

SURVIVING THE **COVID-19** INTERRUPTION



5 KEY FACTORS EVERY PRACTICE MUST KNOW TO RECOVER FROM THE COVID-19 INTERRUPTION

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Closing most of our practices for an extended period of time is an event none of us could have ever imagined or even prepared for. I don't remember this possibility ever being discussed in our dental school business classes. What's next? What can we do now? Is it even possible to recover from this interruption? The good news is that we are all in the same position. We are all in this together, facing the same challenges. There is a saying: "You can't control everything that happens to you, but you can control the way you respond." This has never been truer than it is today. What will your response be? What can you do over the next few weeks to prepare for the day

your doors reopen and make up for the lost time and production in your practice?

To start, let's look at the CARES Act. CARES stands for Coronavirus Aid, Relief, and Economic Security Act. CARES has three main options that are SBA (Small Business Administration) based and designed to assist business owners with whatever business challenges they are facing during this interruption.





OPTIONS

PAYCHECK PROTECTION PROGRAM:

The first program option is the Paycheck Protection Program (PPP). This program provides cash flow assistance through 100% federally guaranteed loans to employers who maintain their payroll during the COVID-19 emergency. It is primarily payroll based and funds must be used to help workers remain employed. There are no SBA fees, and some of the features include forgiveness of up to 8 weeks of payroll and costs based on employee salary levels.

ECONOMIC INJURY DISASTER LOAN:

A second component of the CARES Act is the Economic Injury Disaster Loan (EIDL). This opportunity provides an emergency grant for up to \$10,000 to small businesses and non-profits within three days of applying. This grant has no repayment obligation and can be used for more broad daily expenses to include rent and mortgage, production costs, and other debts.

SMALL BUSINESS DEBT RELIEF PROGRAM:

The final portion of the CARES Act is the Small Business Debt Relief Program. These loans provide relief to small businesses in non-disaster situations under the SBA 7(a), 504, and microloan programs. The SBA will cover all loan payments, including fees and interest for up to six months. Businesses must meet specific size standards, repay the loan or a portion of it, and need short- or long-term working capital for day-to-day business expenses.

Consult with your accountant to determine which of these programs may be the best fit for your practice needs. Information on the CARES Act can be found at: sbc.senate.gov/public/index.cfm/guide-to-the-cares-act. (Programs listed are for US business owners only. Please reference your local government website for comparable programs.)

What's next then? What can we do during our down time to prepare for the day our doors reopen and we welcome our staff and patients back to the office. Remember, we are not a restaurant or other retail service-based business. In those models lost revenue cannot be recaptured. They operate on maximum hours with a fixed amount of seating or revenue-based opportunities. Once a day is lost, it is lost. Hours cannot be added or adjusted to make up for this lost time. We are lucky. Not only is revenue not lost, we can make it up.

1. KNOW YOUR NUMBERS! THIS IS NON-NEGOTIABLE

I have been saying this for years and need to make it very clear: dentistry is a business. You can be the best clinician to ever pick up a handpiece, but if you do not operate a financially sound practice, you cannot use your skills to benefit your patients and your practice. With that in mind you have financial tools at your disposal to help you understand the day-to-day business aspect of your practice. QuickBooks, or any available accounting software, contains the two basic tools you need to run your practice—a Profit and Loss Statement and a Balance Sheet. At a glance, these two reports will immediately disclose the financial health of your practice. The Profit and Loss Statement provides a timeline look at your revenue, expenses, and overhead to compare with national guidelines on specific expense percentages. This report can be filtered to compare one year with another to make sure revenue and expense goals are being met, or more specifically, to compare individual months within the same year. The metrics from a Profit and Loss Report should be a day-to-day review for every practitioner.

A Balance Sheet is a statement of the financial stability of a business and lists the assets, liabilities, and owner's equity position at a specific point in time. It is different from a Profit and Loss Statement in that it is slightly broader. However, it is just as useful in determining the financial health of your practice when making decisions on capital equipment purchases, taking on new debt, debt restructuring, or determining the value of your practice for an eventual sale. This is not a report that needs to be evaluated daily, but rather offers an understanding of how to interpret financial stability when needed.

