

KPI's – Winning through the Numbers

Simple Steps to help you run a profitable practice...

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WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

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Create Opportunities

Introduction: What are “Key Performance Indicators”?

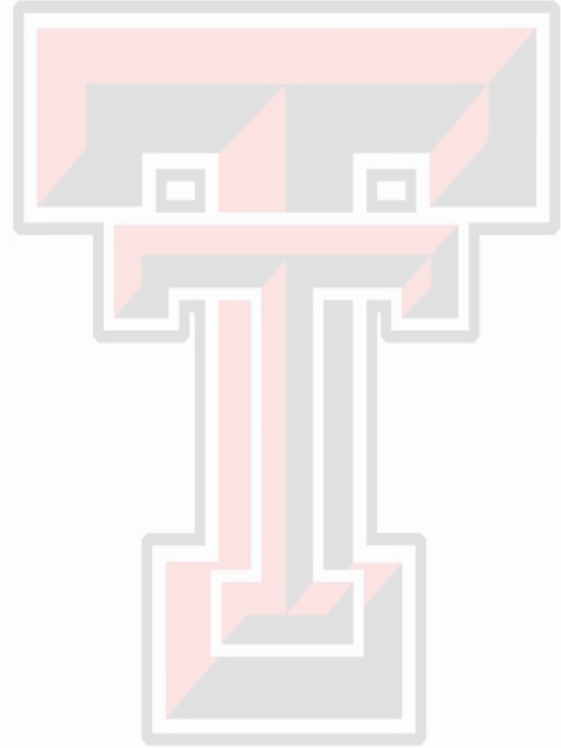


Key Performance Indicator (or KPI) is a *type of performance measurement* an organization uses to evaluate its success, or to evaluate the success of a particular activity in which it is engaged.

By monitoring Financials & Practice Management Data you can best identify which areas need to improve...

Today's Goals

- Key Performance Indicators
- Statements 101
- Accounts Receivable
- Controlling Overhead
- Production Targets
- New Patients Goals



Key Performance Indicators (KPIs)

- Know your widget
- Know the value and cost for yourself and your competitors
- Time, Product, Service
- Compare this to your financials to ensure accuracy
- Benchmark yourself
 - Against yourself
 - Against the market
 - Against your peers



STATEMENTS 101

Revenue

- AKA “*Top Line*”

Overhead

- AKA “*Expenses*”

Distributable Profits

- AKA “*Bottom Line*”

Simplified Income Statement

PRODUCTION	YTD	%	
Service Fees	\$1,724,853	100%	
Less Adjustments	(798,300)	-53%	
NET CHARGES	926,553	47%	
REVENUE			
Fees Collected	924,732	47%	
Less: Refunds	(15,986)	-1%	
Net Service Collections	908,746	61%	
Capitation and Contract Receipts	1,207	0.1%	
Other Income	19,248	1%	
TOTAL REVENUE	929,201	62%	% of Production
EXPENSES			
Total Personnel	252,536	27%	
Total Supplies	80,199	9%	
Total Facility	65,441	7%	
Total Equipment	49,193	5%	
Total General and Administrative	119,001	13%	
Total Practice Overhead	566,370	61%	
Professional Profits for Doctors	362,831	39%	
Dr. Fringes	16,112	2%	
Dr. Retirement Contribution	33,493	4%	
Total Doctor Fringe	49,605	5%	
TOTAL EXPENSES	615,975	66%	% of Revenue
NET INCOME	313,226	34%	

PROFITS 101

****NOTE: Income Statement can not be correct if the balance sheet is wrong**

Two ways to increase your Distributable Profits (Bottom line)

1. Increase the “Top Line” (Revenue) by maximizing revenue opportunities...
 - Increased scheduling efficiencies
 - Increased patient flow through effective marketing strategies
 - Increased efficiencies in billing and coding
2. Decrease Overhead (Expenses) by focusing on the “Big Three”
 - Personnel Costs
 - Laboratory Costs
 - Supplies Costs



