Notes on the Decisions

The decision variables interact in a variety of ways. I give the following brief description of those interactions so that you can use them in your strategic decisions. Remember that several decision variables will affect any outcome. (For example staff turnover is affected by your pay rate, your pay rate relative to other teams, time since you last gave a raise, your benefits relative to others, the hours that you keep and the number of staff.) Think through the ways that your decisions affect the different areas of your simulated practice.

**Operations**

**Hours**
Evening and weekend hours stimulate individual demand as patients who could not otherwise seek dental care can do so. More hours also leads to a larger capacity (more available patient appointments). More hours lead to higher staff costs. Practices are charged "overtime" (ie: time and a half) for any office hours above 40 per week. They also have related increased personnel taxes. More hours worked in a week leads to more staff turnover as staff members "burn out" or have difficulty adjusting family schedules to meet the increased work week. There is no allowance for part-time workers in this regard.

**Operatories Added**
More operatories obviously leads to higher cost. Since the number of operatories and staffing configuration help to determine the office’s capacity, adding operatories increases capacity which decreases capacity utilized initially until the patient flow increases. Hygienists "bump" the dentist from chairtime, so if there are inadequate operatories for the number of hygienists plus dentists, production may suffer as the dentist becomes less active. Simply adding operatories does not necessarily increase capacity. The office must employ adequate clinical and business staff to enable the dentist to work effectively.
Credit / Collection Policy
Easier credit policy stimulates individual demand (people have dentistry done that they otherwise wouldn’t with a stricter credit policy), but at a cost of increased Accounts Receivable and Uncollectibles. This is a powerful stimulation for individual demand.

Staffing
Receptionists
Everyone begins with .5 FTE of receptionists. Lack of adequate numbers of receptionists leads to increased Accounts Receivable & Uncollectibles. This lack of Receptionists will also decrease recall patient visits (since the receptionist is too harried to effectively manage the recall system). This also leads to a decrease in overall patient visits (due to inadequate scheduling procedures.) As a rule, one (1.0) receptionist can handle up to about 1,188 patients per quarter (20 per day) with no decrease in effectiveness. As the number of patients increases above this number, office capacity decreases unless you add receptionist help. Players will generally get a message saying that their receptionist needs help.

Chairside Assistants
The ideal ratio of assistants is 1 FTE per dentist’s operatory. Larger practices should have extra assistant equivalents to help with instrument processing and other office duties. The balance of assistants to operatories affects productive capacity. The capacity of the practice to do dentistry is negatively affected if too many or too few assistants are available.

Hygienists
Hygienists contribute to production in the office, but they take chair time from the dentist if there are inadequate chairs available. Hygienists generate additional demand for the practice, especially over time. Looking at the total number of new and recall patient visits is a good way to assess the need for a hygienist. Remember these are quarterly numbers. You need to adjust them for monthly figures (divide by three) if you are used to using monthly data.

Staff Compensation
Inadequate compensation leads to increased turnover with the accompanying cost of training and rehiring. Excess compensation does not guarantee that staff will stay, but average compensation (at a minimum) is required to have a chance of no turnover. The average pay rate for all classes of personnel changes over time as the decisions of the players (practitioners) dictate. Each individual practice must then decide how its pay scale relates to the average for the area (game participants). This may lead to a bidding war for staff members as teams try to decrease turnover by increasing pay rates. Practices should give pay increases at least annually (i.e., every four quarters) in an amount at least equal to the rate of inflation.

Staff Benefits Cost
Benefits affect staff similarly to compensation. An inadequate benefit package leads to increased turnover, but an excessively generous package does not guarantee that
employees will stay. Be sure to compare your staff package (total dollar value per employee) with other practitioners in the area.

Staff Turnover
Participants should expect some turnover. If the practice works weekend or evening hours, they lose staff faster than the practices that work bankers' hours. Larger practices have more turnover. Occasionally people leave for no fault of the practitioner (e.g. spousal transfer). Lack of adequate (average) pay or benefits leads to increased turnover. If the practice decreases pay or benefits, turnover increases as staff become dissatisfied. If the practice does not give raises within a year (four quarters) in an amount at least equal to the cost of living increase (change in Business Index - 3%) staff will become dissatisfied and leave. When a staff member leaves for any reason (unless the practitioner releases them) the program automatically rehires the equivalent person. Hiring and training costs are then charged to the player.

Continuing Education
CE increases the individual practice's demand (by allowing you to provide more and newer services). CE also decreases staff turnover, as staff members feel a greater part of the team. If players do not take the required CE hours each year, they are fined. You lose some patient visits if you shut the office down for CE.

Marketing
Practice Style
All practice styles are viable. All are flavors of general practice, not specialty practices. Reconstructive Esthetic and Geriatric markets are limited, so if too many teams are vying for these markets, they may find that competition decreases their growth. Lab costs are higher in the Reconstructive, Geriatric and Esthetic styles of practice. Teams may see an initial decrease in patient visits when they change styles. If you are not in a competitive niche, then you have more freedom with fees.

