

ENDODONTICS

WHY, WHEN AND HOW TO RAISE YOUR FEES



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Dentistry is a profession that affords us an opportunity to earn a comparatively high income. Most people only dream of the quality of life (particularly the financial benefits) that dental practitioners can achieve during their careers.

There are good reasons for this: the exceptional ability, time, expense and debt needed to graduate from dental school, the ever-growing costs of acquiring and maintaining a modern practice, ongoing education to maintain professional standards, malpractice insurance in today's tort environment, etc.

We are also business owners, and not salary earners. We personally bear all the risks of running a business including signing leases, employing staff, equipping our premises, marketing, accounting, payroll taxes, and more. Contrary to most working people, as business owners we are the last to get paid each month. We get what is left over after all other commitments have been met.

For this reason, our practices must be profitable. Our livelihood, our families and our future depend on profitability from month to month and year to year—and our fee schedule is a vital part of that equation.

WHY DOCTORS RESIST RAISING THEIR FEES

One of the first questions I ask all my coaching clients is when they last raised their fees. I am always surprised when the answer is two or three years ago (and sometimes more than that). Certainly, the costs of operating the practice has not stayed the same during that time, so why haven't the fees been adjusted to at least keep up with inflation? Generally, the answer is one or more of the following reasons:

- **Uncertainty**

Many doctors neglect to update their fees because they are uncertain how frequently they should and/or how to do it.

- **Patient attitudes**

Patients tell us every day how expensive our fees are, and we know that for the average family dentistry can be a significant expense. Sometimes patients make jokes about paying for our expensive car, or they outright accuse us of being overpaid or greedy. These can be difficult, embarrassing conversations that cause us to doubt our value.

- **Fear of non-acceptance**

Related to the affordability of care, we also worry that higher fees may result in more patients not accepting treatment, which can impact our productivity. Specialists also worry about patients telling referring doctors that the specialist is too expensive, which might affect the referral relationship.

- **Lack of control**

Finally, insurance providers set their own reimbursement rates and limit what we can charge. As a result, we may feel our own fee schedule does really matter since the insurance company will pay what it pays. This feeling is more prevalent in practices that have a very high ratio of insurance patients.

WHY YOU NEED TO RAISE FEES

The most important reason to raise your fees is self-respect for your professional value and to maintain the viability of your practice at healthy levels. It's just good business sense to set your fees regularly in context with the marketplace, and dentistry as a profession is stronger when doctors are managing their practices smartly. It ensures patients continue to have access to the highest quality of care.

Patients are always going to say fees are high, but realize they are not talking about *your fees* specifically. They just mean the cost of dentistry in general, so don't take it personally. Plus, when you present treatment to the patient, you don't say, "*Last year, this procedure cost \$x but I recently increased my fees so now it costs \$y.*" Trust me, when you raise your fees patients don't even notice because they don't know what your fees are now.

I also strongly believe that doctors need to continue to set their fees independently regardless of insurance company rates. Firstly, because not all your patients have insurance

and you need to have an up-to-date standard office fee schedule. Secondly, despite the opaqueness of how insurance companies determine their UCR rates, it's important to have your office fee set appropriately for claims submission when data is collected about your fees.

Lastly and if for no other reason, your fees need to be kept updated so you are continually aware of how much you are discounting your fees to the insurance plans you participate in. If it has been a while since you set your fees properly, the growing gap on some plans might be startling.

HOW RAISING FEES BOOSTS PROFITS

Even more startling might be how much profitability you are giving up by not raising your fees regularly. In fact, raising fees is the fastest way to grow the bottom line of the practice when appropriate.

If you're lagging behind and you implement a fee increase, you will notice a difference in revenues and profitability immediately without changing anything else in the practice. You can estimate how much of impact a fee change might have on your profitability with the following formula:

$$\begin{aligned}
 &\text{Goal Fee Increase (\%)} \\
 &\div \text{Profitability Ratio (\%)} \\
 &\times \text{Full Fee Revenue Share (\%)} \\
 &= \text{Increase in Profitability (\%)}
 \end{aligned}$$

For example, consider a practice with 55% overheads (45% profitability), and 60% of revenues are full-fee procedures (the rest are inelastic insurance fee procedures). A 5% fee increase would result in:

$$\begin{aligned}
 &5\% \text{ Fee Increase} \\
 &\div 45\% \text{ Profitability Ratio}
 \end{aligned}$$

$$\begin{aligned} &\times \text{ 60\% Full Fee Revenue Share} \\ &= \text{ 6.67\% Increase in Profitability} \end{aligned}$$

If that practice had \$1,000,000 in revenues to begin with, then the bottom line grows by \$30,000 from \$450k to \$480k overnight.

Keep in mind that practice that are more fee-for-service will experience a higher level of growth in profitability. For example, if the practice was 100% fee for service, profitability would increase by over 11% (from \$450k to \$500k).

Likewise, the effect of a fee increase is more profound when practices have higher overhead expenses. If the example practice had 75% overheads (25% profitability), then profits would increase by 12%, even if 60% of the practice is insurance-based. If the practice was 100% fee-for-service, profitability would go up by an astounding 20%.

WHEN AND HOW TO RAISE YOUR FEES

It might be exciting to get that kind of overnight boost in profitability going forward, but don't forget that fees in the past were suppressed by not appropriately raising fees on a timely basis.

To avoid these lost opportunity costs, it is essential that you raise your fees on an annual basis *at a minimum*. However, some doctors do this process twice a year because costs are always increasing due to ongoing inflation.

By setting fees regularly in this way, your profitability is always being optimized to

current fee levels. You can think of this process more like a “calibration” to the current business, dental and patient landscape, rather than just raising fees for its own sake.

To help you set your fees properly, there are plenty of resources available to you. Check out the ADA fee survey at the ADA.org store (free for ADA members). Probably the most valuable resource is going to be a fee reporting and analysis service such as the dental fee guide at <https://wasserman-medical.com>. These paid services give you a competitive fee report showing the ranges of fees charged by CDT procedure code and localized to your area and ZIP code.

Now, so far in this article, we have talked about the need to raise fees based on *time passing*. However, there is another very important factor to consider. When you look at a competitive fee report, you see a range, usually broken into percentiles. It's important to consider that range carefully and where your current fees sit.

These fee guide are the fees of general dentists, but as an endodontist, you should be around the 90th to 95th percentile on comparable fees. I can't tell you what percentile or fee level is right for your practice, but ultimately what you choose also reflects your self-worth and self-belief in your value—as a doctor providing high-quality patient care, and as a member of the dental profession.

Dr. Albert “Ace” Goerig is a diplomat of the American Board of Endodontics and a sought-after speaker who has lectured extensively on endodontics and practice success throughout the United States, Canada, and abroad. He is the author of over 60 published articles and a contributing author to numerous endodontic textbooks. Dr. Goerig has a private endodontic practice in Olympia WA. He has 40+ years of experience as an endodontics educator and over 25 years experience as a practice coach to nearly 1000 endodontists.