

The Journal of the Michigan Dental Association

Volume 104 | Number 11

Article 8

11-1-2022

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Recommended Citation

Schumann II, Theodore C. MBA, MSF, CFP, AIF (2022) "How to Budget Better for Dental Supplies," *The Journal of the Michigan Dental Association*: Vol. 104: No. 11, Article 8.

Available at: <https://commons.ada.org/journalmichigandentalassociation/vol104/iss11/8>

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How to Budget Better for Dental Supplies

By Theodore C. Schumann, II, MBA, MSF, CFP, AIF

As the forces of inflation make running our homes and businesses ever-more expensive, there's no better time than the present to evaluate costs in your dental practice. One area most susceptible to overspending in a dental practice is clinical supplies. Getting a handle on your supplies budget can make a real impact on your practice's profitability.

Overspending in this area can originate in a variety of ways. One way is complacency of practice owners or staff in charge of ordering supplies. Another is subtle increases in supplier costs that compound over time. Of the two of these, complacency is the most common. Over the course of the average day, doctor and staff of a practice are busy caring for patients. Managing inventory and making supply orders tend to take a backseat to patient care. Practice busyness necessitates that supply orders happen quickly and with little interruption to the workday. This often leads to the same or similar orders being placed over and over again, because doing so is easier than monitoring inventory and planning the next few weeks of production. In this case, supplies are ordered in the same perfunctory manner as a customer who walks into his or her favorite coffee shop every morning to order "the usual."

This repetitious ordering method often goes unnoticed as long as the practice doesn't run short of supplies. It may carry on for a long time, and frequently only is discovered when the owner-doctor is reviewing overhead costs with their dental CPA. It's at that point when the amount spent on supplies can be disturbing and eye-opening! Interestingly, some practices have taken to over-

ordering supplies and keeping a surplus in inventory as the supply chain issues and price volatility brought about by the COVID-19 pandemic have raised concerns about the ability to procure supplies in a timely and affordable manner.

How much should you spend?

A full-time, one-doctor restorative general dental practice should aim to spend no more than 5% to 7% of revenue on clinical supplies. This range excludes general office supplies such as paper products or clerical supplies such as pens and pencils. It's also important to not include the costs of equipment and repairs when analyzing clinical supply costs.

The 5% to 7% range is a good rule of thumb, but it should be noted that a few factors can skew this percentage. First, it must be remembered that even though the benchmark is expressed as a percentage of revenue, the cost and consumption of supplies is a function of production. In other words, if a practice is very busy and productive, but fees are low, the supply costs can exceed the 7% level. In that scenario, supply costs and inventory may be appropriate for the production level, but if revenue is artificially low, the percentage will look off.

Another factor that can skew the supply cost is the practice's use of CAD/CAM technology and in-office milling. Many doctors find this technology transformative and critical to their style of practice. However, integrating technology of this nature can also make supply costs look excessive. An intuitive practice owner knows that the increase in clinical supply costs associated with us-



The amount of money you spend on clinical supplies can have a direct impact on the profitability of your office. Overspending is a common problem, often the result of poor oversight or complacency. Here are some ideas to get you back on track.

ing CAD/CAM is most often easily offset by the savings on outside lab costs; however, it can still make overhead percentages look out of whack at first glance.

Since supplies are a variable cost, meaning that they increase as production in the practice increases, the 5% to 7% ratio is a good benchmark for a general practice, whether the practice is a single-doctor or multi-doctor practice. However, benchmark percentages vary between general dentistry and specialty practices. Below, are some benchmarks for supply costs in specialty practices:

Pediatric dentistry:	4% – 6%
Orthodontics:	8% – 10%
Periodontics:	11% – 13%
Oral Surgery:	10% – 15%
Prosthodontics:	11% – 13%
Endodontics:	8% – 10%

Supply ranges can vary from practice to practice, depending on the style of the practitioner and their material preferences. However, supply costs should be closely monitored to make sure the practice is capturing a full return on investment. Small savings can add up. Remember: A 1% savings for a practice doing \$1 million in annual revenue is the difference of \$10,000 in the owner-doctor's pocket!

How can costs be kept under control?

The best way to keep costs under control is to make sure you are monitoring and benchmarking overhead regularly. Remember this adage: "What gets measured, gets managed." One of the best things that a practice owner can do to manage supply overhead is to put the practice on a supply budget. For example, in the case of a general dental practice trying to stay in the 5% to 7% range, the practice should set a supply budget of 6% of the prior month's revenue. Setting a budget in this manner should make the office more intentional in its supply ordering and consumption, as well as bring supply costs within normal ranges.

In addition to setting a supply budget, owner-doctor(s) should utilize technology to assist them in their supply sourcing decisions. For decades, dentists have relied on the full-service capabilities of traditional dental distributors. Some practices allow their dental supply sales representative to manage their inventory on a routine basis, with little oversight. Part of a practice's due diligence on

the cost of supplies should include exploring the savings available using self-serve, online platforms for dental supply purchases. For example, the MDA has formed a group purchasing organization with The Dentists Supply Company, or TDSC.com, to deliver savings to members. Compare the cost of supplies from your MDA-endorsed supply company to your historic costs. The savings can be significant. There may be categories of supply purchases you can carve out from your current supplier and purchase at TDSC.com and save more than your annual MDA dues by doing so. (See related article, Page 46.)

