



Team Compensation, Personal Power, and Prosperity For Twenty-first Century Private Practices

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How do we plan for the prosperity of the doctor, the team, and their families, when we find, at the beginning of the twenty-first century, a decline of the disease-centered practice?

As never before, there is a need to understand how patients come to say “yes” to the increasing number of elective procedures, procedures people value because they “choose” to have them, not because a clinician says they “need” them.

The answer lies in creating a team of caring, creative, and entrepreneurially committed individuals whose prosperity is determined by the exercise of their own talents and skills and who choose to risk just as the doctor does.

How these people are paid, as well as what they are paid, will play a major role in private dentistry’s transition into a marketplace increasingly emphasizing values and choice over cost and needs.

To most patients, dentistry is a service which deals with intangibles, i.e., patients do not know what they are getting until they do not get what they want.

On the part of the practitioner, on the other hand, the most frequently asked question in dentistry is, “How do I get my patients to perceive the value of my services?”

The answer is not fine margins, occlusion, or the quality of impression material. Instead, it lies in the practice’s ability to foster highly personal, long-term relationships, first within the team itself, and then with patients.

To do this, the twenty-first century dental office will need team members who recognize purpose in their own lives, care about making a difference, and can perform consistently at a high level of excellence.

Imagine the effect. A patient comes voluntarily to spend his money at your practice for dentistry that is becoming increasingly discretionary. And this is where he meets the new team, people who believe in themselves, in what they do, where they are going, and who see the procedures they perform as means to an end, not as ends in themselves; team members who genuinely feel they take as much responsibility and risk for the patient accepting the recommended treatment as the doctor does.

What advantages are gained by such a team, as opposed to staff who see themselves in a “fix-it” mentality, who are locked into repetitive, going-nowhere positions? Truly prosperous dental teams exhibit a vitality in their work, which emanates from a values-driven, not procedure-driven, work environment. Such people look for fulfillment in all areas of their lives, and bring this spirit to their own professional achievements and the team and personal prosperity. They see the team as a living organism to invest in, not as a cost to be limited or depreciated by someone else.

Traditional dentists are inclined to hire those who are willing to work cheap, tolerate routine, and accept the instructions of a superior without question.

This dentist and this team member will both become increasingly unhappy as we move toward what I believe will be the next “golden age of dentistry” when the focus will shift from the need-based procedures to value-centered choices.

The twenty-first century’s dental team needs people with personal power, people who make things happen in a way that enhances opportunities for themselves and those who are in relationship with them.

Finding such people to work in a dental office is not difficult. However, keeping them in dentistry is.

How to Compensate High Achievers in the Twenty-first Century Private Dental Practice

The “procedure-driven,” “staff is a cost” mind set of many dentists continues to drive talented people out of the profession. It denies their individuality, saps their personal power, and finally ends up treating them like children. Many dentists, if treated the way their staff is treated, would leave the profession also.

A Difference By Definition: Wage and Fee

A dentist charges a patient a “fee” while historically the staff is paid a “wage.” The difference? When we pay someone a wage, we’re rewarding that person for being present for a set number of hours and performing a job description. When we pay a fee to a staff person, we purchase skill, care, and judgment; not necessarily time.

Here is a standard scenario: following annual salary reviews, employees ask one another, “What did you get?” The answer, “I got a \$.50 or \$.75 an hour raise.” But when an employee is asked to quote a fee for his or her services for another year, the quality of the relationship changes dramatically.

In quoting a fee to the employer, emphasis shifts from “getting” to “giving.” Giving is what the dentist does for his or her patients. Should it be any different for the team members?_As the dentist seeks to compensate team members, some critical questions arise. Ask yourself:

1. Do you truly want to compensate your team well? Or do you believe that by compensating them well, you will be compensated less?
2. How important is it for you to have high achievers around you, people who are capable of decision-making and high production?
3. What do you believe you are paying for? Is it punching a time clock or checking out before going on break—or should you perhaps be paying for more?
4. How do you feel when it comes to performance reviews? Do you feel anxious? Do you have trouble sleeping the night before? Ask yourself why? Be honest, but also be aware that you are part of the human equation too.
5. Then turn it around: how do you feel about being evaluated?
6. Finally, evaluate the cause and effect: how is team performance related to compensation?

It is also important that team members ask themselves some tough questions:

1. Do you really want to be compensated well?
2. What do you believe you are being compensated for? To show up at a certain time? Punch that time clock? Or is there something more?
3. How do you feel when it comes time for salary and performance reviews?
4. How is the performance of the team and its individuals related to compensation?

Dental team compensation should be evaluated in two areas. First are the hygiene factors, i.e., anything quantifiable: salary, sick time, vacation time, and insurance. Then come the qualitative, or motivation, factors. These are internal to the employee rather than the job. Among them:

1. Flexibility in days to work

2. Enhancement of self-esteem through team building
3. Opportunity for personal growth
4. Fun
5. Management opportunities
6. Ability to change the jobs so that personal needs can be met
7. Ability to work three to four days per week when most people work five, so that there is a day off
8. Recognition of talent and skill by the doctor and other team members.

