

When to Expand?

To expand or not to expand: Expert advice on making the decision that's right for your practice.

The decision to expand your facility, whether it involves remodeling, moving or building (or a combination of all three), is one of the most important decisions a practice will ever make. The financial investment is likely to be substantial, and the logistical considerations (How long will it take? Can we see patients in the process?, etc.) need to be considered and planned for as well.

So how do you know when it's time? While there are any number of excellent reasons that may apply – the desire for a more 'modern' facility, or a different location, for example – there is one instance in which the decision to expand is crucial: when your potential for production is being limited by your facility.

Consider these hypothetical examples:

Hygiene limitations: A practice has 3 operatories, two for the doctor and one for the hygiene staff. At the moment, the 4-day per week hygiene schedule is booked out 4 months in advance. Patients are complaining, but in order to add more hygiene time, one of the doctor's operatories would have to be used. What would you do? How long are your patients willing to wait?

New patient limitations: How long are new patients waiting to be seen in your practice? Remember – for most of these patients it was an important decision to pick up the phone and call for their new patient exam. Having made this commitment, how are they going to feel if they have to wait 6 weeks or more for their first appointment?

Necessary treatment limitations: Your team has made a considerable effort to educate "Mr. Jones" that he needs significant dental treatment. Mr. Jones has decided to proceed but has now been told there are no open appointments for 5 weeks. He is very concerned, and also confused about the delay in starting his treatment.

What about the additional expense?

Of course a new facility may incur additional up-front expense, but it is a serious mistake to focus on expense only. You must also look at the potential for growth.

Example:

1. A practice's hygiene department is working 200 days per year, producing \$1,000/day. Hygiene production = \$200,000/year.
2. The hygiene schedule is booked out 6 months in advance. An analysis of the number of active patients indicates the practice could easily support 1-2 additional days of hygiene per week, if the facility were large enough, which it currently is not.

3. The potential for additional hygiene revenue to help offset the cost of higher rent or an increased mortgage is as follows:

1 day per week x 4 days/month x 11 months* = 44 days
x \$1000/day = additional hygiene revenue per year of \$44,000.

2 days per week x 4 days/month x 11 months* = 88 days
x \$1000/day = additional hygiene revenue per year of \$88,000.

*Assume the practice is closed for vacation/CE one month per year.

Don't forget the 'ripple' effect

The 'ripple effect' also needs to be taken into consideration when considering facility expansion: because the hygiene department is seeing more patients, the potential for the doctor to earn additional restorative fees also increases. More doctor diagnosis multiplied by more patients equals another potentially significant source of increased production!

Would you like to do your own facility expansion expense projection?

If you would like to do your own expense projections to see if expanding your facility is a good move for you, log on to www.ThePracticeSource.com (in the online store) and purchase a copy of *Take Control of Your Overhead* (in 7 Easy Steps). This popular new practice management resource guide contains proven, tested advice on establishing achievable production goals and controlling practice overhead. The book has 45 pages of information as well as 8 worksheets that cover goal-setting, expense projections, and production management.

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Debbie Castagna and Virginia Moore's experience and expertise range from work in private practice to founding their total practice resource company, The Practice Source. The Practice Source provides dental management consultancy and top-quality dental practice management resources. Virginia and Debbie are co-authors of management resource guides *The Doctor as CEO* and *The Ultimate Staff*. They can be contacted at vmoore@ThePracticeSource.com or dcastagna@ThePracticeSource.com. To learn more please visit their website at ThePracticeSource.com.

