



**THE BUSINESS OF DENTISTRY:**

**P&L AND BUDGET TRAINING**

## What is a P&L & Why is it Important (High Level)

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- For us the **profit and loss (P&L)** tells how much money we brought in (revenues), how much we have spent (expenses), and the difference between the two (its profit). Generally the income statement answers the question, "How well are we performing?" Or in simpler terms, "are we making money?"
- D4C colleagues are committed to not compromise on the following at the expense of "making money":
  - **Shared Purpose** – Helping Children achieve a lifetime of great oral health.
  - **Vision** – Raising the standards in Children's oral health
  - **Values** – Patients first. Advocate for children. Drive Outcomes. Engaged and Accountable. Mutually respectful.
- Why does performing well matter?
  - We believe in our Purpose, Vision and Values and also believe it is our responsibility to "grow" so that **all children have access to the D4C care** that we provide.
  - **Well run organizations (and practices)** typically are great at everything. **Growth, Service, Quality and Profitability** .
  - Few companies perform as planned. Generally speaking the companies that perform are provided the capital needed to invest in existing markets and practices as well as new affiliations. They Grow "right"!
- So what happens with **my practices profits?** What "costs" are not included in my P&L?
  - **Division and Corporate expenses.** These expenses are needed to grow and scale the business. They wouldn't be necessary if we did not plan to expand the D4C way!
    - Examples include - Dr owners, Ops support, Finance (of course), etc.
  - **Capital Expenditures**
    - Examples include - Renovations, Moves, De Novo or Add-ons, New Dental Equipment, IT Equipment, etc.
  - **Interest** – Why? We borrow money from lenders to add new affiliations. Anyone want to take a guess at how much debt D4C has today and thus have to pay both Principle and Interest back quarterly?
  - **New affiliation growth** – Without each of your accumulated practice performance incremental capital needs (Both Equity and Debt) would not be available.

**Budget:** The tactical implementation of the business plan, and the company's commitment to stakeholders of financial results to be achieved from that plan in the year. Coordinates and prioritizes company efforts. Set once a year at the start of the year and covers every office and expense item for the whole year. Budget does not change once it is formally approved.

**Forecast:** Refreshed estimate of what is believed will be achieved in the year. Updated with new months of actual data and additional feedback from operations and other teams. Typically updated after Q1 and Q2.

**Projection:** Estimate of where the month will end based on month to date performance. Typically only looks at revenue and ortho starts/ACV.

**Target/Goal:** Terms to define desired results, gates to hit incentive payouts, etc. Often these reflect the current budget or forecast.

**Actuals/Historicals:** What really happened. Official results once the executive team signs off and accounting has closed the books for the month.

**EBITDA:** EBITDA stands for Earnings Before Interest, Taxes, Depreciation, and Amortization and is a metric used to evaluate a company's operating performance. It can be seen as a proxy for cash flow. In finance, the term is used to describe the amount of cash (currency) that is generated or consumed in a given time period.