Accounts Receivable

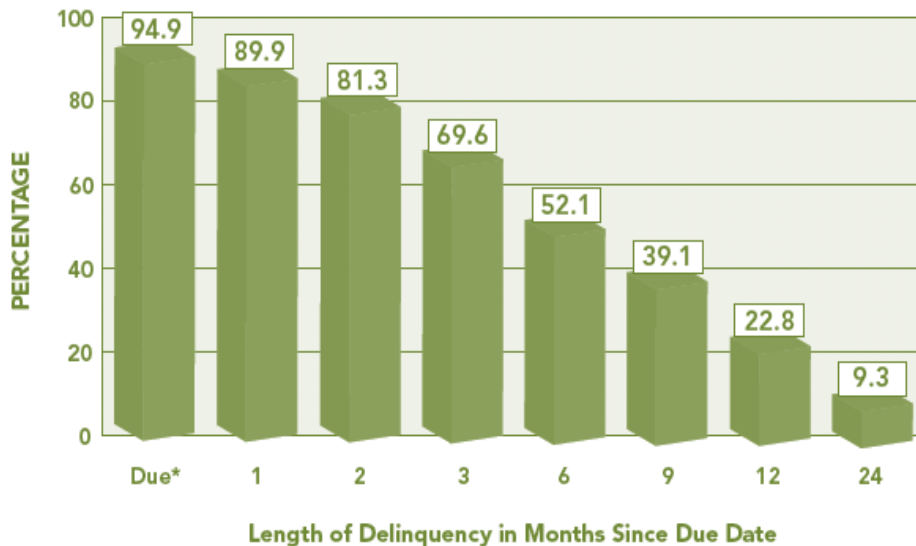
Accounts Receivable is described as money owed by patients in exchange for work that has already been done.

- “Working” A/R
- “Aging Buckets”
- Production vs. Collections



Accounts Receivable – “Collectability”

Collectability of Delinquent Commercial Debts at Time Intervals After the Due Date

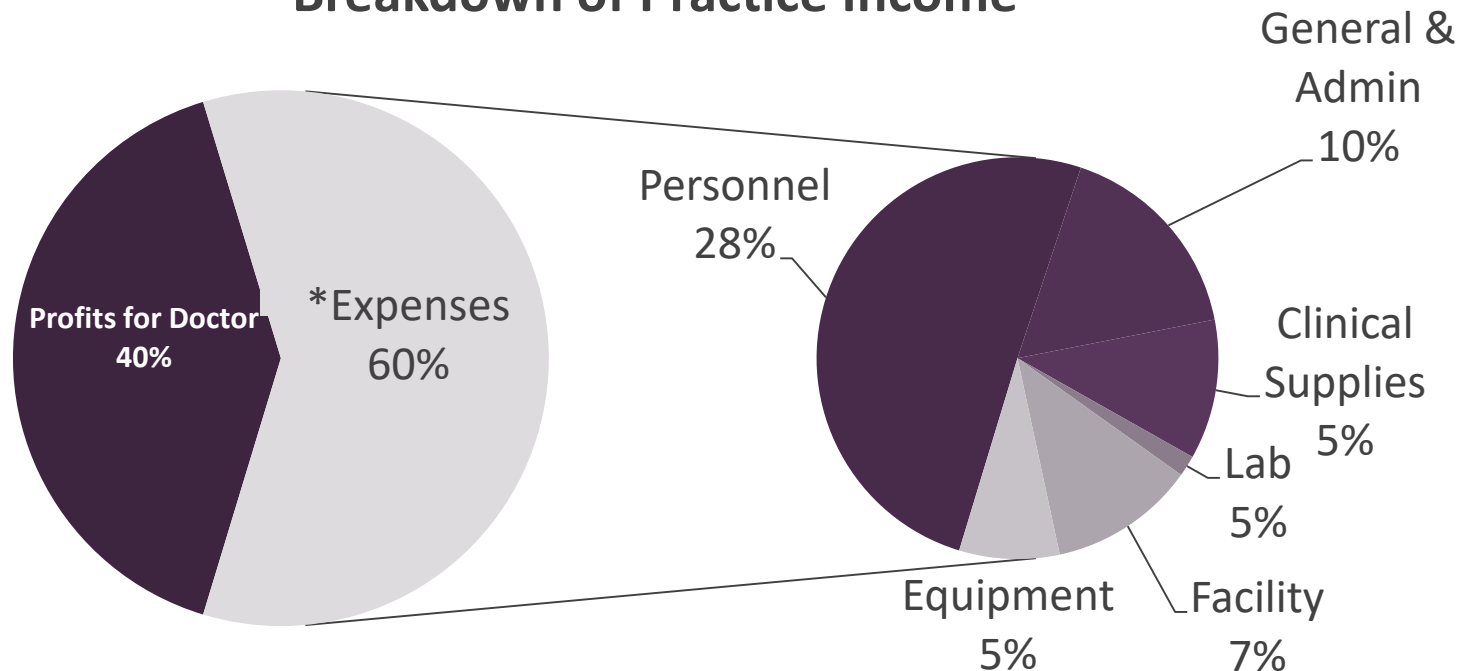


*For some industries the due date may be several months after the delivery date.