In most dental offices, the motivation factors of the job far surpass the value of the hygiene factors. If a doctor offers low motivation factors, then the team will be overly demanding of hygiene factors.

The Double Standard in Dentistry

Whose burden is it when a practice does poorly financially? In most practices, it is the dentist's. Staff is always paid, but in many cases the doctor is last to be paid or staff receive salary increases and the doctor takes a reduction. Under these conditions, the team gets credit when the practice does well, but the doctor is solely responsible when the practice does not prosper. Yet when a practice does well, it is usually because the team has made it successful. Thus when the practice is in poor financial shape, it should also be a team issue.

Establishing a Fair Compensation Program

In order to establish a balanced compensation program, we must hire people who:

1. are knowledgeable about their skills
2. constantly strive to improve their talents
3. feel good about their contribution to the practice
4. do not make others feel attacked when expectations are not met

5. believe their personal goals are congruent with the practice goals
6. believe that their success and that of the practice are inter-related
7. believe that the best way to serve themselves is to serve others
8. believe that commitment is essential
9. believe that their position in the practice cannot be enhanced by other people's failure
10. share in the financial framework of the practice

A person who fits this profile places him or herself in a frame of reference for compensation potentially different from someone who simply wants to come to work at eight and leave at five. In order to keep such people employed in the private dental office, we need to provide them with information that many traditional offices find it uncomfortable to disclose. For example:

What is the doctor's vision?

The dentist must be able to articulate his or her fears, hopes, dreams, and philosophy for achieving prosperity. This "vision statement" provides the glue for the team's cohesiveness and success.

Goals:

The team must create goals for the current year and the years ahead. For example:

- This year, we want to produce \$350,000
- We will work 192 clinical days
- Therefore, production per day must be \$1,822
- We have one hygienist who sees 8 patients per day
- The average fee per hygienist patient is \$40
- Therefore, hygiene will produce per day \$322
- A realistic hygiene goal per year would be \$61,444

- Doctor and non-hygiene staff must produce \$288,560 per year.
- On a per-day basis, this is \$1,502
- On an eight-hour day, per hour this is \$187.86

The question then becomes, how can the team make this happen? To begin, ask:

What are our expenses?

Because they expect to have an impact on the practice, it is important that the team possesses information about the overhead. How much is spent on dental supplies, loan payments, payroll taxes, labs, insurance, etc.? Sharing this information is critical. It establishes trust, and delineates the fact the doctor does not personally spend all the money the practice collects. (Note: doctors send the wrong signal to their teams when they declare there is not enough money for salary increases, then drive to work in an expensive new car.) A complete compensation program will disclosed income as well as expenses. Salary increases, after all, do not come out of mid-air. The money must be available. Nevertheless, the practice's expenses are the factor with which most team members are least familiar. Consequently, a budget must be established.

Most dentists know, and what team members must appreciate, is that cash flow is more important than profit. Consequently, production, collections, accounts payable, the minimum that can be paid on expense items, when it must be paid, and what is coming up to be paid must be planned for by daily tracking. Share this information with the team. Bills should be logged into a report so that any team member has access to how much is owed versus how much is paid to date. When a practice shows \$25,000 worth of bills and only \$20,000 in the checkbook, the team knows they have a problem.

How Team Members Can Give Themselves a Significant Salary Increase

A compensation program developed beyond simply how long team members have been in the practice requires that those individuals must volunteer for a different level of responsibility, commitment, and risk. To structure this correctly, the team must know the differences among owners, employees, and partners.

Employees:

- Come to work at 8:00 a.m.
- Do the assigned tasks or job description

- Leave at 5:00 p.m. after doing a good job

Owners:

- Worry about having enough money in the checkbook to pay bills.
- Are concerned there are enough patients in the practice to keep the schedule full for the coming year.

Let us be clear about the difference between employees and partners:

Some team members do not see the office as central to their lives. On the other hand, some team members choose to make their work a career. The main difference between an employee and a partner is one of attitude and behavior. A partner feels more responsible for the business and cares beyond the day-to-day tasks he or she performs. Consequently, it is important to know that the contract between the employee and the practice is different from the contract between the partner and the practice:

1. Salary is adjusted if the practice does poorly just as the doctor’s salary is adjusted.
2. A partner is paid a monthly fee, not an hourly wage.
3. A partner participates in profit at year’s end, just as the doctor does.
4. A partner is a peer of the dentist. A high level of trust between doctor and partner is based on future expectations. Rewards are based on a compensation agreement.
5. A partner will make decisions on how the financial resources of the practice will be spent in conjunction with the doctor.
6. A partner does not receive a salary review.
7. A partner is responsible for the success of the practice’s employees. Exhibit 1: This Year’s Budget