# Office Level Profit & Loss Statement (Pedo example)

	Current Month			
	Actual	% of Revenue	Budget	% of Revenue
<b>Revenue:</b>				
State Revenue	\$211,616	39.0%	\$188,487	39.4%
Private Revenue	330,989	61.0%	294,813	61.6%
Retail Sales Revenue				
Allowance for Bad Debts		0.0%	(4,833)	(1.0%)
<b>Total Production, Net</b>	<b>542,605</b>	<b>100.0%</b>	<b>478,467</b>	<b>100.0%</b>
<b>Cost of Services:</b>				
Direct Labor:				
Doctor	139,651	25.7%	125,541	26.2%
Hygienist	52,999	9.8%	50,308	10.5%
Other Direct Labor	46,346	8.5%	41,045	8.6%
Overtime	1,863	0.3%	2,066	0.4%
Employee Benefits	12,481	2.3%	6,425	1.3%
Payroll Taxes	18,270	3.4%	15,777	3.3%
<b>Total Direct Labor</b>	<b>271,611</b>	<b>50.1%</b>	<b>241,162</b>	<b>50.4%</b>
Medical Gases	861	0.2%	275	0.1%
Drugs	28	0.0%	1,579	0.3%
Laboratory Fees (incl. Lab Te	2,418	0.4%	2,149	0.4%
Invisalign Supplies				
Dental Supplies	21,142	3.9%	20,747	4.3%
<b>Total Cost of Services</b>	<b>296,060</b>	<b>54.6%</b>	<b>265,912</b>	<b>55.6%</b>
<b>Gross Profit</b>	<b>246,545</b>	<b>45.4%</b>	<b>212,554</b>	<b>44.4%</b>
<b>Gross Margin</b>	<b>45.4%</b>	<b>0.0%</b>	<b>44.4%</b>	<b>0.0%</b>
<b>Center Expenses:</b>				
Management Salaries	3,836	0.7%	5,654	1.2%
Check In/Out Labor	27,121	5.0%	17,614	3.7%
Marketing Labor - CL				
Overtime - CL	1,336	0.2%	1,697	0.4%
Staff Incentives	595	0.1%	11,169	2.3%
Employee Benefits - CL	3,475	0.6%	1,706	0.4%
Payroll Taxes - CL	2,725	0.5%	3,125	0.7%
Gift Cards		0.0%		0.0%
Small Dental Equipment		0.0%	59	0.0%
Water Filtration Supplies	374	0.1%	354	0.1%
Office Expense	2,744	0.5%	3,926	0.8%
Rent	23,533	4.3%	23,533	4.9%
Common Area Maintenance	8,360	1.5%	8,360	1.7%
Property Taxes	1,252	0.2%	1,014	0.2%
Utilities	2,354	0.4%	3,845	0.8%
Janitorial	2,916	0.5%	2,417	0.5%
Voice & Data - CL	866	0.2%	519	0.1%
Technology	130	0.0%	4,709	1.0%
Maintenance & Repairs	775	0.1%	1,283	0.3%
Contract Services - CL	1,442	0.3%	1,954	0.4%
Postage - CL	33	0.0%	56	0.0%
Leased Equipment	384	0.1%	246	0.1%
Travel & Business Meals	111	0.0%	1,848	0.4%
Drive Time				
Employee Relations	297	0.1%		0.0%
Permits & Memberships - CL	11	0.0%	105	0.0%
Training & Continuing Educati	2,610	0.5%	587	0.1%
Laundry and Uniforms	174	0.0%	103	0.0%
Local Marketing				
Bank Fees & Collections Sen	4,021	0.7%	3,088	0.6%
Other Operating Expenses				
<b>Total Center-Level Expens</b>	<b>91,478</b>	<b>16.9%</b>	<b>98,972</b>	<b>20.7%</b>
<b>Center-Level Contribution</b>	<b>155,066</b>	<b>28.6%</b>	<b>113,582</b>	<b>23.7%</b>
<b>CL Contribution Margin</b>	<b>28.6%</b>	<b>0.0%</b>	<b>23.7%</b>	<b>0.0%</b>

- Revenue – State plus Private will roughly equal “Net Production” from the practice management system.
- Allowance for Bad Debt is budgeted and booked based on historical percentages. Adjusts on actuals quarterly.
- Hitting Revenue makes everything else “easy”.
- Direct labor relates to the colleagues actually performing the dental services. Allowance for Bad Debt is budgeted and booked based on historical percentages. Adjusts on actuals quarterly.
- Clinical Supplies needed to perform the dental services.
- Center Expenses are all expenses other than the directly related service expenses.

• Largely Variable Expenses

• Largely Fixed Expenses

• Contributes to growing right

## Examples with 20% less Revenue

	Actual	Well Managed No Ops Changes		Budget
		Rev Mis	with Rev Mis	
Total Production	542,605	434,084	434,084	478,467
Cost of Services	296,060	236,848	296,060	265,912
Gross Profit	246,545	197,236	138,024	212,555
Gross Margin	45.4%	45.4%	31.8%	44.4%
Center Level Expenses	91,478	91,478	91,478	98,972
CLEBITDA	155,067	105,758	46,546	113,583
CL Margin	28.6%	24.4%	10.7%	23.7%
Earnings Hit		(49,309)	(108,521)	

Controllable Labor

Clinical Supplies

Facility Expenses

Other Expenses

	Pedo	Ortho
Revenue	100.0%	100.0%
Controllable Labor	24.2%	18.3%
Clinical Supplies	4.9%	10.7%
Dr Comp	22.9%	22.5%
Facility	6.2%	7.2%
Other	12.3%	14.2%
<b>EBITDA</b>	<b>29.5%</b>	<b>27.1%</b>

How Can these be managed?

Full company financials include a complete income statement (division and corporate expenses, “ITDA,” capital expenditures, etc), cash flow statement, balance sheet, and other supporting financial documentation

## Top Q's When Evaluating your P&L

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Did I meet Revenue budget?	Why or Why not?
Did I manage my controllable expenses? <ul style="list-style-type: none"><li>• Doctor Labor</li><li>• Hygienist Labor</li><li>• ODL Labor</li><li>• Overtime</li><li>• Dental Supplies</li><li>• Check in/ Check Out Labor</li><li>• Office Expense</li></ul>	Why or Why not?
Did I meet my CL margin?	Why or Why not?

## Homework Assignment

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- ❖ Your RDO will send you your office's February P&L
- ❖ Using this template review the P&L and answer each question with as much detail as possible.
- ❖ Homework should be emailed to [D4CUniversity@d4c.com](mailto:D4CUniversity@d4c.com) by Friday April 23<sup>rd</sup>.

Did I meet Revenue budget?	Why or Why not?
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Did I meet my CL margin?	Why or Why not?