These financial reports are important. If you do not know how you are doing financially at a specific point in time, you cannot know the impact moments like this will have on your practice, and ultimately your professional and personal income. Without these metrics it then becomes more of a task to figure out how deep (or shallow) of a hole you need to crawl out of. The numbers guide you in the plan you need to develop to move forward. In other words, you have no understanding of how to get to where you need to go, if you have no idea where you started. Your accountant can help you get started with QuickBooks and how to use it as needed and improve your skills as a business owner.



2. CALCULATE THE IMPACT TO YOUR PRACTICE

Now that you know and understand your numbers, you know where your practice stood the last day it was running “normally”. That knowledge will provide the financial metrics on how this will ultimately affect the practice. It is very simple. Take your average revenue per week from the beginning of 2020 through the final week prior to shut down. Multiply this number by the number of weeks you project to be shut down or partially producing. This is the revenue that needs to be made up...partially. By understanding your Profit and Loss Statement you will also be able to calculate the weekly cost of running your practice prior to the interruption. These expenses will be greatly reduced by the decreased payroll, supply, and operating expenses of the current situation. For example, if you were producing \$25,000 per week prior to COVID-19, and it cost you \$15,000 per week to operate your practice, your profit per week was \$10,000. This is the amount (multiplied by the number of weeks of reduced or no production) that needs to be recouped. If your practice is down six weeks, the total amount to be recouped is \$60,000, not \$150,000 (Fig.1-4)

At the end of 2020, if your Profit and Loss Statement yields the same projected net income (revenue minus expenses) that you were tracking prior to this moment, you have succeeded! Knowing and understanding it is not a dollar-per-dollar equalizer simplifies the task ahead of you.



FIGURE 1

PRODUCTION THRU 3/20/2020	TOTAL WEEKS WORKED THRU 3/20/2020	WEEKLY PRODUCTION THRU 3/20/2020
\$275,000	11	\$25,000

FIGURE 2

OPERATING EXPENSES THRU 3/20/2020	TOTAL WEEKS WORKED THRU 3/20/2020	WEEKLY OPERATING EXPENSES THRU 3/20/2020
\$165,000	11	\$15,000

FIGURE 3

WEEKLY PRODUCTION THRU 3/20/2020	WEEKLY EXPENSES THRU 3/20/2020	WEEKLY PROFIT THRU 3/20/2020
\$25,000	\$15,000	\$10,000

FIGURE 4

WEEKLY PROFIT THRU 3/20/2020	NUMBER OF WEEKS INTERRUPTED	TOTAL PROFIT LOSS
\$10,000	6	\$60,000

3. RECOVER WITH CORRECT PLANNING AND SCHEDULING

The next step is to plan your schedule to recoup not only the lost revenue, but also the lost appointments. This is easy. If you have 50 available hygiene appointments per week and are down for six weeks, you need to find space for 300 additional hygiene appointments. Luckily, additional scheduled hours, possibly even a few Saturdays, will quickly make up the deficit of appointments. We have been in constant contact with our staff, including our hygiene staff, throughout this difficult time. These discussions have included the need for additional hours as soon as we're allowed to reopen our doors. Using the above example, if you can add 15 hours of hygiene per week, it will take you 20 weeks to get caught up with missed, not lost, hygiene appointments ($300/15=20$). This can be expedited by filling existing holes in hygiene, thus making up ground faster. These appointments are primarily insurance based with little to no out of pocket cost to the patient. This is the first step to recovery. (Fig. 5)

