yourself!

*Rich Dad Poor Dad* By Robert Kiyosaki &Sharon L. Lechter CPA

"Too much of a good thing can be wonderful!"

Mae West

**In our society success breeds jealousy and envy!**

When my uncle suddenly became rich by accident, in effect what happened was that he immediately lost the friendship of all his relatives for reasons that any American would understand. His wealth did not rebound to the advantage of any one of his relatives, and I remember for myself that I was pretty sore about it. He had a huge amount of money and I was an impoverished graduate student and he didn't help me in any way. I thought this was very selfish and I was never friendly with him again.

Source: Maslow on Management, Abraham Maslow, 1998

## How do you spell relief?

Many widows, let alone the divorcees, certainly heave a kind of sigh of relief after the initial shock and fear! Then they feel the delicious freedom, realize how they have been held down for decades, realize that they have been self-abnegating, self-sacrificing, that they always put the interests of husband, children, and home, pushing their own interests into the background.

Source: Maslow on Management, Abraham Maslow, 1998

**The average millionaire goes bankrupt 6 times. Take a chance, fail, grow, and succeed!**

**Hall of Fame baseball players struck out 7 out of every 10 times at bat!**

## Wealth vs. Income

Wealth is not the same as income. If you make a good income each year and spend it all, you are not getting wealthier. You are just living high. Wealth is what you accumulate, not what you spend.

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William d. Danko, Ph.D., 1996

## Wealth is the result of hard work, perseverance, planning and , most of all, self-discipline.

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William d. Danko, Ph.D., 1996

## There has never been more personal wealth in America than there is today (over $22 trillion in 1996)

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William d. Danko, Ph.D., 1996

## Nearly one-half of our wealth is owned by 3.5 percent of our households.

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William d. Danko, Ph.D., 1996

## More than 25 million households in the United States have annual incomes in excess of $50,000; more than 7 million have annual incomes over $100,000.

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William d. Danko, Ph.D., 1996

## 3.5% of American households are in the $1 million and over net worth category.

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William d. Danko, Ph.D., 1996

## 80% of America's millionaires are first-generation rich!

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William d. Danko, Ph.D., 1996

## Characteristics of Millionaires

1. They live well below their means.
2. They allocate their time, energy, and money efficiently, in ways conducive to building wealth.
3. They believe that financial independence is more important than displaying high social status.
4. Their parents did not provide economic outpatient care.
5. Their adult children are economically self-sufficient.
6. They are proficient in targeting market opportunities.
7. They chose the right occupation.

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William d. Danko, Ph.D., 1996

If he looks like a millionaire, he's not! In Texas they say,
"Big Hat No Cattle!"

"Watching sports is OK, but the biggest and fastest moving game in the world is making money!"

Howard Farran DDS, MBA, MAGD

## If you want to be rich you must focus!

The rich people put almost all of their eggs in a few baskets!

The middle-class people put a few eggs in many baskets!

The poor people don't have any eggs!

## "Greed is good!"

Michael Douglas said in the movie *Wall Street*!

Rich people say it differently! They say,

"Guilt is worse than greed because it robs the body of its soul!"

## If you give 100 people $10,000 at the start of the year, at the end of the year:

- 80 would have nothing left! In fact many would have created greater debt by making it a down payment on a new car, refrigerator, TV, VCR or a holiday!
- 15 would have increased that $10,000 by 5 percent to 10 percent!
- 5 would have increased it to $20,000 or more!

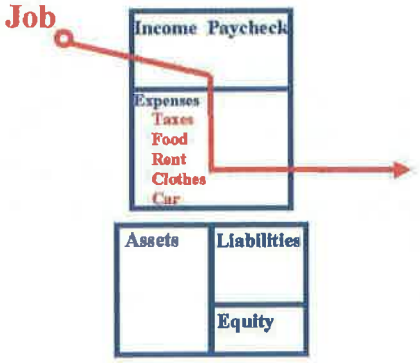
All of you were given two great gifts: your mind and your time!