Source: Collection Trends: Commercial Collection Agency Association of the Commercial Law League of America

Overhead Control

Breakdown of Practice Income



Overhead Control

Example: So you're paying too much for personnel.



Most people believe there are two options...

- 1) Let some employees go *or*
- 2) Cut back on hours

...Which would you choose?

Overhead Control

We take a different approach...

Maybe, instead

- Your practice isn't "overstaffed" but "underperforming"?
or
- Maybe your wages are too high?



Overhead Control



Tips for Controlling Dental Supplies Costs

- Inventory Control
 - Semi-annually
- Pick up the Phone!
 - Just call your vendors!
- Know when to say “When”
 - Timing is key

Overhead Control



“Quid pro Quo”

- Give something to Get something
- Negotiate exclusive rights deals for best possible savings
- Know what you spent the last two years to help with negotiations...



Production Targets

Producing more means earning more

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Knowing the “Value” of a Patient

- Each patient pays for treatment, and each treatment costs a certain amount, so how much does the average patient pay?
- Identifying this figure is imperative as it is the driving force behind your revenue, and ultimately, your profitability.



Calculating your Patient Value

$$\text{Production per Patient} = \frac{\text{Total Production}}{\text{Total Patients Seen}}$$

* Try to calculate Production/Patient
WEEKLY and Monitor any changes

Why is this useful?

- Discovering the “Seasonality” of a practice
- How much can you pay for Marketing?
- Monitoring your practice’s performance...
 - *Production vs. Collection*



Calculating your Patient Value

Remember,

Production/Pt

≠

Collections/Pt

The difference?

- Accounts Receivable
- Insurance Adjustments
- Bad Debt

PRACTICE PRODUCTIVITY



Performance

- Know your practice intimately to make best decisions
- Per patient, per day, per hour
- Know costs of taking off half a day, or benefits of staying an extra hour

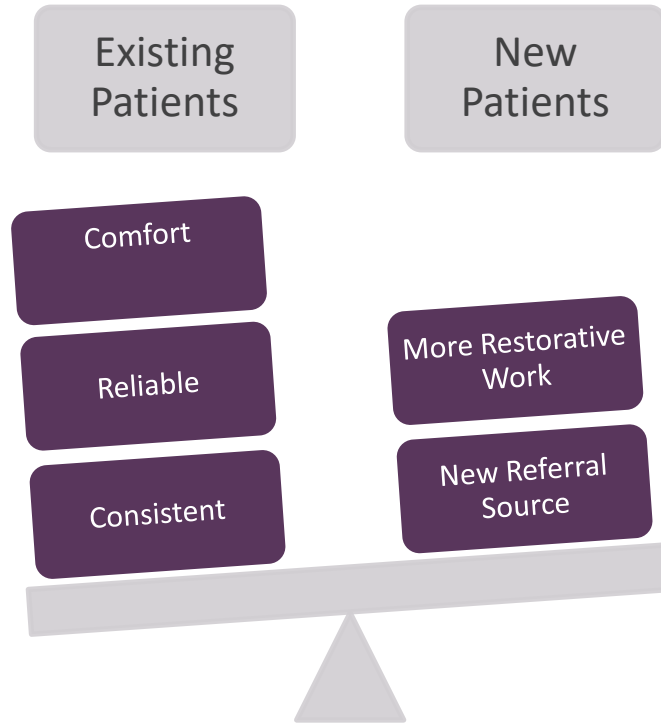
Imagine a Scenario...



Patient “Attrition”

- 17% of Americans move out of their current zip code
- If you lose 17% of your patients, what will you do?

Difference b/w “New” and “Existing”



December 2016

Consolidated



The Enamel Team:
No one works harder!