The lost clinical production and revenue can also be made up in a timely fashion. Depending on how far out the dentist(s) in the practice is scheduled, an initial doctor slowdown could be realized. These patients will still need the same work they needed six weeks ago. Adjust your schedule as needed to complete it. Research shows the average dentist in the US works four days per week, with 33 of those hours per week devoted to direct patient care. You will need to be willing to add a fifth day, or work longer hours in the four days, to complete necessary exams and treatment on patients scheduled in these additional time slots. If you were considering adding an associate prior to March 2020, now may be the perfect time to help with the additional strain and burden of the schedule. Remember, our business model does not mean that lost production, revenue, and time are truly lost. We have the ability and the time to make it up. If you would like to recover the total lost profit from the 6 week interruption at the same schedule as you are recovering hygiene, just take the total lost profit of \$60,000 and divide it by the 20 weeks of recovery you figured for the hygiene department ($\$60,000/20=\3000 per week). To simplify, you would only need to add \$3000 per week of PROFIT to be

back to even for the year in 20 weeks. (Fig.6) Take these next few weeks to analyze your schedule, make the necessary adjustments, and talk with your staff so they understand the path to recovery and the recovery plan. Add hours slowly at the beginning with the understanding that the comfort level of patients making appointments may take a few weeks to recover as we venture into the new "normal". Your staff will be able to read the pulse of your patients and schedule accordingly. Be willing to allow this to be fluid. We are all in the same position the day our doors reopen. The question is where will you be four months later? By using the tools at your disposal and understanding the needs of your practice, you will not only recover from this moment, your practice will be stronger and you will be a better leader.

FIGURE 5

MISSED HYGIENE APPTS. DURING INTERRUPTION	ADDITIONAL HOURS THAT CAN BE ADDED TO HYGIENE POST-INTERUPTION	WEEKS IT WILL TAKE TO RECOVER MISSED HYGIENE
300	15	20

FIGURE 6

TOTAL PROFIT LOSS	NUMBER OF PLANNED RECOVERY WEEKS	ADDITIONAL PROFIT NEEDED PER WEEK
\$60,000	20	\$3000



4. TECHNOLOGY CAN HELP SPEED RECOVERY

If you were considering integrating technology into your practice prior to COVID-19, the thought process should not change. It is important to understand how the technology will benefit your practice, your patients, and your financial bottom line. Now has never been a better time to add chairside CAD/CAM to the services you offer your patients. It is easy to get caught up in the price tag and overall cost of technology. That thinking can be shortsighted when you don't evaluate the full benefits of single-visit chairside dentistry. What would you say if you were handed the gift of time? The main points discussed above include the need to add or find time in your schedule for a quick recovery. Chairside CAD/CAM does that the minute it is integrated into your practice.

Traditional two appointment restorative dentistry costs your practice the loss of revenue of the second appointment. Let's look at the numbers and break down the entire cost of the single unit crown, including the lost revenue of the delivery appointment. If your practice completes 40 crowns in an average month, you will need 20 hours per month of delivery time (30-minute delivery appointment). These 20 hours generate no revenue and cost the practice not only the laboratory fees for the crown, but almost \$100 per appointment in staff costs, disposables, and room turn-over according to Clinical Research Associates. When we add the numbers, \$100 per delivery appointment, plus \$100 of laboratory fees per crown, the total cost to the average practice is close to \$200 to deliver each crown or nearly \$8000 per month (40 crowns x \$200). If we add in the lost production that we can generate in 20 hours, the numbers can be staggering. Surveys vary, but using an average number of \$375/hr. for production, 20 hours spent delivering 40 crowns costs the practice an additional \$7500 per month in lost revenue. This brings the total cost of delivering 40 crowns per month to \$15,500. Additionally, the cost of borrowing money will be very low for the rest of the year, possibly even 0%. This allows you to save cash by paying monthly with the entire payment being applied to principle with no interest allocation. Check with your distributor for financing options and rates.

Capital expenditures not only make sense financially for the practice, they save your patients the burden of the second appointment. Every business will be affected by COVID-19. Time will be a valuable commodity for all of us. So valuable in fact, it should not be wasted on non-revenue appointments. Your patients will appreciate the consideration of their time. During the financial crisis of 2008 & 2009, our practice saw nearly 12% increases both years in new patients and profit increases of 21% in 2008 and 19% in 2009. New patient surveys point directly to the single visit option we offered for traditionally standard two appointment procedures as a reason for switching to our office.