It is up to you to do what you please with both! With each dollar bill that enters you hand, you and only you have the power to determine your destiny! Spend it foolishly and you choose to be poor! Spend it on liabilities and you join the middle class! Invest it in your mind and learn how to acquire income producing assets and you will be choosing to join the rich and the wealthy!

The choice is yours and only yours! Every day with every dollar, you decide to be rich, poor or middle class!

*Rich Dad Poor Dad* By Robert Kiyosaki &Sharon L. Lechter CPA

## The Cash Flow pattern of a poor person:




## How taxes should be seen:

But under good circumstances and under eupsychian theoretical conditions, taxes are a very different kind of thing! They must be seen in a very different way!

They should be seen as a payment for necessary services at a bargain rate! Otherwise the healthy long-term capitalist free enterprise system would have to replace all of these services on a private basis, which could cost a great deal more!

This is true for water, police services, fire, etc...!

To use a slightly different parallel a child who is brought up in a germ-free environment, is carefully protected against all bacteria and viruses! Eventually this child will lose the ability to resist disease! For the rest of his or her life will have to be artificially protected because he or she cannot protect themselves!

By contrast, the child who is permitted to take his or her own chances and goes to live in the world of dangerous germs will build up antibodies and resistance so that he or she can walk freely through all the germs and viruses thereafter for the rest of his life!

I think this is an indication enough that the theory of competition, free market free enterprise will have to be left alone to work out the weak so that the successful may prosper!

**The trouble these days is that when most people talk about "earning a living" they really mean earning an automobile, a fine house, a landscaped garden, eating out, going to movies, and so on, and so on, and so on!**

The old concept of taxes is that they are like the fees which the robber barons arbitrarily imposed, or which some group of bandits squeezed out of passersby under threat of military oppression!

The "protection money" which the gangsters used to impose in Chicago is very close to this original meaning of the word "tax!"

The word today still carries some of this connotation, that of arbitrary, greedy people who are demanding some money for which they return nothing, just simply because they're in a position of power, and you have to grind your teeth and give in!

**Remember, wealth is blind!**
**People who never graduated from college:**

- Charles Merrill of Merrill Lynch
- Bill Gates of Microsoft
- Jacque Cousteau
- Ken Wells

## Portrait of a Millionaire

- The Median Income of a Millionaire in America is $131,000 per year!
- It's not what you make its what you spend!
- We live in homes currently valued at an average of $320,000.
- About 80 percent of us are first generation affluent.
- About two-thirds of us work between forty-five and fifty-five hours per week.
- There are about 3.5 millionaire households like ours.

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

**3.5 million (3.5%) of the 100 million households in America are considered wealthy!**

**About 95% of millionaires in America have a net worth of between $1 million and $10 million.**

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## How to determine if you are wealthy

Multiply your age times your realized pretax annual household income from all sources except inheritances. Divide by ten. This, less any inherited wealth, is what your net worth should be, for example:

**The average dentist is 46 years old and makes $122,000, so his or her net worth should be $561,000!**

**46 x $122,000 = 5,612,000 ÷ 10 = $561,000**

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## Are you a PAW?

If you are in the top quartile for wealth accumulation, you are a PAW, or prodigious accumulator of wealth. If you are in the bottom quartile, you are a UAW or under accumulator of wealth. Are you a PAW, a UAW or just an AAW (average accumulator of wealth)?

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## Facts about millionaires:

- Only 19% receive any income or wealth of any kind from a trust fund or an estate.
- Fewer than 20 percent inherited 10% or more of their wealth.
- More than half never received as much as $1 in inheritance.
- Fewer than 25% ever received "an act of kindness" of $10,000 or more from their parents, grandparents, or other relatives.
- 91% never received, as a gift, as much as $1 of the ownership of a family business.
- Nearly half never received any college tuition from their parents or other relatives.
- Fewer than 10% believe they will ever receive an inheritance in the future.