Key Performance Metrics

	<u>Oct 16</u>	<u>Nov 16</u>	<u>Dec 16</u>	<u>Dec Goal</u>	<u>Variance</u>	<u>2016 Avg.</u>
Total Production	1,907,100	1,677,300	1,601,594	1,740,905	⬇️ (139,311)	1,728,700
Total Collections	1,679,457	1,595,757	1,569,557	1,653,860	⬇️ (84,303)	1,614,900
Total Patients Seen	8,060	7,220	6,757	7,340	⬇️ (583)	7,350
Days Worked	218	195	191	195		201
Production	1,601,900	1,410,300	1,338,700	1,497,600	⬇️ (158,900)	1,450,300
Collections	1,495,100	1,411,400	1,385,200	1,422,720	⬇️ (37,520)	1,430,600
Patients Seen	6,770	6,120	6,032	6,240	⬇️ (208)	6,310
New Patients Seen	1,240	980	1,058	1,061	⬇️ (3)	1,090
Patients/Day	31.1	31.4	31.6	32.0	⬇️ (0.4)	31.4
Production/Patient	237	230	222	240	⬇️ (18)	230
Collections/Patient	221	231	230	228	✓ 2	227
Collection %	93%	100%	103%	95%	✓ 8%	99%
New Patient %	18%	16%	18%	17%	✓ 1%	17%
Hygiene Production	357,400	296,800	333,100	374,400	⬇️ (41,300)	329,100
Hygiene %	22%	21%	25%	25%	⬇️ 0%	23%
Hygiene Prod./Pt.	53	48	55	60	⬇️ (5)	52

Balance Sheet

	<u>Nov 16</u>	<u>Dec 16</u>	<u>Variance</u>
Cash	899,400	888,500	⬇️ (10,900)
Accounts Payable	99,900	113,300	⬇️ 13,400
Credit Cards	38,200	35,500	✓ 2,700
Long Term Debt	2,066,900	2,042,800	✓ 24,100

Sample Consolidated Budget Scorecard

A/R Aging	<u>Current</u>	<u>%</u>	<u>30 Days</u>	<u>%</u>	<u>60 Days</u>	<u>%</u>	<u>90+ Days</u>	<u>%</u>	<u>Total A/R</u>	<u>Variance</u>
<u>Dec 16</u>	1,578,200	85.0%	109,700	5.9%	20,900	1.1%	147,200	7.9%	1,856,000	⬇️ 7,000
<u>Nov 16</u>	1,557,400	84.2%	127,000	6.9%	25,700	1.4%	138,900	7.5%	1,849,000	✓ (45,900)
<u>Oct 16</u>	1,647,300	86.9%	91,800	4.8%	2,300	0.1%	153,500	8.1%	1,894,900	⬇️ 49,000

Profit & Loss

3-Month Trending

Month-to-Date

Year-to-Date

	<u>Oct 16</u>	<u>Nov 16</u>	<u>Dec 16</u>	<u>Dec 16</u>	<u>%</u>	<u>Dec Goal</u>	<u>Variance</u>	<u>2016 Sum</u>	<u>%</u>	<u>Goal</u>	<u>Variance</u>	<u>% Goals</u>
Total Income	1,679,457	1,595,757	1,569,557	1,569,557		1,653,860	⬇️ (84,303)	19,379,100		19,846,300	⬇️ (467,200)	
Dental Supplies	111,000	98,900	86,100	86,100	5.5%	78,500	⬇️ 7,600	1,184,000	6.1%	969,000	⬇️ 215,000	5.0%
Laboratory Fees	50,700	44,500	42,800	42,800	2.7%	31,400	⬇️ 11,400	552,000	2.8%	387,600	⬇️ 164,400	2.0%
Ortho Supplies	10,000	12,700	12,900	12,900	0.8%	15,700	✓ (2,800)	142,400	0.7%	193,800	✓ 51,400	1.0%
Total COGS	171,700	156,100	141,800	141,800	9.0%	125,600	⬇️ 16,200	1,878,400	9.7%	1,550,400	⬇️ 328,000	8.0%
Advertising	65,100	60,200	52,900	52,900	3.4%	62,800	✓ 2,900	712,800	3.7%	775,200	✓ 62,400	4.0%
Total Payroll	792,600	756,700	684,800	684,800	43.6%	674,900	⬇️ 9,900	8,936,400	46.1%	8,333,000	⬇️ 603,400	43.0%
Office Expense	28,300	24,400	15,100	15,100	1.0%	15,700	✓ 600	271,200	1.4%	193,800	⬇️ 77,400	1.0%
Other Expense	422,000	345,700	314,300	314,300	20.0%	329,600	✓ (15,300)	4,328,000	22.3%	4,069,600	⬇️ 258,400	21.0%
Total Expense	1,308,000	1,187,000	1,067,100	1,067,100	68.0%	1,083,000	✓ (15,900)	14,248,400	73.5%	13,371,600	⬇️ 876,800	69.0%
MGMT Fee	194,800	185,200	153,000	153,000	9.7%	157,000	⬇️ 4,000	2,132,000	11.0%	1,937,900	⬇️ 194,100	10.0%
Net Income	(29,900)	32,600	172,800	172,800	11.0%	253,403	⬇️ (80,603)	702,020	3.6%	2,568,120	✓ (1,866,100)	
EBITDAM	199,757	252,657	360,657	360,657	23.0%	445,260	⬇️ (84,603)	3,252,300	16.8%	4,924,300	⬇️ (1,672,000)	