5. COMMUNICATE YOUR VISION AND MOTIVATE YOUR TEAM

Use this time to become a better leader for your team and practice. There are many books and resources on leadership, and more importantly, how to lead. One of my favorites is *Good to Great* by Jim Collins. Published in 2001, this book describes how companies make the transition from good to great and how most companies fail to make this transition. More important it describes the seven key characteristics of great companies. It describes the qualities needed to be a great leader and how describing the situation you are facing as a team, no matter how brutal or dire, will promote unity and hope.

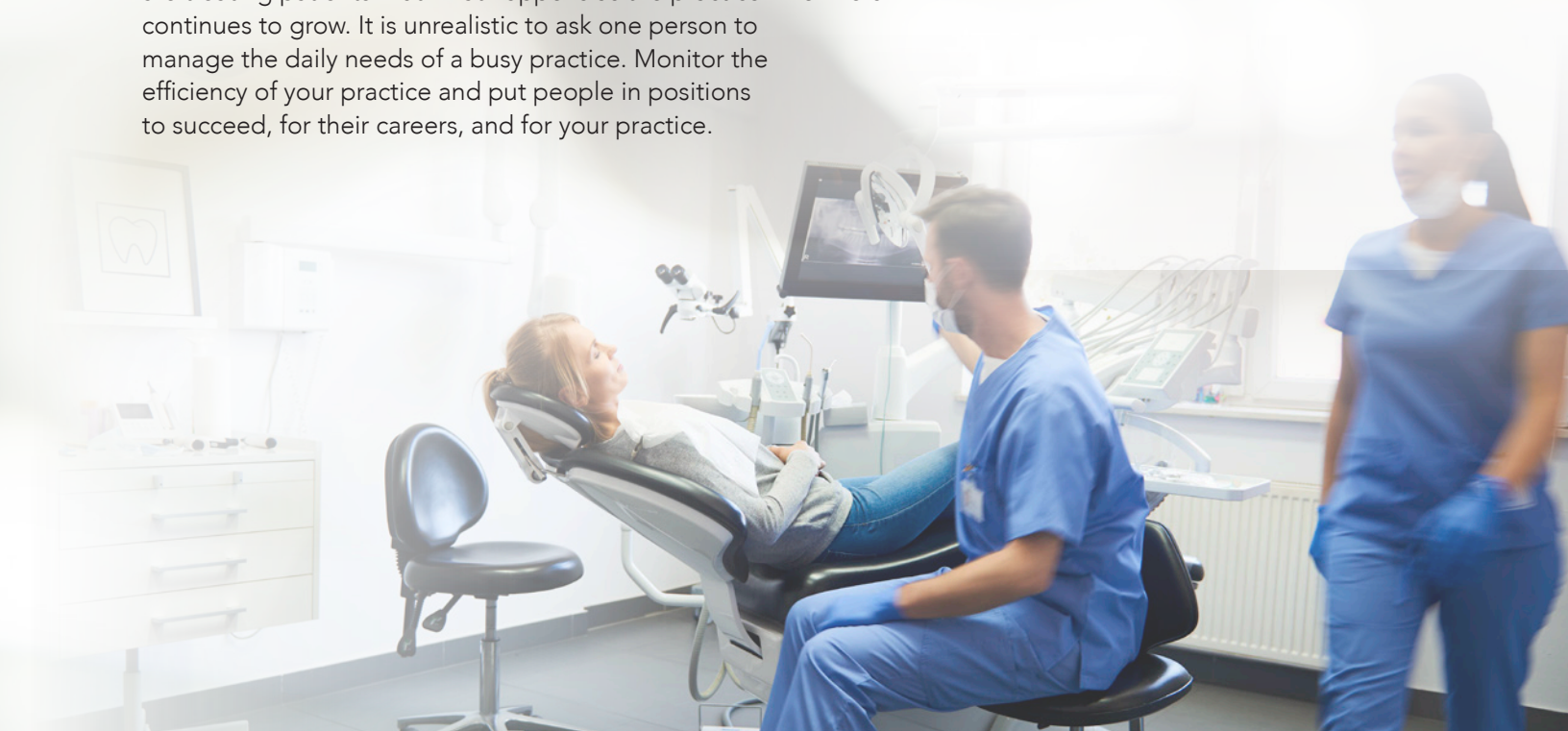
Most of us struggle as leaders in our practices. We have no formal leadership training and are challenged by the need to solve problems unilaterally within our practices. Take this time to improve your skills as a leader. Look outside of dentistry and follow leaders you admire for their accomplishments and achievements. Identify key team members you believe in to help you lead and achieve the goals you have identified. It is important to understand how to delegate tasks so that you can focus on the big picture and manage the variables that will come up.