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## The Top Ten Ancestry Groups Of American Millionaires

| Ancestry Group/Ethnic Origin: Head of Household | Percent of all U.S. Households | Number of Millionaire Households | Percent of Millionaire Household Population | Rank: Percent of Millionaire Household Population | Concentration Ration: % All Millionaire Households/ % All Households | Percent of Ancestry Group that are Millionaire Households | Rank Percent of Ancestry Group That are Millionaire Households |
|---|---|---|---|---|---|---|---|
| English | 10.3 | 732,837 | 21.1 | 1st | 2.06 | 7.71 | 4th |
| German | 19.5 | 595,171 | 17.3 | 2nd | 0.89 | 3.32 | 9th |
| Irish | 9.6 | 429,559 | 12.5 | 3rd | 1.30 | 4.88 | 7th |
| Scottish | 1.7 | 322,255 | 9.3 | 4th | 5.47 | 20.8 | 2nd |
| Russian | 1.1 | 219,437 | 6.4 | 5th | 5.82 | 22.0 | 1st |
| Italian | 4.8 | 174,929 | 5.1 | 6th | 0.94 | 4.00 | 8th |
| French | 2.5 | 128,350 | 3.7 | 7th | 1.48 | 5.50 | 6th |
| Dutch | 1.6 | 102,818 | 3.0 | 8th | 1.88 | 7.23 | 5th |
| Native-American | 4.9 | 89,707 | 2.6 | 9th | 0.53 | 1.99 | 10th |
| Hungarian | 0.5 | 67,625 | 2.0 | 10th | 4.00 | 15.1 | 3rd |

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## 23 Million people in this country today were born elsewhere. 12% of INC. magazine's top five hundred business entrepreneurs are first-generation American!

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## Decamillionaires – People who are worth at least $10 million.

## FRUGAL FRUGAL FRUGAL!

The following thoughts describe millionaires:

Webster defines Frugal as "behavior characterized by or reflecting economy in the use of resources."

It is easier to purchase products that denote superiority than to be actually superior in economic achievement.

"I drink scotch and two kinds of beer—free and BUDWEISER!"

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## How many households in America earn $5 million in one year? Fewer than five thousand of the nearly 100 million households! That's about one in twenty thousand!

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## Why don't quiz shows offer tuition scholarships as prizes?

## Because most people want <u>immediate gratification</u>!

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## In America an annual realized income of approximately $33,000 is the norm.

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## Millionaires play both quality offense *and* quality defense!

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## Millionaires become millionaires by budgeting and controlling expenses, and they maintain their affluent status the same way!

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## Q) Does your household operate on an annual budget?

**A) 55% of millionaire's households do!**

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## Q) Do you know how much your family spends each year for food, clothing, and shelter?

**A) 62.4% of millionaires answered "yes" to this question!**

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

Percent of Millionaires who do not have the following credit cards

| Credit Card | Percent of millionaires who do not have this credit card |
|---|---|
| Visa | 41% |
| MasterCard | 44% |
| Sears | 57% |
| Penney's | 70% |
| American Express Gold | 72% |
| American Express Green | 74% |
| Lord & Taylor | 75% |
| Saks Fifth Avenue | 75% |
| Neiman Marcus | 79% |
| Brooks Brothers | 90% |
| Eddie Bauer | 92% |
| American Express Platinum | 94% |
| Diners Club | 97% |
| Carte Blanche | 99% |

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## Q) Do you have a clearly defined set of daily, weekly, monthly, annual and lifetime goals?

**A) 64% of the millionaires do!**

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## Financial independent people are happier than those in their same income/age cohort who are not financially secure!

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## Q) Do you spend a lot of time planning your financial future?

**A) 66% of Millionaires do!**

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## How non-millionaires think!

Never did Mr. Friend equate "better off" with accumulating wealth. Again, being "better off" meant displaying one's high income via the conspicuous display of high-status artifacts.

A high income was the way to overcome a feeling of social inferiority. A high income was the product of hard work. "Income in the form of capital gains' were foreign words to him.

