THE EDITOR'S CORNER

Manage to Succeed

The data from the 2003 JCO Orthodontic Practice Study have been collated and analyzed, and the results will appear in a series of reports starting with this issue. As always, JCO would like to thank the hundreds of orthodontists who took the time to fill out the questionnaires and make this important survey possible and available to the entire specialty.

This year, there is one combination of data that catches the eye and invites some attention in all orthodontic practices. In the mathematics of orthodontic economics, one formula is fundamental: case starts × fees – expenses = net income. In this year's Study, two of these numbers have gone in the wrong direction. Case starts declined, and expenses rose as a percentage of gross income. There was not a decline in net income because fees increased, but net income remained the same as reported in the 2001 Study. It remains to be seen if this is a trend. If orthodontists are in a net-income rut, it is a rut that many would like to join in. Orthodontists still enjoy an enviable financial status. But these numbers ought to be taken as a wake-up call for each practice to review its own numbers and take what measures are indicated to increase case starts and reduce expenses while continuing to increase fees.

Under the installment-plan payment method most common in orthodontic practices, there is generally a lag in experiencing the effect of changes in case starts and fees on net income. Because most patients contract to pay the fee in monthly installments, and because the vast majority of those contracts will be fulfilled, it is possible for orthodontists to lay out a pattern of future income already contracted for and to maintain it by subtracting payments as they are made and adding new contracts to the schedule as they are made. With this kind of contracts-written report, orthodontists have an early indicator—two years in advance—of the future economic health of the practice. Of course, things can happen in those two years to alter the trend, which is precisely why the contracts-written report is so important. You have an opportunity to make good things happen in those two years, and to change an adverse trend if it appears.

Two other numbers in the 2003 Practice Study merit attention. The average payment period dropped from 24 months to 22 months, declining for the first time since the Studies have been conducted. This may reflect the increased use of third-party financial arrangements, but it does not necessarily mean that the average treatment time has been reduced. In fact, it may have increased, as indicated by the increase in average case load concurrent with the decline in case starts. Lengthening the interval between patient visits can make every broken appointment, appliance breakage, and incidence of non-cooperation more critical in lengthening treatment time. This bears investigation in each practice.

The leveling off of net income may reflect the economic recession of the past few years, but both that and the increase in case load are largely management problems. Many orthodontists have been most astute at practice management. They are natural people managers—staff, patients, parents, referring dentists—and make much greater use than others of the management methods listed in the Practice Studies. It is likely that these practices pay attention to all aspects of practice activity, and that they manage to succeed in good times and bad. If the median net income for all practices remained the same in this Study, it means that some experienced an increase and some experienced a decrease. The practices that decreased are the ones that especially need to redouble their efforts toward practice building and practice management, and therein lies the true value of the JCO Practice Studies. Properly used, they are a blueprint for how to manage to succeed.

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