Example Location Comparison Scorecard for the month of December 2016

	Loc #1	Loc #2	Loc #3	Loc #4	Loc #5	Loc #6	Loc #7	Loc #8	Loc #9	Loc #10	Consolidated
Total # of Ops	12	11	10	10	8	8	8	7	6	6	86
Total Days Worked*	20	19	20	18	20	19	19	19	19	18	19
Total Production	282,000	153,995	253,696	104,009	122,495	152,499	164,659	149,625	134,532	84,084	1,601,594
Total Collections	290,460	152,455	241,011	94,648	120,045	137,249	167,953	148,129	138,568	79,039	1,569,557
Total Patients Seen	1,200	608	945	475	533	734	642	665	544	411	6,757
New Patients Seen	192	79	142	76	80	125	109	106	71	78	1,058
Patients/Op/Day	5.0	2.9	4.7	2.6	3.3	4.8	4.2	5.0	4.8	3.8	4.1
Production/Patient	235	253	268	219	230	208	256	225	247	205	237
Collections/Patient	233	241	244	191	216	179	251	214	245	184	232
Collection %	103%	99%	95%	91%	98%	90%	102%	99%	103%	94%	98%
New Patient %	16%	13%	15%	16%	15%	17%	17%	16%	13%	19%	16%
General 90+ Days	35,400	13,100	5,300	13,400	14,700	4,500	24,800	10,300	23,100	2,600	147,200
General Total A/R	354,900	169,700	274,200	122,500	139,000	158,800	210,000	175,800	156,200	94,900	1,856,000
90+ Days %	10.0%	7.7%	1.9%	10.9%	10.6%	2.8%	11.8%	5.9%	14.8%	2.7%	7.9%
Current Assets	243,200	245,500	173,400	294,900	76,800	198,500	136,600	188,200	194,200	180,000	1,931,300
Current Liabilities	129,600	129,200	145,100	160,300	70,300	104,900	131,700	168,300	186,900	77,700	1,304,000
Working Capital	113,600	116,300	28,300	134,600	6,500	93,600	4,900	19,900	7,300	102,300	627,300
Current Ratio	1.88	1.90	1.20	1.84	1.09	1.89	1.04	1.12	1.04	2.32	1.48
Total Liabilities	233,000	273,400	219,200	438,100	397,300	389,200	409,600	324,200	300,000	362,800	3,346,800
Total Equity	713,200	201,000	185,300	225,700	532,100	338,100	365,100	540,400	479,200	93,800	3,673,900
Debt-to-Equity	0.33	1.36	1.18	1.94	0.75	1.15	1.12	0.60	0.63	3.87	0.91
Total Income*	290,460	152,455	241,011	94,648	120,045	137,249	167,953	148,129	138,568	79,039	1,569,557
Dental Supplies %	5.4%	7.1%	3.9%	7.7%	5.7%	4.2%	5.7%	7.3%	3.9%	5.7%	5.5%
Laboratory Fees %	3.5%	2.2%	3.4%	2.9%	1.7%	2.2%	3.3%	1.6%	1.8%	3.6%	2.7%
Gross Margin	91.1%	90.7%	92.7%	89.4%	92.6%	93.6%	91.0%	91.1%	94.3%	90.7%	91.8%
Advertising %	2.6%	4.0%	2.9%	4.4%	1.9%	4.7%	4.1%	3.2%	3.9%	3.0%	3.4%
Payroll %	40.3%	43.5%	47.9%	48.6%	42.9%	39.7%	47.4%	35.7%	45.8%	48.1%	43.6%
Office Expense	0.7%	0.8%	1.0%	1.5%	0.6%	1.4%	0.7%	0.9%	1.2%	1.5%	1.0%
Total Expense %	60.5%	65.3%	68.1%	78.6%	66.9%	74.1%	73.8%	60.2%	70.7%	76.1%	68.0%
EBITDAM %	30.6%	25.4%	24.6%	10.8%	25.7%	19.5%	17.2%	30.9%	23.6%	14.6%	23.8%
Mgmt Fee %	10.0%	10.0%	10.0%	10.0%	8.0%	10.0%	10.0%	10.0%	10.0%	8.0%	9.7%
Profit Margin	16.5%	12.9%	13.6%	-1.0%	8.8%	5.3%	4.6%	21.4%	12.9%	-2.2%	11.0%