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## Expected Wealth

Expected wealth = one-tenth age x total annual income

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## The poor and middle class believe:

**One earns to spend! When you need to spend more, you need to earn more.**

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## Pay yourself first!

Millionaires invest a minimum of 15% of their annual realized income before they pay the sellers of their food, clothes, homes, credit, and the like.

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## Small expenses add up to be big expenses over time!

If a couple smoked three packs of cigarettes each day during their adult lifetime that equals approximately 1,095 packs per year! If they smoked for approximately 46 years, they would have paid approximately $33,190 to smoke!

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## Small amounts invested also become large investments over time!

If that same couple had invested their cigarette money in the stock market (index fund) during their lifetimes, it would have been worth nearly $100,000!

If they had invested it in shares of Philip Morris and reinvested all dividends and never sold any shares it would have been worth over 2 million!

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## How to build wealth!

To build wealth, minimize your realized (taxable) income and maximize your unrealized income (wealth/capital appreciation without a cash flow).

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## The important difference between wealth and income!

The value of private wealth in America is more than $22 trillion. Millionaires own approximately half of this amount, or $11 trillion. The total personal income for the same period is estimated to be about $2.6 trillion. Millionaires account for only about 30 percent of the total income or $.78 trillion. This means that millionaires as a group realize the equivalent of only 7.1 percent of their total wealth each year ($.78 trillion income ÷ $11 trillion in wealth = 7.1 percent)

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## What percent of your wealth do you pay in taxes each year?

How much does the typical American household realize in income each year? About $35,000 to $40,000, or nearly the equivalent of 90% of its net worth. The result is that the typical household in America pays the equivalent of more than 10% of its wealth in income taxes each year. How about the millionaires whom we surveyed? On average, their annual income tax bill is an amount equal to only a bit over 2% of their wealth. That is one of the reasons they remain financially independent.

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## Contrasts Among American Taxpayers

| | High Income Household | Average American Household |
|---|---|---|
| Total annual pretax realized income for household | $220,000 | $32,823 |
| Net Worth | $1,122,000 | $36,623 |
| Realized income as a percentage of net worth | 19.6% | 89.6% |
| Federal income tax | $69,440 | $4,248 |
| Tax as a % of income | 31.6% | 12.9% |
| Tax as a % of net worth | 6.2% | 11.6% |

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## The average American millionaire realizes significantly less than 10% of his net worth in annual income.

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## How wealthy is wealthy?

Of the more than 3.5 million millionaires in America today, More than 90% have a net worth between $1 million and $10 million.

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## The typical American household has a total net worth, including equity in the home of $36,623.

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## House rich and cash poor!

If you're not yet wealthy but want to be someday, never purchase a home that requires a mortgage that is more than twice your household's total annual realized income.

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## Yes, we picked a good career!

On average, physicians earn more than four times the income of the average American household: $140,000 versus $33,000!

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## Important Questions!

1. Do you know how much your family spends each year for food, clothing, and shelter?
2. Do you spend a lot of time planning your financial future?
3. Are you frugal?

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## What do millionaires do with their money?

They tend to have a greater percentage of their wealth invested in privately held/closely held businesses, commercial real estate, publicly traded equities, and their pension plans/annuities and other tax deferred categories.

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## Do Millionaires Own Stocks?

Nearly all (95 percent) of the millionaires we surveyed own stocks; most have 20 percent or more of their wealth in publicly traded stocks!

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## Are Millionaires "Active Traders"?

- Only about 9% of the millionaires we interviewed hold their investments for less than one year.
- One in five (20%) hold for between two and four years.
- About 13% are in the 4 – 6 year category.
- 32% hold their investments for more than 6 years.
- 42% of the millionaires we interviewed for our latest survey had made no trades whatsoever in their stock portfolios in the year prior to the interview.

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## You aren't what you drive!

Rich people believe that financial independence is more important than displaying high social status.

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## The value of a dollar!

My family in Nebraska understood the value of a dollar. Dad used to say seeds are a lot like dollars. You can eat the seeds or sow them. But when you would see what seeds turned into...ten-foot-high corn... you don't want to waste them. Consume them or plant them. I always get a kick out of watching things grow.

