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the editor's corner

Not A Time To Relax

On the face of it, Bud Schulman's economic index reported in this issue seems fairly innocuous. The differences in the figures comparing orthodontic practice results in 1982 and 1981 are all less than 4%. Compared to previous years, the inflation rate was a low 3.9% in 1982. Average gross income rose slightly (1%). Fees were increased slightly (2%). Expenses increased 3%, and the net result was a 2% decline in profit. One might be tempted to look on 1982 as kind of a flat year, but one in which orthodontists almost held their own. However, once again, the combination of fees and case starts did not increase enough to counteract inflation and increased costs.

It seems unlikely that orthodontists can do much to reduce total expenses in dollars. Increases in expenditures for staff, occupancy, and professional and nonprofessional items are only controllable to a limited extent; and decreasing expenses has been shown to be the least effective measure in an effort to keep the balance or tip it in favor of increased profitability. But orthodontists can do something about expenses as a percentage of gross income. The way to do that is by increasing fees and case starts to increase gross income.

It would not have taken much of an additional increase in fees or an additional number of case starts to have stayed even with inflation and increased costs or to have shown growth in profitability, but orthodontists seem to have relaxed in face of continuing news of a low inflation rate. Orthodontists seem always to have been intimidated by the size of their own fees, regardless of the value of the service, and have been reluctant to raise fees even in the absence of real resistance to them. Whether it was based on principle, on the low inflation rate, on resistance to fees, or on the competition of advertised and non-advertised low fees, many orthodontists have obviously welcomed the opportunity not to raise fees.

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EDITOR'S CORNER

Some orthodontists have actually reduced fees. As Bud Schulman points out, reducing fees is an extremely poor response to income decline and is usually doomed to failure. Most often it will result in an additional decline in income. One of the few situations in which reduction of fee might work is with extensive advertising of low fees in heavily populated metropolitan areas. Unadvertised, relatively minor fee reductions might occasionally work in the form of incentive discounts to secure acceptance of a case, but are a poor marketing tool in orthodontics.

Because of real or anticipated resistance, orthodontists may find it difficult to raise fees more than the inflation rate, but that would appear to be a minimum goal and might be achieved in one of two ways. One way is to raise fees in more frequent, smaller steps—perhaps quarterly. Another way is to reduce or eliminate the initial payment, depending on the local circumstances, and allowing a longer time for monthly payments. With the inflation rate seemingly stabilized for the time being in the 4% area, the positive contribution of each new start will outweigh the effect of erosion by inflation. Moreover, people will accept a higher fee if they can have a lower initial payment and a longer period to pay the balance. The fee quoted under those circumstances might well make up for the inflation of the projected payment period.

Orthodontists should refrain from quoting two-stage fees years in advance of treatment, because their fees should be rising and the second stage should be quoted at the then-operative fee. The fee aspect of the economics of orthodontic practice should be bolstered by an adult fee. Most orthodontists do not charge adults a fee commensurate with the service and the adult patient's concept of the value of the service.

Regardless of what can be said about fees, the open-ended contributor to financial growth in orthodontic practice is case starts. It has repeatedly been pointed out that case starts are not open-ended for the orthodontist who must do everything himself. Varying with the individual, a saturation point will be

reached. Beyond that point, increasing fees is the only adjuster in the economic equation. However, the vast majority of orthodontists are permitted by their state laws to delegate many of the tasks to auxiliary personnel and, for them, case starts are open-ended. The number of case starts depends on the ability of the practice to attract referrals and to convert those referrals to active treatment patients.

Most orthodontic practices depend upon dentists and patients for the bulk of their referrals. Many express a preference for patient referrals. Probably a majority of these make very little effort to actively promote referrals from any source. For them, the discomfort of actually asking for referrals is so great, they would prefer to tell themselves that satisfied patients are the best source of referral and that if you do good work for people, they will refer others. There is certainly some truth to this point of view, but unsupported by some active campaigning it can be most vulnerable to competition, inflation, and the passage of time.

Many orthodontists do not actively seek dentist referrals, because they have an aversion to courting the dentist, and tell themselves that dentists are or will be doing orthodontics as a result of the economic decline of general dental practices. There is some truth in this, too, but not many other referrers have the potential to make the continuing multiple referrals into your practice that dentists do. After all, they are dealing with that part of the population that is more dentally health conscious. Even a half-dozen good referring dentists can make a significant contribution to the health and welfare of an orthodontic practice. Just because some general dentists are expanding their practice services in a struggle to survive is no reason for orthodontists to leave the field of dentist referral. It just means promoting harder.

The message from this year's economic index report seems to be clear enough. Pay attention to raising fees at least equivalent to the inflation rate. Satisfy your patients, yes. But also promote patients more actively as referrers, and court the general dentist. □