*Consolidated Days Worked = Average of locations

Comparison Scorecard Sample



Year

2019

Quarter

All

Month

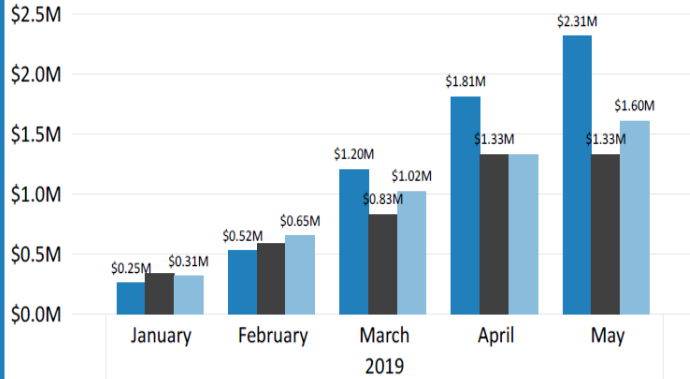
Multiple selections

YYYY_MM

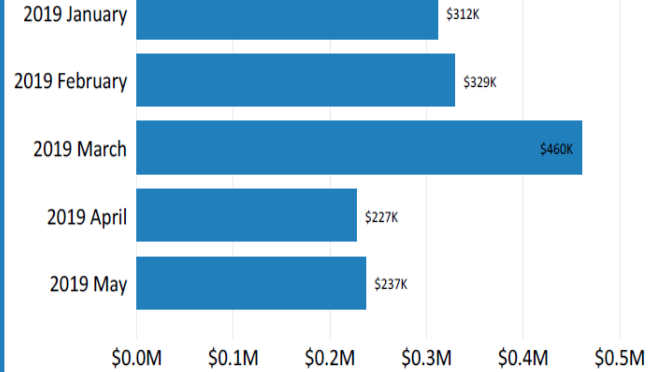
All

EBITDA YTD

● Actual EBITDA ● PY EBITDA ● Budget EBITDA

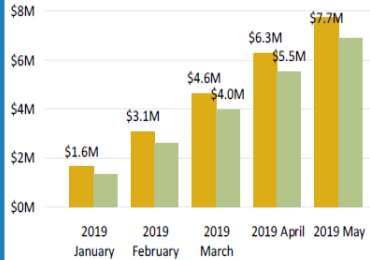


Total Cash

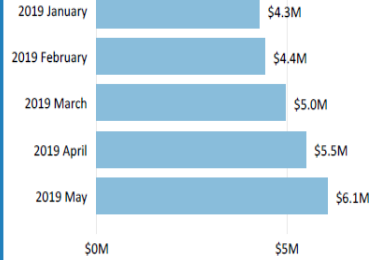


Production YTD

● Gross Production YTD ● Collections YTD

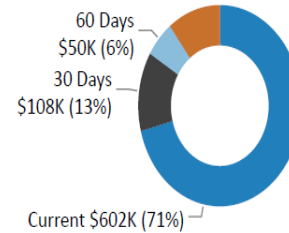


Total Accounts Payable



AR Aging (Most Recent Date)

