



The myth of the empty chair

Filling open chair time with reduced-fee patients can be a costly proposition with far-reaching consequences for your entire patient base.

Once there lived a talented hair stylist who owned a salon in a small town. He was quite successful—curling and coiffing, styling and scissoring nearly every head in town. Not only was he happy, he was prosperous. Each year, he was able to take his family on a nice vacation, set aside money for his children's education and salt away a little something for retirement.

One day, however, a new full-service salon opened across the street. Immediately, it captured the townspeople's attention, with its giant plate-glass windows, its glowing sign that beckoned passersby, its nifty window display. But mostly, what sparked the town's curiosity was the red-lettered sign that hung in the window: "EVERYTHING FOR \$6! \$6 haircuts, \$6 perms, \$6 manicures, everything for \$6."

Soon, the new salon began spreading word of its low-priced haircuts throughout the town. Ads in newspapers, magazines and billboards proclaimed the \$6 deal. Gradually, many of the hair salon's more established customers began visiting the business across the street.

Desperate, the man hired a consultant. "I'm finished," he told the consultant. "It's impossible for me, little me, to compete with them."

The consultant squinted his eyes at the salon across the street. "Not yet. Not just yet." With that he picked up the phone and dialed the town's only billboard company. "Yes, we want a sign placed on top of our salon...with big letters...the message: WE FIX \$6 HAIRCUTS."

BY PATRICK WAHL, D.M.D., M.B.A. AND LORRAINE HOLLETT

Since the advent of managed care, dentists have faced their own version of the "salon across the street" story. Many practitioners today are feeling compelled, or in some cases coerced, to reduce their fees to gain access to PPO, HMO and capitation patients. And, as in the case of the established salon owner, these doctors often mistakenly believe that there is little they can do to compete with their low-priced competition.

In fact, many doctors are buying into the logic espoused by some managed care plan sponsors, i.e., that it's better to have a reduced-

fee patient than no patient in the chair. Once upon a time, this argument appeared to make sense.

Today's more business-savvy dentists, however, have found that there are many complicating factors to solving the problem of open chair time—most of which can't begin to be addressed by discounting fees.

A full chair won't solve all woes

It's easy to blame a disappointing practice income on "empty chair time"—hours that the practice has available to see patients for which no patients appoint. It can be tempting to fill this time at almost any cost. If, for example, two hours of doctor time a day usually are left unscheduled, it might seem reasonable to accept reduced reimbursement from a certain number of patients in order to fill this time. But, practices that try this approach may soon find they've created more problems than they've solved. Here's why:

1. Reduced-fee patients want to schedule appointments at the same time that the other patients do. If your down time occurs in the middle of the day, it's quite possible that no patients—including your managed care clientele—want to come in at this time. So reduced-fee patients begin to usurp the most attractive appointment times, and less attractive times remain unscheduled. The problem therefore is exacerbated: The doctor now has more patients demanding prime-time appointment slots, and a portion of those who are treated at these times will get service at a reduced fee.

2. Price shoppers are the most resistant to your treatment recommendations and the most sensitive to fee increases. They are the most inclined to find fault with your work and they'll expect you to make it right. They take all your time, do all the complaining and then forget to pay you. They wear down your staff and drive away your best patients. Why do you want to see reduced-fee patients? To practice working?

3. Those who reduce fees in order to fill "excess capacity" consider only revenue, and not the real costs involved. Producing dentistry forces you to incur variable, not just fixed, costs. Volume means more work, and more work means many more costs. Volume makes things a little more hectic around the office. Nobody has time to do anything. Things get neglected. Everybody's running flat out. None of the little things that need to be done ever seem to get done.

Weigh profit margins vs. volume

Business is a game of profit margins, not of volume. Several studies have shown that price is far more important than volume in determining profit. A McKinsey and Company study in the August 1997 issue of *Sales and Marketing Management*, for example, reported that a 1% increase in price translated into a 12.3% increase in profits. A 1% increase in volume, however, raised profits by only 3.6%. So, by scrambling to fill your empty chair, you may actually be cutting into your profitability.

No practice should operate at more than 90% capacity. Those that do aren't charging enough. Operating at full capacity means your fees are too low. You should have some open appointments in your schedule. By the same token, you should be able to have patients come in and see you—at full price!

