

## Dentist Incentive Programs

### What are the parameters to be met?

- Dental program reaches sustainability first
- Financial goals designed to generate at least enough revenue to meet direct and indirect expenses
- Productivity goals designed to increase access AND foster completion of treatment plans
- Contains quality goals

### Reward all staff or only providers or those who meet individual financial/productivity goals?

- Rewarding all staff fosters teamwork and accountability
- If wide variability exists among providers, consider basing bonuses on individual performance AND attainment of departmental goals

### How to make it work

- Profit forms “incentive pool” from which bonuses are distributed
- Support staff can receive either:
  - Fixed dollar amount bonus or
  - Flat rate percentage of available incentive pool
- For providers, % of incentive pool received should be based at least in part on attainment of individual goals set
- Bonus amount given should be pro-rated based on number of hours worked

### Metrics to Measure

- Access (visits, priority populations)
- Productivity (gross charges, net revenue, number of procedures)
- Quality (completed treatments, other outcomes, compliance with documentation, etc.)

### Setting Goals

- Know your costs (direct and indirect)
- Know your potential capacity
- Define realistic capacity
- Define your quality measures (HRSA, Healthy People 2020)
- Use benchmarks as guides

### **Provider Goals**

- Number of visits per day
- Number of procedures per visit
- Gross charges/day
- Gross charges/visit
- Projected net revenue/day (based on practice's overall collection rate)
- Number/percentage of completed treatments
- Other outcomes measures, if applicable
- Compliance with documentation (target: zero variance with quarterly chart audits)

### **Practice Goals**

- Failed Appointment Rate <15-18%
- Gross Charges (based on expected collection rate)
- Net Patient-Generated Revenue
- Total Visits
- Payer Mix
- Patient Mix (percentage of priority populations)

### **Residency programs**

- For clinics with dental residents or student, staff dentists who precept get full credit for whatever revenue their residents or students generate

## **Dentist Incentive Examples**

### **Example 1: Commission based**

- Providers' salaries are 100% based on a percentage of their productivity (typical range is 30-35%)
- Productivity = the net revenue collected for the dentistry each provider performs
- Review the market rates for providers and offer a competitive and fair commission that your dental program can afford
- The provider receives fringe benefits in addition to the commission
- Providers who elect not to receive benefits may receive a higher commission
- For each 2-week pay period, run reports by provider to determine payments posted to patient accounts for services provided by that provider
- Multiply that amount x commission percentage to determine gross pay for payroll
- Payroll taxes and employee benefit contributions are subtracted just like they would if the provider were salaried

APPENDIX A: INCENTIVE PROGRAM (NNOHA Workforce Manual, [Resources | Practice Management | Operations Manual \(nnoha.org\)](#))

- For example, for two-week pay period, payments totaling \$24,000 were posted to patient accounts for services provided by Dr. A
- $\$24,000 \times 35\% = \$8,400$  in commissions owed to Dr. A
- Payroll taxes and employee deductions = \$2,100
- Total paid out to Dr. A as “salary” = \$6,300
- After taxes and other withholdings, Dr. A nets \$163,800 per year

### Pros & Cons

- Providers are highly motivated to be productive
- Potential for providers to abuse system by over treating—need to monitor to ensure quality
- Potential for providers to abuse system by cherry-picking patients—need equitable scheduling process and controls on who schedules appointments
- Establish quality assurance indicators to ensure ethical work
- Monitor completed treatment plans, patient outcomes and patient satisfaction

### Example 2: Base plus Commission

- Providers are guaranteed a base salary plus ability to receive commissions on revenue above a pre-determined threshold
- For example, base salary of \$110,000/year
- Dentist generates net productivity of \$24,000 each two-week pay period and receives 35% of productivity above \$18,000
- $\$6,000 \times 35\% = \$2,100$
- $\$1,575$  after taxes/deductions  $\times 26$  pay periods = \$40,950 in additional net take home pay for total salary of \$150,950
- But potential to increase take home salary by increasing productivity

