

Show me the money: Use management software to handle finances and enhance the bottom line

Get your financial records computerized to save time and money tracking your payables and receivables.

By Dr. Larry Emmott

“Show me the money!” “Show me the money!” This famous movie line says it all when it comes to computers in the dental practice.

Computers first came into dentistry, and in fact, into business in general, as a means to track money. Long before we had digital x-rays, image management, computerized charts, and even word processing, dentists used computers to track finances. As a result, financial applications are some of the most mature and sophisticated components of practice management software.

Basically, a computer takes the place of the old-fashioned paper ledgers. It tracks what is done, what is owed, and what is paid. The wonderful thing about tracking finances with a computer, however, is that you instantly can find totals or rearrange and compare the results, any way you wish.

“One of the biggest assets of computers in the dental practice is that they maximize financial success by giving dentists the capability of ‘real-time’ management,” according to Robert H. Maccario, MBA, who teaches business strategies to dentists.

“The idea that you can wait until the



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end of the month, or even later, for your financial performance numbers is an historical concept,” Maccario said. “Today, the competitive world is moving much too fast—you need to know your numbers at the end of each day—and make mid-course corrections as needed.” Maccario teaches courses in advanced business systems for dentists using what he calls a Dental Concierge model (see the profile of Maccario on page 74 for more information).

Managing payables: General business software

Of course, it is just as important to know how much we are spending, as it is to know how much we are collecting. Dental practice management software has concentrated on receivables, that is, how much money we make and how to bill for and collect it.

Dental systems, though, traditionally have not tracked how much we spend. There are some extremely powerful general business applications, however, that will manage payables for the dental office. For example, the most widely used checkbook accounting program is QuickBooks from Intuit, a financial software company (www.quickbooks.com).

The QuickBooks line, which includes Basic and Pro editions, is a sound general-business program. QuickBooks Pro, which is more complete than Basic, includes advanced payroll features. Either program will work in a dental office, but many dentists prefer the Pro version.

QuickBooks is like an electronic check ledger. You enter what bills you are paying and why. It then will print the checks for you (or make an electronic payment). The great advantage of using a computerized checkbook, just like using a computerized ledger, is that you now have instant electronic access to your financial data. Payroll can be done easily in the office. You don’t need to know all the tax codes, deductions, and benefits. You just need to click on the mouse, and the program will do the rest.

Many CPA firms work with QuickBooks. Just send your accountant a copy of your QuickBooks financial data using e-mail or a disk. Then the CPA can review your accounts, make corrections, and prepare tax reports. Because this is done easily and quickly with

QuickBooks, the process will be less expensive for you.

Plus, with QuickBooks, you have instant, real-time access to all the information you used to have to pay an accountant to prepare, such as overhead percentages or profit-and-loss statements. You also can customize the data to precisely review your areas of concern; you aren’t limited by what the accountant prepares.

Managing receivables: Practice management software

Dental financial management systems have moved well beyond the basics. Programs now include reports on such complex aspects of a practice as income tracking, pending treatment, insurance billing, goal setting, and staff management (see the sidebar “3 reports to keep your income on track” on page 70).

When you use a computer to track an office transaction—from the moment it is diagnosed to the moment it is paid for—you accumulate all kinds of electronic data. You can then analyze the data using various software reports to find out all kinds of information.

Practice management software comes with a number of common reports built in. These reports mimic the reports we used to get adding ledger entries by hand, such as total production, total collections, or accounts receivable. Advanced systems have many more useful reports, which can be hard to generate by hand, such as an analysis of specific procedures.

Advanced systems have many common reports

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Building a high-tech office: A 10-article series