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## There is more than one way to skin a cat!

The majority of people do not have the ability to increase their incomes significantly. Yet income is a positive correlation of wealth. What, then, is our message? If you cannot increase your compensation significantly, become wealthy some other way. Do it defensively.

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## It's much easier in America to earn a lot than it is to accumulate wealth!

Why is this the case? Because we are a consumption-oriented society.

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## Success in accumulating wealth is based on living well below your means!

Entrepreneurs become wealthy by taking substantial risks and by leveraging the labor and talent of dozens, even hundreds, of others. Most people in this country are not the entrepreneurial type. But this does not mean that they can't become millionaires.

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## And the children of millionaires...?

America's millionaires are more than five times more likely than the average household to have a son or a daughter graduate from medical school. They are more than four times more likely to have a child who is a law school graduate.

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## The Fundamental Rule!

The fundamental rule to retirement is simple; whatever your income, always live below your means.

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## What do we give to our children?

What can you give your children to enhance the probability that they will become economically productive adults? In addition to an education, create an environment that honors independent thoughts and deeds, cherishes individual achievements, and rewards responsibility and leadership. Yes, the best things in life are often free. Teach your own to live on their own. It's much less costly financially, and, in the long run, it is in the best interests of both the children and their parents.

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## Teach your children to be:

**Extremely independent, achievement-oriented and well disciplined!**

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## Courage!

Webster's defines courage as "mental or moral strength to resist opposition, danger, or hardship." It implies firmness of mind and will in the face of danger or extreme difficulty. Courage can be developed. But it cannot be nurtured in an environment that eliminates all risks, all difficulty, all dangers.

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## Changing demographics!

In 1970 only 8.4% of medical school graduates were women. In 1995, nearly 40% were women. In 1970, women accounted for about 6 % of all law school graduates; in 1995 they made up nearly 45%.

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## Changing demographics!

High-status occupational titles do not automatically translate into a high income. A recent census headline stated: "Earnings gaps (in 1995) still apparent even for professional degree holders. Women employed in professional occupations in 1995 earned only 49% of what men in professional occupations earned.

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## Changing demographics!

In twenty out of twenty of the highest income-producing occupations, women on average earn significantly less than their male counterparts. For example, female physicians earn only 52% of what male physicians earn, female dentists earn 57.4% of what male dentists earn, female podiatrists earn 55% of what male podiatrists earn and female lawyers earn 57.5% of what male lawyers earn.

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

**Mean Annual Earnings: Men Vs. Women in the Top Twenty High-Income Occupations**

| Job Description | Total Year-Round Full-Time | Male Year-Round Full-Time | Female Year-Round Full-Time | Difference Between Sexes | Female Income As a Percent Of Male Income |
|---|---|---|---|---|---|
| Physicians | $120,867 | $132,166 | $68,749 | $63,417 | 52.0% |
| Podiatrists | $90,083 | $94,180 | $51,777 | $42,403 | 55.0% |
| Lawyers | $86,459 | $94,920 | $54,536 | $40,384 | 57.5% |
| Dentists | $85,084 | $88,639 | $50,919 | $37,720 | 57.4% |
| Medical Science Teachers | $82,766 | $91,236 | $48,801 | $42,435 | 53.5% |
| Law Teachers | $76,732 | $85,376 | $51,727 | $33,649 | 60.6% |
| Securities and Financial Services Sales | $67,313 | $78,097 | $37,695 | $40,402 | 48.3% |
| Health diagnosing Practitioners | $66,546 | $76,139 | $33,718 | $42,421 | 44.3% |
| Optometrists | $62,556 | $64,988 | $42,659 | $22,329 | 65.6% |
| Actuaries | $61,409 | $71,028 | $40,219 | $30,809 | 56.6% |
| Judges | $60,728 | $65,277 | $43,452 | $21,825 | 66.6% |
| Pilots & Navigators | $57,383 | $58,123 | $32,958 | $25,165 | 56.7% |
| Veterinarians | $56,451 | $62,018 | $35,959 | $26,059 | 58.0% |
| Petroleum Engineers | $55,788 | $56,653 | $43,663 | $12,990 | 77.1 |
| Management Analysts | $54,436 | $62,588 | $36,574 | $26,014 | 58.4% |

