

# Top 5 objectives for independently-owned dental practices in 2016

A CITIZENS BANK PERSPECTIVE



*2015 was a banner year for the U.S. dental industry, with revenues reaching \$119 billion by September and most practices expecting growth to continue over the next five years.<sup>1</sup> But the industry's future could be tempered by several trends – including ongoing technological disruption, the rise of corporate chains and a shift among employers to less expensive insurance plans.<sup>2</sup>*

*To stay apprised of industry trends and concerns, Citizens commissioned the 2016 Healthcare Practice Outlook. Based on a survey of nearly 200 privately-held dental practices with fewer than ten practitioners, the report offers an inside look at peers' practices. It paints an optimistic picture, with nearly 3 out of 4 practitioners expecting higher revenue and greater profitability in 2016. But it also reveals the five business objectives most believe will be critical to their success over the next year.*

## 1. ACQUIRE NEW PATIENTS

Finding more patients is the number one business priority for 7 out of 10 dental practice leaders over the next year. The level of competition is high – not only from other small practices, but also from emerging corporate chains. Though over a quarter of practices think competition will have a negative impact on their businesses over the next 5 years, half of survey respondents expressed confidence in their ability to attract new patients over the next 12 months. In addition, half of all professionals surveyed felt the demand for dental services is high.

## 2. MAXIMIZE REVENUE

Over half of dental practices view revenue growth as a top priority for 2016. Most will try to achieve this goal by acquiring new patients; very few show any interest in expanding through acquisitions or by opening new locations. As a result, there may be greater investment in marketing and promotion.

In reality, most practices still depend on word-of-mouth patient referrals to promote their businesses. This model must evolve. To reach patients who seek the convenience of being able to compare and schedule healthcare services online, dental practices will need to invest more in online marketing, social media and an interactive website.

## 3. IMPROVE OPERATIONAL EFFICIENCY & PROFIT MARGINS

Two-thirds of practice leaders are feeling pressure on their profit margins, as they struggle to keep prices competitive while providing attractive compensation to staff.<sup>3</sup> Also, with the growth of less-than-generous insurance plans, 80% of practices report they are being restricted by claims processing and insurance reimbursements.

Acquiring more patients can help the revenue side of the margin equation, but many dentists fear that it may also lead to less face time with their patients. Forty percent of practice leaders agree that to stay competitive, they face a growing emphasis on high volume and low margins which is leading to rushed appointments and fewer treatment options.<sup>4</sup>

#### 4. UPGRADE DENTAL EQUIPMENT

Nearly a quarter of practitioners indicate that updating dental equipment is a top priority. New equipment is needed to serve an increasingly diverse patient pool, including those seeking more expanded services as well as a growing Baby Boomer population requiring a broader diagnostic and treatment-related toolkit. The rising costs of new equipment – a result of higher taxes on medical device manufacturers – could place a strain on budgets and require short- and long-term financing from commercial banks.<sup>5</sup>

#### 5. UPGRADE IT SYSTEMS & TECHNOLOGIES

Technology updates are a top priority for 1 in 4 practices. Pressure to upgrade is coming from several directions at once. Millennials – the nation’s largest living generation – are looking to confirm appointments at the tap of a phone screen. At the same time, practice leaders seek to implement technology that reduces the valuable time staff spend on appointment scheduling. And as different parts of a practice become increasingly digital, practice management software has become essential for putting it all together.<sup>6</sup>

Given these incentives to upgrade, one might ask why practices haven’t already completed the job. Financing, it turns out, isn’t the real problem: about half of private practices say they’re able to use short- and long-term financing to fund their technology upgrades. Instead, the real stumbling blocks are implementation and integration. The biggest challenge is the need to integrate new technology with their existing environment, leverage the functionality they already own and find more time to train their staff.<sup>7</sup> Fewer than half of practices feel confident they’ll be able to implement new technology in 2016 without assistance.

*Small dental practices are looking forward to 2016 with confidence, hoping to top last year’s record-breaking revenues. But to achieve that goal, they’ll need to focus on a few critical priorities. Patient acquisition is atop the list, requiring greater marketing support and a stronger online presence. And to serve those patients efficiently, practices will also need to make significant investments in infrastructure, including both information technology and dental equipment. Fortunately, practices don’t have to navigate these challenges alone. Leveraging the help of financial services firms and other business partners enables practice leaders to build on their successes while still having time to focus on their top priority – the care of their patients.*

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<sup>1</sup> IBIS World, September 2015

<sup>2</sup> LMT Magazine, March 2015

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

<sup>5</sup> Transparency Market Research (TMR), August 2015

<sup>6</sup> Dental Economics, 2015

<sup>7</sup> Dental Products Report, March 2015