Remember, your empty chair is your profit center. Don't give it away. It's waiting for an appreciative patient who values the great service you provide. And, one of the benefits of leaving some empty chair time in your schedule is you can better serve that type of patient.

Today's consumers want service now. If Mrs. Smith is the type of patient who values (and is willing to pay for) the service you provide, your ability to schedule her right away means she won't have to wait six weeks for the bridge she needs.

Businesses can survive longer with no volume than they can with unprof-

itable volume. Furthermore, down time provides you the opportunity to work on the "big picture" issues in your business. Use your down time productively. Improve some of your office systems, train your staff, do some marketing. Two hundred years ago, Samuel Johnson said that "All intellectual improvement arises from leisure." Million-dollar ideas come to you only when you have time to think.

The "fill the chair at any cost" message is an especially dangerous one for younger dentists. If you join a preferred provider organization when you get out of school, chances are good you will be in that PPO 15 years later. Never allow yourself to get so busy earning a living that you don't have time to make any money.

Being busy does not equate to being profitable. Having downtime is not the same thing as being unprofitable. Reduced-fee plans might fill some empty chairs, but they won't fill your empty pockets! You'll never be paid what you're really worth until you're willing to walk away and let your chair sit empty instead. Former first lady Nancy Reagan is an unlikely practice management consultant, but sometimes you have to take her advice and learn to "just say no."

The real answer to this problem, of course, is not to offer reduced fees to fill open chair time but to encourage current patients or new patients to schedule appointments. Sell your service; don't devalue it by giving it away.

Practices we've visited have had a variety of causes behind the gaps in their schedule. Perhaps our most common finding is a grossly ineffective recall system. An effective recall system need not be elaborate or complicated. Filling openings in the schedule can often be as easy as offering a hygiene appointment to patients appointing for restorative treatment.

Supercharging your efforts to ask existing patients to refer their friends and family can be as simple as asking, "Was there any way we could have

served you better?" *before* you ask the patient to refer others. This question will elicit far more information than a mere "How was everything?" It is important that you show a genuine interest in ensuring patient satisfaction before asking for the referral of others.

Among our clients who've added external media advertising to their marketing mix to attract more patients, the single biggest mistake we see is a lack of commitment—not giving the advertising a real chance to work. One dentist who understands the power of commitment and the effectiveness of low-cost advertising is Griffin, Georgia's "Birthday Doctor," Mike Goldstein.

Mike runs an ad every Monday in his area's community newspaper, *The Griffin Daily News* (not the major city newspaper, but the one his patients

read!). He lists the birthday (by month and date, not year) of his patients and friends having birthdays that week. Because the ad sends best wishes to his friends, he gets to include all the people he'd like to have as patients. The ad runs with photographs, and he is recognized throughout the town as "The Birthday Doctor." People in Griffin look for the ad every Monday.

A practice is what you make of it over time. Happiness comes from integrity—having a practice that mirrors your personal beliefs and values. Never concede that your product or service is a commodity if it is not. Make sure there is a good reason for any discount you offer; make sure the reason is not just the fear of an empty chair.

Set your fees too low and you'll go broke. Worse, you'll be working very

hard and you'll be stressed as you go broke. Set your fees too high and you might still go broke. But if your fees are too high, you'll have plenty of downtime to enjoy yourself. Charge high fees that reflect the true value of your service and you'll just plain have more fun. **DP&F**

Patrick Wahl and Lorraine Hollett provide products, seminars, and consulting services for practices that want to



improve collections and financial performance. For more information, call Office Magic Productions at (800) 750-8779; fax (302) 654-0054; e-mail billnomore@aol.com or browse their web-site at www.officemagic.com.

DON'T BE FRUSTRATED



Call the financing experts
800-891-6966
www.midamcredit.com

 **Mid Am
Credit Corp.**
A Sky Financial Group Affiliate

EASY PRACTICE FINANCING

- ◆ Over the phone application for approvals up to \$225,000
- ◆ We finance new or existing practice purchases
- ◆ 100% Construction or Remodel Loans
- ◆ Working Capital and Debt Consolidation Loans

We think you have more important things to do than worry about bills.

Subject to credit approval · Some restrictions may apply

Circle 114 for more information.