Fee Indicator
Price is relatively inelastic (ie: patients are not very sensitive to price). This variable (elasticity of demand) can be controlled by the game administrator. Practices will lose some patients when they raise fees above the average for the area. The higher they are above the average, the more they will lose. That is to say, if a practice is on the outer edges of "normal" then they will see significant price sensitivity. If you raise fees immediately after the transfer (in the initial two quarters), you will lose MANY patients.

Advertising Budget
Practices need to spend some money to get known. The key is TOTAL dollars spent; individual allocation of those dollars is irrelevant. Marketing budgets are relative, which means that a practice needs to know what the other practices in the area are spending. Demand is also stimulated by price (to a degree), office hours, collection policies, Continuing Education, insurance plan participation and staffing.
Managed Care Plans
Managed Care Plans stimulate individual practice demand for services. Managed Care patients replace traditional Fee for Service patients if the practice’s capacity is fully used. If slack resources exist (ie: capacity utilization is less than 100%) the office may do well by seeing the additional patients stimulated by the Managed Care plan. (This stimulates some additional Fee for Service demand, as well.) However, as the capacity of an individual practice becomes full (approaches 95%) the practice managers should look at either increasing capacity (by adding operatories and staff) or reducing Managed Care participation. The number of managed care patients changes over time as the underlying economy changes (the portion of the dental marketplace that utilizes each of the plans). At some point, practices may have to decide if they are becoming "swamped" with managed care patients, and therefore choose to drop one or more of these programs, or to go on "Hold" which means that they accept no new patients, but continue to treat the patients assigned to them. Each managed care program behaves differently, so you should analyze them individually.

Financial
Total Profit
The program tracks cumulative total profit, which is to say the bottom line of the P&L Statement. How those profits are spent is relevant only from a financial planning standpoint. Excess profits may be used to pay off loans early, start an "Emergency Fund," take extra money home (draw) or pay for expansion. There is usually a start-up cash crunch, since the departing dentist left no Accounts Receivable for the new practitioner. Participants should borrow an extra $20-30,000 the first decision for working capital to weather the initial cash crunch. They will need more if they choose an aggressive growth strategy.

Net Worth
The program calculates Net Worth each quarter. Net Worth should improve each quarter as the game progresses. You can pay off loans, save (through CD's or retirement plan), and build the practice value. The program determines an estimate for the value of the practice. This is based on a weighted average of earnings for the past year and the book value (purchase price - depreciation) of hard assets.

Economic Parameters
The Business Index is crucial in determining area wide demand, or the size of the pie. The Prime Rate determines Loan Repayment and CD rates. The Investment Rate determines the return on retirement plan investments. The Inflation Rate affects office costs. The Prime Rate, Investment Rate and Inflation Rate change with Business Index as the central bank responds to economic changes.

A/R starts at zero. Uncollectibles also start at zero. They remain at zero for Qtr #1 since there are no accounts more than 90 days old. The Loan Balance reflects any additional loans (for working capital or to operatories) taken out plus the original start-up loan.
Each quarter the program computes payments on the total amount of the loan and the prevailing interest rate (prime rate +2%).

**Draw**
The minimum draw is $5,000 per quarter, or one-half the profits, whichever is more. In the early quarters, most teams will need to borrow, through their working capital line of credit, to have enough cash to support their draw. As the game moves forward, they need to plan how to use their excess cash. Taxes are additional, based on Net Income from the P&L Statement, no matter how much participants take as draw.

**Loan Addition**
There is no advantage to paying off the practice start-up loan early, except the lower interest expense and demonstrating fiscal responsibility to the banker. Players should estimate future cash needs. It's better to borrow too much as a loan than get hit with an "overdraft" charge that results from overspending the checking account.

An unlimited line of credit is available for each team. If you borrow more than $300,000 the rate goes up substantially for the amount of loan over $300,000.

**Negative Cash Balances**
If a team has a negative cash balance at the end of the quarter (i.e., you have “bounced” several checks) the bank will automatically cover the checks by drawing on the line of credit. This increases your loan balance by the total amount of ending cash deficit. There is also a 10% (of the negative cash balance) penalty for bouncing checks. This penalty appears in “Other Expenses” during the quarter that follows the deficit.

**91 Day CD's**
This is one place to put excess cash. You should hold 3 - 6 months' worth of expenses in CD's for use as an Emergency Fund. Aggressive players want to pay off their loan without establishing an Emergency Fund. This is OK for maximizing profit in the game, but is not a sound strategy in real life. You shouldn't borrow to buy a CD. You will lose on the spread. (CD's pay 2 points below prime; loans are 2 points above prime.)

**Retirement Plan**
The retirement plan is an excellent way to improve the balance sheet, both as a savings and investment vehicle. The problem is funding the plan. You can only save for yourself a percentage of the profit that you show on Schedule C. If there is no profit, you can’t put any money into your retirement plan. Staff members' allotment is based on a percentage of their gross wages, so you may contribute to their plan, but none for your own. This often happens in the initial quarters before the practice shows a Schedule C profit.

**Professional Services**
If information is valuable, you must pay for it. Participants who want to maximize their performance will want to know what other practices in their area are doing so that they
can make relative decisions. This information comes in five packages, one each for Staff, Operations, Fees, Marketing, and a Practice Analysis. There is a unique price for each report ordered. Some teams like to "trade" information among or between teams. That simply gives an advantage to your competitors, since they get the information without paying for it.