Source: Affluent market Institute Database 1996 & 1990 U.S. Census of Occupations

**Working women are more than four times more likely to leave the workplace than are working men!**

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

**Affluent couples have a divorce rate that is less than half the norm!**

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## Other People's Money!

**If you are wealthy and want your children to become happy and independent adults, minimize discussions and behavior that center on the topic of receiving other people's money.**

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## The Top 10 Rules For Affluent Parents And Productive Children

1. Never tell children that their parents are wealthy.
2. No matter how wealthy you are, teach your children discipline and frugality.
3. Assure that your children won't realize you're affluent until after they have established a mature, disciplined, and adult lifestyle and profession.
4. Minimize discussions of the items that each child and grandchild will inherit or receive as gifts.
5. Never give cash or other significant gifts to your adult children as part of a negotiation strategy.
6. Stay out of your adult children's family matters.
7. Don't try to compete with your children.
8. Always remember that your children are individuals.
9. Emphasize your children's achievements, no matter how small, not their or your symbols of success.
10. Tell your children that there are a lot of things more valuable than money.

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## Wise words from a PAW!

**I am not impressed with what people own. But I'm impressed with what they achieve. I'm proud to be a physician. Always strive to be the best in your field...Don't chase money. If you are the best in your field, money will find you!**

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## You should be a gigolo!

**It is estimated that during the ten-year period from 1996 to 2005, nearly 296,000 women in the millionaire married-couple population will become widows. Their average inheritance will be approximately $2 million (in 1990 dollars). During this same period, nearly 72,000 men from this population will become widowers. It is estimated that these men will inherit more than $125 billion, or an average inheritance of approximately $1.7 million.**

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## Maybe the rich pay taxes after all!

**The affluent in the $200,000-and-more annual realized income category account for only about 1% of U.S. households but pay 25% of the tax on personal income!**

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## How many are self-employed?

**In America, fewer than one in five households, or about 18%, is headed by a self-employed business owner or professional.**

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## You are doing pretty good!

The average net income for the more than fifteen million sole proprietorships in America is only $6,200! About 25% of sole proprietorships do not make one cent of profit during a typical year. It's even worse for partnerships. 42% on average make no profits in a year. What about corporations? Only 55% have any taxable income during a typical twelve-month period.

Source: The Millionaire Next Door, Thomas J. Stanley, Ph.D. & William D. Danko, Ph.D., 1996

## The Dupont Formula:

$$\left[\frac{\text{Net Income}}{\text{Sales}}\right] \times \left[\frac{\text{Sales}}{\text{Assets}}\right] \times \left[\frac{\text{Assets}}{\text{Equity}}\right]$$

[Profit Margin] x [Turnover] x [Leverage]

## The Dupont Formula

$$\left[\frac{\text{Net Income}}{\text{Sales}}\right] \times \left[\frac{\text{Sales}}{\text{Assets}}\right] \times \left[\frac{\text{Assets}}{\text{Equity}}\right]$$

$$\left[\frac{\text{Net Income}}{\cancel{\text{Sales}}}\right] \times \left[\frac{\cancel{\text{Sales}}}{\text{Assets}}\right] = \left[\frac{\text{Net Income}}{\text{Assets}}\right] = \text{ROA}$$

**Return On Assets**

## The Dupont Formula

$$\left[\frac{\text{Net Income}}{\text{Sales}}\right] \times \left[\frac{\text{Sales}}{\text{Assets}}\right] \times \left[\frac{\text{Assets}}{\text{Equity}}\right]$$

$$\left[\frac{\text{Net Income}}{\cancel{\text{Sales}}}\right] \times \left[\frac{\cancel{\text{Sales}}}{\cancel{\text{Assets}}}\right] \times \left[\frac{\cancel{\text{Assets}}}{\text{Equity}}\right] = \left[\frac{\text{Net Income}}{\text{Equity}}\right] = \text{ROE}$$