Exhibit 1: This Year’s Budget

	12 Months	Monthly Average
Production	\$530,000	\$44,166.67
Collections	\$500,000	\$41,666.67
Salary-Doctor	\$85,000	\$7,083.33

Salary-Mary	\$28,000	\$2,333.33
Salary Diane	\$23,000	\$1,916.67
Salary-Ann	\$31,800	\$2,650.00
Salary -P/T	\$14,400	\$1,200.00
FICA expense	\$7,435	\$619.58
Pension Plan	\$15,000	\$1,250.00
Rent	\$39,600	\$3,300.00
Insurance	\$3,600	\$300.00
Malpractice insurance	\$2,600	\$216.67
Computer payment	\$8,400	\$700.00
Equipment payment	\$3,516	\$293.00
Lab expenses	\$70,800	\$5,900.00
Dental supplies	\$26,500	\$2,208.00
Auto payment	\$4,200	\$350.00
Legal/accounting	\$1,080	\$90.00
Meetings	\$1,000	\$83.33
Continuing education	\$9,100	\$758.33
Professional dues	\$800	\$66.67
Postage	\$900	\$75.00
Phone	\$2,640	\$220.00
Miscellaneous	\$2,400	\$200.00
Total Expenses	\$381,771	\$31,814.25
Net Income	\$118,229	\$9,852.42

Division of Profit

Profit is allocated in the following three ways:

Return on investment (R.O.I.):

In addition to the doctor's salary which is paid per month, the doctor must be paid a return on investment. This is to compensate the doctor for the risk of investing in a dental office. The doctor and spouse at some time have said to themselves, "I bet if we invested our money in a dental practice, we could have a return on our investment greater than if we put it anywhere else." Consequently, they put all their money, their relatives' money, and whatever else they had borrowed into a practice, and the business was started. They have risked everything they own.

Many dentists feel that because they are the owner/operator, they do not need to be concerned with their return on investment. This is not true.

Many dentists do not reach their economic dreams because they fail to realize their business

should provide a return on their investment in addition to salary. This causes goals to be set too low.

The doctor is paid an R.O.I. at year's end. This is done prior to any distribution made to the partners.

Distribution to partners:

A portion of profit at year's end will be paid to the partners. Employees do not receive such payments, and the distribution is much larger than any salary increase that would have been paid to those employees. The amount of the distribution is usually determined before the year starts, and it becomes part of the budget.

Reinvested funds:

A successful business retains some funds to pay cash for improvements, equipment, etc. Part of the year-end profit must be earmarked for this purpose. These funds give the doctor and partners a sense of security as well as saving the expense of interest payments. Profit is budgeted for one year in advance. The budget provides the partners with guidelines for spending the practice's funds as the year unfolds (Exhibit 1). Each team member who chooses to become a partner will participate in the profit at year's end. In order to become a partner an employee must have a discussion with the doctor along the following lines:

1. My commitment to the practice may be described as . . .
2. My personal goals for the next 12 months are . . .
3. The impact I expect to have on the practice in the next 12 months is . . .
4. Financial compensation I would enjoy next year is:
 - A. Gross salary
 - B. Taxes
 - C. Insurance
 - D. Pension Contributions
 - E. Child care allowance
 - F. Uniform allowance

G. Continuing Education

H. Professional dues

I. Dental care

J. Vacation time

K. Management opportunities

Partners will ask themselves, “What if the practice does not succeed? What if we don’t make the profit level we estimated in the budget?” The answer, of course, is the same one the doctor gives each year. “Because I have ability and I will exert my talent, skills, and energy, the practice will prosper this next year. I will work to make it succeed because I am committed. If the profit level is not there, the practice cannot afford to pay it. To pay it would be an irresponsible act.”

Having partners who are as committed to the practice as the doctor, who also take the risk and bet on themselves, will substantially increase the practice’s probability of achieving prosperity.

It is important to remember that each employee has the choice of whether or not to become a partner. Both employees and partners are good people. The partners, by accepting the risk of investment, will be paid substantially more because of their level of commitment.

Having two different compensation plans within an office solves some of the serious problems for today’s private dentist. Among them:

1. Eliminating the career plateau problem that all staff members experience. With options to pursue, there is a challenge after clinical tasks become boring, repetitious, and non-rewarding. There is a reason for talented people to stay in dentistry.
2. Motivating the team no longer has to come 100 percent from the doctor. The team has intrinsic, not extrinsic, motivation.
3. Responsibility for the practice’s success is no longer 100 percent the doctor’s. Now he or she can relax and have fun at work with people who are as committed to the practice’s success and who risk as much as he or she is.

It is important to remember that in order to succeed in this type of compensation plan, the doctor’s mind set must change from being cost-centered to values-centered, from being procedure-driven to values-driven, from seeing the staff as a cost to seeing them as an investment.

The doctor must see dentistry as a secondary result, not his primary concern. Arriving at this type of practice is a process, not an event. The process will require time, patience, insight, and some facilitation.

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