As your practice grows, realize you will need to restructure the leadership within your practice. Most practices have an Office Manager. This person is usually an administrative employee who develops into the role through natural growth of the practice and our inability to manage the daily details that arise while we are treating patients. But what happens as the practice continues to grow. It is unrealistic to ask one person to manage the daily needs of a busy practice. Monitor the efficiency of your practice and put people in positions to succeed, for their careers, and for your practice.

One suggestion is to move beyond the Office Manager model. By allowing experienced people to lead departments they understand, that department will thrive. A few years ago, I moved to a coordinator-based team. Instead of a single administrator, I have a Hygiene Coordinator who leads our hygiene team, a Clinical Coordinator who manages our clinical team and our supply ordering, and an Administrative Coordinator who manages the day-to-day front office team, scheduling goals, and collections. I meet with them to help solve specific issues that may need attention beyond what they can give. They handle day-to-day department issues based on goals we set annually for the team. Make sure these leaders understand the challenges the office faces as we open the doors again.

Whether it is a single manager or a team, it is important to communicate the path to recovery. There will be a level of anxiety that needs to be managed as we define our new normal. Having a well thought out, set plan, that can be communicated and understood, will bring a level of calm to your team and allow them to focus on the task ahead.

We are all faced with the same challenges COVID-19 has posed. Taking this time to plan for the recovery of our practices will not only help us navigate the rest of 2020 successfully, but also will be a springboard for greater success moving forward while preparing us for smaller challenges we confront daily as business owners.



SURVIVING THE COVID-19 INTERRUPTION CE QUIZ

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1. CARES Act stands for "Coronavirus Aid, Relief and Economic Security Act".
A. True B. False
2. What options are included in the CARES Act for small businesses?
A. Paycheck Protection Program
B. Economic Injury Disaster Loan
C. Small Business Debt Relief Program
D. All of the above
3. Paycheck Protection Program (PPP) provides cash flow assistance through 100% federally guaranteed loans to employers who maintain their payroll during the COVID-19 emergency. It is primarily payroll based and funds must be used to help workers remain employed.
A. True B. False
4. Economic Injury Disaster Loan (EIDL) provides an emergency grant for up to \$10,000 to small businesses and non-profits within three days of applying. This grant has no repayment obligation and can be used for more broad daily expenses to include rent and mortgage, production costs, and other debts.
A. True B. False
5. Small Business Debt Relief Program provides relief to small businesses in non-disaster situations under the SBA 7(a), 504, and microloan programs.
A. True B. False
6. In this article, what tools are mentioned to help you better understand the financial health of your dental practice?
A. Profit and Loss Statement
B. Balance Sheet
C. Both A & B
7. What is recommended, by the author, to recoup loss of revenue?
A. Calculate loss of hygiene appointments and extend work hours to compensate loss of appointments.
B. Extend work hours/days of dentist
C. Both A & B
8. The author suggests integration of chairside CAD/CAM technology to aid in recouping loss of revenue.
A. True B. False

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Dr. David M. Juliani, DDS, maintains a private practice in Rochester Hills, MI, and is a national educator in the use of dental CAD/CAM technology and practice technology integration. A 1993 graduate of the University of Detroit Mercy School of Dentistry, he completed a one year General Practice Residency, after which he served two years at the United States Air Force Academy in Colorado Springs, CO. A CAD/CAM user since 2003, Dr. Juliani is a chairside basic and advanced trainer, hardware, software, and materials beta tester, Spear Education faculty member, a member of the American Dental Association, Michigan Dental Association, and Academy of General Dentistry. For the seventh consecutive year, he has been listed as one of America's Top Dentists by the Consumer Research Council of America, and one of Detroit's Top Dentists by Hour Detroit Magazine.

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