**Return On Equity**

## Farran Personal Chart of Accounts

| Account ID | Account Description | Account Type |
|---|---|---|
| 11051 | Bank One Checking | Cash |
| 11120 | Savings Account – Personal | Cash |
| 11121 | Savings Account – Tax | Cash |
| 12000 | Primary Residence | Fixed Assets |
| 12010 | Investment Property – 7.8 A | Fixed Assets |
| 12020 | 1997 Chevrolet Suburban | Fixed Assets |
| 12030 | 1991 Chrysler LeBaron | Fixed Assets |
| 12040 | Accumulated Depreciation | Accum. Depreciation |
| 12050 | Retirement Account – 401K | Other Current Assets |
| 12060 | Retirement Account – AE IR | Other Current Assets |
| 12070 | Other Securities – Maize Cor | Other Current Assets |

## Farran Personal Chart of Accounts

| Account ID | Account Description | Account Type |
|---|---|---|
| 13400 | Bellows Golf Group – Addtl | Long Term Liabilities |
| 13401 | ATI Title – Investment Pro | Long Term Liabilities |
| 35999 | Beginning Balance Equity | Equity – doesn't close |
| 36000 | Owner's Capital | Equity – Retained Earn |
| 37000 | Draws | Equity – doesn't close |
| 38000 | Federal Estimated Taxes | Equity – doesn't close |
| 39000 | State Estimated Taxes | Equity – doesn't close |

## Farran Personal Chart of Accounts

| Account ID | Account Description | Account Type |
|---|---|---|
| 40000 | Salary – Howard | Income |
| 40100 | Dividend Income | Income |
| 40200 | Draw | Income |
| 40300 | Gifts Received | Income |
| 40400 | Interest Income | Income |
| 40500 | Investment Income | Income |
| 40600 | NuSkin Income | Income |
| 40700 | Unrealized Pension/Gain-L | Income |

## Farran Personal Chart of Accounts

| Account ID | Account Description | Account Type |
|---|---|---|
| 71000 | Auto Expense | Expenses |
| 71100 | Auto—Auto Registration | Expenses |
| 71101 | Auto – Fuel | Expenses |
| 71102 | Auto – Insurance | Expenses |
| 71103 | Auto – Repairs | Expenses |
| 71200 | Bank Charges | Expenses |
| 71300 | Beauty Expenses | Expenses |
| 71400 | Birthday Gifts | Expenses |
| 71500 | Cash | Expenses |
| 71600 | Charity | Expenses |
| 71800 | Childcare | Expenses |
| 71900 | Clothing | Expenses |

## Farran Personal Chart of Accounts

| Account ID | Account Description | Account Type |
|---|---|---|
| 72000 | Dining | Expenses |
| 72100 | Education | Expenses |
| 72200 | Entertainment | Expenses |
| 72300 | Furniture | Expenses |
| 72400 | Gifts Given | Expenses |
| 72500 | Groceries | Expenses |
| 72600 | Homeowners Association | Expenses |
| 72700 | Insurance | Expenses |
| 72701 | Insurance – Homeowners | Expenses |
| 72702 | Insurance – Life Insurance | Expenses |
| 72703 | Insurance – Umbrella Insur | Expenses |

## Farran Personal Chart of Accounts

| Account ID | Account Description | Account Type |
|---|---|---|
| 72800 | Interest Income | Expenses |
| 72900 | IRA Contribution | Expenses |
| 72901 | IRA Contribution – Spouse | Expenses |
| 73000 | Kids School Lunches | Expenses |
| 73100 | Lawn Maintenance | Expenses |
| 73200 | Medical Expense | Expenses |
| 73201 | Medical – Doctor | Expenses |
| 73202 | Medical – Medicine | Expenses |
| 73300 | Miscellaneous | Expenses |
| 73350 | Pet Expenses | Expenses |
| 73400 | Pool Maintenance | Expenses |
| 73500 | Recreation | Expenses |