If the full-service dental supply model is your preferred method of supplies procurement, practice owners should meet periodically with their representative to discuss the supplies budget. Your representative should be proactive in working with the practice for volume discounts, promotional pricing, or other incentives that can help keep supply costs low.

Finally, as a matter of due diligence, from time to time an owner-doctor should meet with sales representatives from a competing dental supply company for bids on dental supplies. Some practices are having quite a bit of success with negotiation, specifically in negotiating or submitting bids for using an all-in-one supplier. By consolidating the purchasing to one supplier, competitive billing can drive down all your supply purchase prices.

Remember that time is money!

While owner-doctors should be monitoring and managing their overhead to optimize profitability, sometimes they can get carried away. Occasionally, an owner-doctor will spend so much time "bargain shopping" for supplies, they end up losing money. For example, if an owner-doctor can produce dentistry at a rate of \$500/hour and they spend two hours of their time (\$1,000) searching for the best price on supplies, they need to save at least \$1,000 on that supply order just to break even. A doctor spending \$1,000 of his or her time to save \$300 on a supply order is actually losing \$700! In this case, the owner-doctor would have been better off producing dentistry and paying the higher supply cost.

Another difficult situation occurs when the owner-doctor tries to save money by using inferior products. Sometimes a cheaper alternative is perfectly suitable; however,

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TDSC.com (Cont'd)

and the product will be returned to TDSC.com by the carrier. Also, TDSC.com cannot accept returns on opened products, except for defective goods.

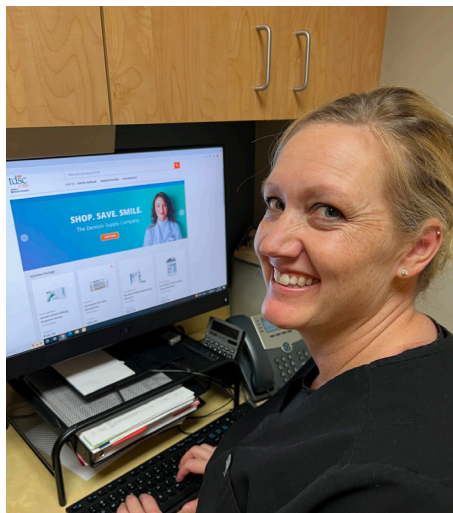
What TDSC.com customers say

After learning about the MDA-TDSC.com relationship, Dr. Brandon Jankowski, of Bartoszewicz Family Dental in Grand Rapids, checked out the site. He was impressed with the selection and savings. "I'm pleased with the selection on the site," Dr. Jankowski said. "It encapsulates a lot. Pricing is very competitive, and a lot of things are quite a bit cheaper. We've had a good experience in terms of use, with no issues. The site is very straightforward and shopping at TDSC extends our buying power."

A team member is responsible for purchasing supplies for the practice, and after getting familiar with the shopping site, the transition was easy, Dr. Jankowski reports. TDSC.com's customer care team is available from 9 a.m. to 8 p.m. Eastern time to assist shoppers with creating accounts, using the site, finding products, building shopping lists or handling returns. Call 888-253-1223 or email support@tdsc.com for personal assistance.

Heather Willey, RDA, is the supplies purchaser at Smiley Family Dentistry in Grand Rapids. Dr. Chris Smiley determines what the next month's supply spend will be, based on a percentage of production the previous month. He challenged Willey to under-spend on the supplies budget every month, and she used TDSC.com to meet that challenge.

"We save money buying dental supplies from TDSC.com," she said. "We have saved an average of 5.8% over a three-month period, compared to last year. Price reductions on products has had a huge impact



VIP customer — Heather Willey, RDA, orders supplies from TDSC.com at Smiley Family Dentistry in Grand Rapids, Mich.

on my supplies ordering experience, along with the convenience of being able to order online.

"I think that TDSC partnering with our state dental association has been a great asset to the dental community."

If she received a check from TDSC.com for the amount she has saved the practice by shopping there, Willey said she would invest in new office equipment — that's how substantial the savings can be. Of course, shoppers get to keep what they didn't spend; TDSC.com doesn't issue savings checks!

Watch for additional saving opportunities

Once you create an account at TDSC.com, you'll begin receiving email notifications of special saving opportunities, like flash sales and site-wide promotions. If you're interested in small equipment purchases, such as intraoral scanners or handpieces, be sure you check prices at TDSC.com before ordering elsewhere. With the new VIP pricing, there has never been a better time to try shopping at TDSC.com. ●

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other times cheaper products — like materials — can be unreliable and cause complications in treatment and/or lead to costly re-work. Beware of purchasing dental supplies with 90 days or less of remaining shelf life. You may get a good deal from some online websites on short-dated products, but if they expire before they are used, the potential savings are defeated.

Whether you are a new practice owner or have owned your own practice for many years, I hope this article has provided a few actionable ideas for you to manage your practice overhead and maximize profitability. ●

About the Author

Theodore C. Schumann II is a third-generation financial planner, a member of the Academy of Dental CPAs, and an investment adviser representative and managing



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The MDA endorses DBS for CPA services and tax return preparation and DBS Investment Advisers LLC for its financial planning and investment management services. The MDA receives revenue from this endorsement, which helps offset association expenses and member dues.