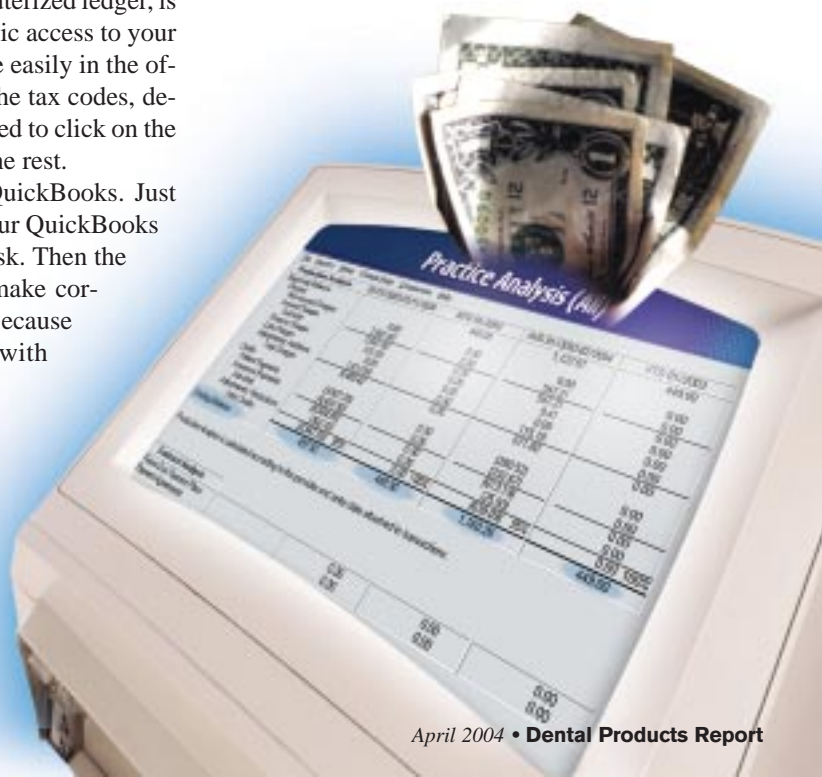
How do you build a high-tech office? Dr. Emmott is presenting a 10-article series to guide you through the complex process of choosing and using high-tech systems, as follows:

- **Management software:** charting (February), scheduling (March), and **finances (April)**
- **Hardware in the operator** (May)
- **Digital photography** (June)
- **Q&A on building a digital practice** (July)
- **Digital marketing** (August)
- **High-tech diagnostic devices** (September)
- **Online consultations** (October)
- **Digital intraoral cameras** (November)

This month’s report on financial software is part of a three-part segment on practice management software including tips on computerizing records (see February issue) and scheduling (see March issue). For these three reports, go to www.dentalproducts.net—Look for the “Print Publications” tab and click on the “Dental Products Report” tab.

GETTING THE BIG PICTURE

Analyze your practice’s finances by comparing charges and credits, such as patient and insurance charges and payments, over three months, a month, a year, or any period you specify, as shown in the “Practice Analysis” chart (right).



patient financing—that is, payments made via special patient-financing programs like CareCredit, a patient payment program. OTC also includes credit-card payments and accounting reductions paid prior to care. For example, a dentist could give a patient a fee reduction of around 5% for cash paid in advance of treatment.

“Your computer should have the flexibility to monitor ‘over-the-counter’ collections,” said Maccario, who’s a proponent of OTC financing.

“The average dental practice still involved with insurance should be collecting at least 35%-50% of production OTC, with an accounts receivable of under 80% of monthly production. For the practice that is insurance free and running as an independent business, 100% OTC with negative accounts receivable is not out of the question. Only with the efficiency of the computer could you move your practice into this level of productivity.”

Another area of practice finance that has been enhanced by the Internet is insurance processing. Most dentists already use e-claims. The newest service is online eligibility (no waiting on hold for 20 minutes), online downloadable benefits, and online attachments.

Online downloadable benefits means

that you could have a current, accurate benefit schedule for every patient. You could even know how much of the deductible or annual benefit has been met.

Online attachments would allow you to send an x-ray or other diagnostic report to a secure Web site for viewing by a colleague or insurance clerk.

There are several companies working to supply these services such as WebMD Envoy (www.webmdenvoy.com) and National Electronic Attachment Inc. (NEA) (www.nea-fast.com). They have made a good start; however, such companies say progress is limited by insurance companies,

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MONITORING SECURITY

Keep track of who has access to your practice management records, including “Transactions,” “Payment Plans,” and “Medical History,” by using a security screen that shows, by each provider, who has been granted (or denied) the right to “View” various reports, as shown in the “Practice Management Access Options” screen above.

Using the Internet: patient financing/e-claims

In the past few years, one of the significant trends we have seen in practice-finance technology is increasing use of the Internet. It makes so many aspects of business faster and easier to do.

An example of Internet usage in dentistry is online patient financing. Companies offering such financing include CareCredit (www.carecredit.com) Dental Fee Plan by Capital One (www.dentalfeeplan.com) and Healthcare Creditline.com (www.healthcarecreditline.com).

For example, by using a plan such as CareCredit, a dental office now can transfer patient information from the electronic chart to CareCredit’s Web site with a single click. After entering the desired loan amount and some income data, a loan is considered and approved (or disapproved) online within seconds.

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many of which use outdated technology.

**Protecting your assets:
Security software**

No review of financial software would be complete without discussing security. You need to keep your numbers safe from both

malicious people and machines.

The most basic security step is to limit staff access to certain programs or functions. This usually is done with passwords. You should be able to assign passwords that provide different levels of access to computerized records. Here's an example of three security-access levels:

- *Level One.* A user can enter a payment but not make an adjustment.
- *Level Two.* A user can make an adjustment but not write a check.
- *Level Three.* A user has complete access.