## Farran Personal Chart of Accounts

| Account ID | Account Description | Account Type |
|---|---|---|
| 73600 | Repair & Maintenance | Expenses |
| 73700 | Security System | Expenses |
| 73800 | Subscriptions | Expenses |
| 73900 | Taxes – Property | Expenses |
| 74000 | Telephone Expense | Expenses |
| 74100 | Terminex | Expenses |
| 74200 | Travel | Expenses |
| 74300 | Utilities | Expenses |
| 74301 | Utilities – Cable TV | Expenses |
| 74302 | Utilities – Gas & Electric | Expenses |
| 74303 | Utilities – Water | Expenses |

## Farran Personal Chart of Accounts

| Account ID | Account Description | Account Type |
|---|---|---|
| 74400 | Vacation | Expenses |
| 74401 | Vacation – Lodging | Expenses |
| 74402 | Vacation – Travel | Expenses |
| 74500 | Voided Checks | Expenses |

## Dr. Howard Farran, DDS, MBA, MAGD

Dr. Howard Farran, DDS, MBA, MAGD, has been in practice for 12 years, regularly grossing more than $2 million a year. He has spent the past 10 years studying and lecturing on the business of dentistry in the United States, Australia, Canada, New Zealand and Poland. He holds a Mastership in the Academy of General Dentistry and a Master's Degree in Business Administration from Arizona State University.

Perhaps the two factors that distinguish Dr. Farran the most are his keen insight into the public's view of dentistry and his straightforward application of fundamental business sciences to the practice of dentistry. This insight has helped him develop a consumer-oriented approach to the business of dentistry that has led to his unparalleled success.

His straightforward and non-conforming approach is sometimes controversial, often compelling, and always informative. He consistently gets rave reviews for his presentations, including being voted "the most popular speaker" for five consecutive years by *The Profitable Dentist* seminars.

Dr. Farran has received wide-ranging recognition, such as being named Alumni of the Year by the University of Missouri and being honored by the Arizona Department of Health Services.

With an enthusiastic, honest, direct approach, Dr. Farran shares his knowledge with you and your staff in this 30-Day Dental MBA program. He lays out a simple, step-by-step, scientific plan, which will propel your practice to the next level.

### Your 30-Day Dental MBA

Day 1: Understanding Global Healthcare Macroeconomics
Day 2: Understanding Dental Macroeconomics
Day 3: How To Build A Winning Team
Day 4: Charting Your Destiny With Strategic Management
Day 5: How To Become A Consumer Focused Dental Office
Day 6: The Miracles Of Group Practice
Day 7: How To Become The Ultimate Dentist Leader
Day 8: The Ultimate Receptionist
Day 9: The Ultimate Family Practice Hygienist
Day 10: The Ultimate Dental Assistant
Day 11: How To Develop A Winning Organization Based on Human Behavior
Day 12: How To Create A Management Information System
Day 13: The Real Meaning of Continuing Education
Day 14: How To Implement Your Intraoral Cameras
Day 15: How To Develop And Use Internal Marketing
Day 16: How To Develop And Use External Marketing
Day 17: Fortify Your Practice With Cosmetic Dentistry
Day 18: The Joys Of Pedodontics
Day 19: The Wonderful World of Orthodontics
Day 20: The Friendly Root Canal
Day 21: Having Fun With Oral Surgery And Implantology
Day 22: Understanding Managerial Finance
Day 23: Understanding Managerial Accounting
Day 24: Developing Operations And Logistics Management
Day 25: Developing Legal And Ethical Standards
Day 26: Understanding Financial Accounting
Day 27: Using Managerial Economics
Day 28: Analyzing Managerial Decisions
Day 29: Buying, Selling And Merging A Dental Practice
Day 30: How To Retire A Millionaire