● Current ● 30 Days ● 60 Days ● 90+ Days





Year

2019



Month

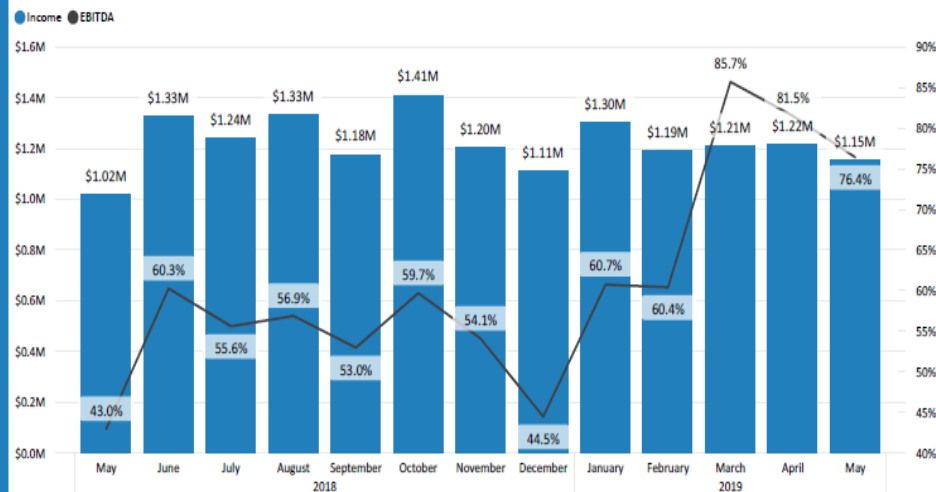
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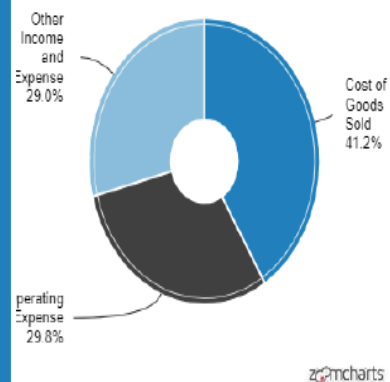
Year	2019														
Month	January			February			March			April			May		
Account Group	Actual	Budget	Variances	Actual	Budget	Variances	Actual	Budget	Variances	Actual	Budget	Variances	Actual	Budget	Variances
Operating Revenue	\$1,301K	\$1,327K	✗ (\$26K)	\$1,193K	\$1,537K	✗ (\$345K)	\$1,210K	\$1,608K	✗ (\$398K)	\$1,218K	\$1,621K	✗ (\$402K)	\$1,154K	\$1,503K	✗ (\$349K)
Cost of Goods Sold	\$536K	\$709K	✓ (\$172K)	\$452K	\$823K	✓ (\$370K)	\$359K	\$861K	✓ (\$502K)	\$388K	\$867K	✓ (\$479K)	\$376K	\$803K	✓ (\$427K)
Operating Expense	\$511K	\$307K	✗ \$204K	\$472K	\$378K	✗ \$94K	\$173K	\$376K	✓ (\$203K)	\$225K	\$451K	✓ (\$226K)	\$272K	\$419K	✓ (\$147K)
EBITDA	\$254K	\$311K	(\$57K)	\$268K	\$336K	(\$68K)	\$678K	\$371K	\$307K	\$605K	\$303K	\$303K	\$506K	\$281K	\$225K

Year	2019				
Account Group	January	February	March	April	May
Cash	\$312K	\$329K	\$460K	\$227K	\$237K
Current Liabilities – Accruals and Notes Payable	\$19K	\$36K	\$268K	\$1K	\$1K
Current Liabilities – Payables	\$4,286K	\$4,478K	\$5,061K	\$5,639K	\$6,208K
Long-Term Liabilities	\$9,830K	\$9,903K	\$7,187K	\$4,481K	\$2,547K

Income Trend



2019_05 Expense Breakout



Items for Action

- Who is your team?
- How can we help?

We offer a free assessment to all new clients.



A special thank you to
each of you for giving CLA
the opportunity to speak
today.

Mike White, CPA

CLA

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