### Example 3: Incentive Bonus

- Provider receives a market rate salary
- Provider is eligible for periodic bonuses based on the attainment of defined goals
- Goals should cover access, productivity and quality goals
- Not strategic to base bonuses solely on number of visits
- Crucial to have good systems to generate reliable data to track and share performance
- A full-time dentist gets an annual salary of \$150,000 plus benefits
- On a quarterly basis, the dentist’s performance in meeting practice goals is reviewed
- If the dentist meets or exceeds practice goals, he or she receives a bonus
- Available bonus is \$1,500-\$3,000 per quarter
- \$1,500 awarded for meeting goals with higher awards for exceeding goals (e.g., \$2,000 for exceeding goals by 25%, \$2,500 for exceeding goals by 50%, \$3,000 for exceeding goals by 75% or more)

## Staff Bonus Programs

Many dental practices have incentive programs in place to reward dentists for meeting or exceeding productivity goals. Financial rewards can be a powerful tool to motivate providers to work harder and achieve key practice goals. But what about the rest of the dental staff—what is being done to reward them? Practices that reward only the dentists (or dentists and hygienists) are missing an important opportunity to create overall teamwork and shared accountability by investing each member of the dental practice in rewards based on the successful attainment of key strategic goals.

Bonuses can be awarded monthly, quarterly, semi-annually or annually. We recommend quarterly as that keeps the reward program fresh in everyone’s minds. For any given quarter, a **net revenue** threshold must be met for the bonus program to be activated. Net revenue should be used as this figure represents **actual** revenue collected for patient care provided—staff should not be rewarded for anticipated or expected revenue (e.g. **adjusted production**) because of the risk that the practice won’t collect enough of the expected revenue to cover its direct and indirect operating expenses.

The quarterly net revenue threshold needs to be determined for each individual dental program as one-fourth of the total net revenue needed to at least break even (that is, generate enough net revenue to cover all direct and indirect expenses for the dental program). For example, if the dental program needs to collect \$1,000,000 in net patient revenue to break even, the quarterly net revenue threshold to be met for the bonus program to kick in will be \$250,000. If the practice collects \$250,000 or more in net patient revenue, each staff member receives a bonus. If the practice falls below the \$250,000 threshold, bonuses are not awarded for that quarter.

The projected cost of the bonus program needs to be identified on an annual basis and included as a line item expense in the annual operating budget.

Dental staff can be broken up into reward categories based on job functions:

1. Dental assistants and reception/registration staff
2. Expanded Function Dental Assistants
3. Dental hygienists
4. Clinic manager(s)
5. Dental billers

Quarterly bonus amounts can be the same for each staff member or can be different for each job category.

In the following example, dental assistants and reception/registration staff receive the same amount (\$350 per quarter). Expanded function dental assistants get \$400 per quarter, and hygienists and the practice manager get \$500 per quarter.

### **Example - Quarter 1: Net revenue threshold is met**

The practice has two full-time dental assistants (40 hours each), two part-time dental assistants (20 hours each), two full-time reception/registration staff (40 hours each) and one part-time reception/registration clerk (20 hours per week)

2 x \$350 = \$700 for full-time DAs

2 x \$175 = \$350 for part-time DAs

2 x \$350 = \$700 for full-time reception/registration clerks

1 x \$175 = \$175 for part-time reception registration clerk

The practice employs two full-time expanded function dental assistants

2 x \$400 = \$800 for EFDAs

The practice employs one full-time and one part-time hygienist (20 hours per week)

1 x \$500 = \$500 for FT RDH

1 x \$250 = \$250 for PT RDH

The practice employs one full-time practice manager

1 x \$500 = \$500 for practice manager

Total bonus outlay for the quarter = \$3,975

In determining the annual bonus line item expense for the year, the dental program should plan for the possibility that the dental practice will meet the quarterly threshold four times to ensure that sufficient funds are allocated in the operating budget for the bonus program. In the sample above, the dental practice will budget \$15,900 for the annual bonus program.

In the event the net revenue threshold is not met for a particular quarter, practice leadership should assemble the entire dental team to evaluate program performance for the quarter against practice goals and discuss barriers to success and potential strategies for overcoming those barriers.

Some additional components of the bonus program dental practices can consider:

1. New staff members do not qualify for the bonus program until after the first 90 days of their employment.
2. Staff who have more than a defined number of unscheduled absences (e.g. 3 or more) in the quarter forfeit their bonus for that quarter.