Watch Your Dental Practice KPIs

By Roger P. Levin, DDS

Your practice management software can probably generate a huge number of financial performance metrics. If you try to keep track of too few or too many of them—or the wrong ones—they won’t help you manage your practice successfully. With experience, you’ll learn which are most helpful for you, but until then you should monitor what I call Key Production Indicators, or dental KPIs.

Not surprisingly, some of the most critical KPIs to watch are financial statistics. Here are several of the financial KPIs that the most successful dentists typically follow as they plan new management systems and growth strategies:

- **Revenue** – This includes all proceeds from the dentistry you produce and, like production, should increase at the rate of approximately 15% annually. Measure current revenue against last year’s total at the same time, and track it monthly. This will give you a good general picture of whether your practice is growing, flat or declining.

- **Collections** – Unfortunately, what your practice earns and what it collects can be very different. It simply doesn’t count if you don’t collect. You’ll want to track the collection rate, as a percentage. Compare your actual performance rate to the target Levin Group sets for its clients: 99%. If you’re falling short on this KPI, you’ll need to improve your collections systems.

- **Overhead** – Even with sufficient revenue and effective collections, your practice can still suffer as a business if overhead is too high. Establish a strict budget, follow it closely and calculate expenditures monthly, quarterly and annually. As a rule of thumb, overhead for a general practice should be about 59%. If it rises above that level, reexamine your budget and actual spending to find ways to bring it back in line.

- **Profit** – This KPI not only relates directly to potential doctor income but also serves as an excellent measure of business health. More efficient operations will improve profitability.

- **Average Production for Established Patients** – Tracking this number will encourage you to keep existing patients scheduled and active, conduct annual comprehensive exams, create comprehensive treatment plans, and promote elective treatment.

- **Average Production for New Patients** – Monitor this KPI to see the financial results of your new patient experience, comprehensive exams and treatment plans and case presentations.

Over time, you’ll probably be comfortable with a longer KPI watch list, but tracking those discussed here will get you off to an excellent start. You’ll soon understand why top CEOs can always recite their key numbers… and why knowing your numbers is the first step toward growing your business.
This resource was provided by the Levin Group, a leading dental consulting firm that provides dentists innovative management and marketing systems that result in increased patient referrals, production and profitability, while lowering stress. Since 1985, dentists have relied on Levin Group dental consulting to increase production.