For added security, a system can require both a password and a key for entry

PROVIDERS AT A GLANCE

Compare production and collections totals for providers and hygienists by month- and year-to-date as shown in the "Provider A/R Totals" screen, above.

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treatment with the biggest treatment plans (that is, those requiring the most work) listed first with the patient's phone number.

Wow! Now, you have a list that can be really useful. Patients will get their needed treatment, and the office will increase production. If this computer process can reactivate just three patients a week, and if the patient just has a simple procedure done, averaging \$330, this translates to \$47,520 extra income per year.

3. Insurance tracking reports

With this report, you can ask the computer: With which insurance company do I do the most business? Which companies pay the quickest? How much income do I write off to a PPO like Delta? Can I afford to drop or add a PPO?

If you are trying to decrease the influence of insurance on your practice these numbers can help you make good choices.

For example, an office producing \$500,000 per year, found that 25% of the procedures were covered by Delta.

However, Delta patients only accounted for 15% or \$75,000 of the income. The office was losing 10% or \$50,000 a year to Delta withholdings and write-offs.

In this case, the office could drop the Delta contract, and if 40% of the Delta patients left the practice they would still break even. ($\$125,000 \times 60\% = \$75,000$).

Insurance tracking will help even if the office is content with its insurance. Here are some of its benefits. You can easily follow up on unpaid claims. You can check to see if services were attached to a claim. You can find out if pre-treatment estimates have been sent. And you can check utilization with a dental HMO. For example, an HMO utilization report shows all HMO patients seen in a given month, reports what procedures were done, and then relates this to the incomes received, both capitation and co-pay.

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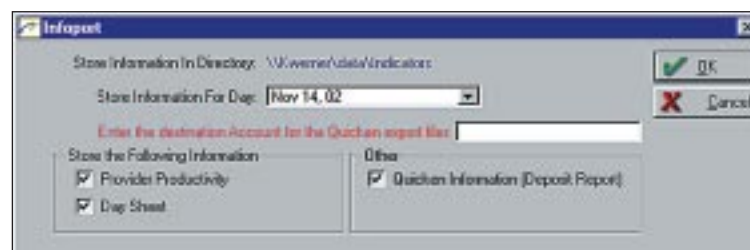
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to any level. Keys can be a Smart card, a special USB device, or even a biometric.

Another security feature is an audit trail. This is a listing of everything that is entered, when it was entered, and who entered it. An audit trail allows the administrator to monitor regular activity and track down fraudulent entries.

Three additional security measures every office must implement are anti-virus software, anti-hacker precautions (like a firewall), and daily off-site back-up.

Once the computer knows how much money is coming in, how much is owed, where it is coming from, and how much is being spent, you can yell, "Show me the money!" and the computer will



MANAGING PAYABLES

Store and export Quicken information to help manage your office's payables, as shown above.

do it with a click. With more sophisticated user-defined reports and Internet communications, handling office finances with a computer program will get even better. The future is coming and it will be amazing! **DPR**

Robert H. Maccario, MBA, is a veteran of the dental field with more than 41 years of experience teaching business systems to dentists. He earned his MBA from Pepperdine University. His system for financial arrangements, the "Dental Concierge—How To Turn Your Patients into Guests," is considered state of the art in enabling dentists to use patient financing as a marketing tool. Topics include converting patients to guests and understanding customer loyalty. The program emphasizes such business systems as evolving out of sending statements to patients, eliminating accounts receivables, and minimizing insurance dependency. Maccario is on the faculty of the Las Vegas Institute (LVI) for Advanced Dental Studies, Director of the LVI School of Business and Management, and a member of the American Academy of Cosmetic Dentistry (AACD). Maccario can be reached by e-mail at maccario@dentalmba.com or by telephone at: 800-332-0363, ext 2, followed by the pound sign.

Dr. Larry Emmott, a recognized authority on dental technology in America, is a practicing general dentist in Phoenix. He also is a professional speaker, a featured instructor at the Las Vegas Institute, and a member of the American Academy of Dental Practice Administration. He has written hundreds of articles on dentistry, computer use, and management. He also writes a monthly electronic newsletter, "Emmott on Technology."

Technology on the Rocks. *Dr. Emmott offers hands-on technology seminars. His next seminar, "Technology on the Rocks" (June 1-5), is a five-day educational/recreational program in Sedona, Ariz., run by Dr. Emmott and Dr. Dale Miles, another dental technology expert.*

For details on the seminar, call Dr. Emmott at 602-279-1641 or visit www.drLarryEmmott.com. Or, call Dr. Miles at 480-816-6078 or visit his site, www.learnDigital.net.

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