Ep #92: Creating a Secondary Revenue Stream and Increased Production in Your Practice with Dr. Bruce Baird

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Dr. David Phelps and Evan Harris

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Bruce: We've seen doctors go to fifteen hundred an hour. Well, if you work four hundred an hour and now you're producing fifteen hundred an hour, all of the sudden, your revenue changes and your lifestyle begins to change, because you're starting to see growth, monthly growth every month. Most dentists have never taken more than a week off because they've got their team there and they don't have this revenue stream coming in unless the drill is turning.

You're listening to the Dentist Freedom Blueprint podcast, with David Phelps and Evan Harris.

Navigating you through the uncharted waters of a turbulent economy with straightforward advice to transform your practice into a self-sufficient cash machine. Compound your net worth assets and multiply, multiply, multiply your passive cash flow streams.

David: Good day everyone, this is Doctor David Phelps of the freedom founders mastermind community, and also your host of the Dentist Freedom Blueprint podcast. Back to you today with a really fun and exciting call. This is going to be with a gentleman, two doctors, actually, who have been good friends of mine for a number of years, and the topic today, I think you're going to find a lot of relevance, because we're going to be talking about finance.

Now, we're going to talk about a different kind of finance thank you're probably thinking about. You're probably thinking about, well, you're going to talk about how do I get better practice financing or how I can finance my new home or my boat or my car. That's not where we're going today. We're going to be talking about creating a secondary revenue stream and increasing the production in your practice both at the same time. So let me talk about my guests. First of all is Doctor Bruce Baird and his former partner Doctor Jeff Buske, both have been good friends of mine. Gentlemen, are you with me today.

Jeff: We are.

Bruce: We are Dave.

David: Good deal. Let me tell you a little bit about Bruce. Bruce is known as one of America's most productive dentists and leading productivity experts. He practices comprehensive trigger planting and full mouth restorative care in the Dallas Fort Worth Texas area. In 1990, he established the Texas Centers for Implant Dentistry, a mobile practice that allowed him to work with more than twenty five doctors in the region.

Recognizing his ability to help other dentists achieve the same success, in 2004, Dr. Baird founded the Productive Dentist Academy and partnered with Vicky McMannus, a registered hygienist in 2005. He's also the founder of Comprehensive

Finance, which is what we're going to talk about today.

But Bruce, I want to say first of all, I got to know you and Jeff back in right about 2005, right about your first or second year of Productive Dentist Academy and I have to say that as a member at that time, I found everything that you were bringing to my practice when I was still in practice, and to the other doctors that were part of that, was just nothing less than outstanding. You teamed up with Vicky and really brought, I think, and still to this day, one of the most formidable professional practice platforms about efficiency and higher production. And doctors who know me know I'm more about the exit strategy and how to orchestrate your finances, but if you don't deal with your current practice and optimize that, there's no sense going on to the next step. So I just want to get the entrée there to let people know that you're a lot of things and you guys together have been a formidable partnership. So welcome to our call today.

Bruce: Thanks David.

David: So let's talk about this revenue stream Bruce. I love multiple revenue streams and in my business I gain a lot of revenue streams through financing real estate. I have consumers that will buy homes from me and I'll seller finance and I'll carry the paper. And you know what, that's worked out to create a very large revenue stream for me with no management, no hassle, and it's also a way that one is able to sell more product or more real estate in a marketplace today where financing ... even though interest rates are relatively low ... financing is still difficult for a lot of people to get and we all know that financing a product or a service, whether it's a home, it's an automobile, it's a vacation trip, is the way to get people to be able to buy more of that product or service. So I think that's, in essence, what you have created in the dental industry. Am I correct?

Bruce: Yeah, absolutely Dave. 2008 I was starting to see changes in just behavior of patients, they were wanting to hang on to cash even if they had it, they wanted convenient monthly payments, but many of them didn't have, maybe the credit scores, or the ... we call it payment worthy now. Because ninety five percent of Americans, they make monthly payments without missing, they're consistent and so I saw an opportunity.

As a matter of fact, Jeff and I were coming back from a meeting and he said "if we could get two thousand dollars down, could we finance Ortho?" And I thought "well, two thousand down, yeah, how much do we have in it?" Meaning what are our hard costs. He said about four hundred dollars. I said "what do we charge?" He said fifty five hundred. And I don't do Ortho, but I said "wow, that's a pretty big margin there".

I started thinking about CEREC or CAD/CAM dentistry with a thirty dollar block and a twelve hundred and fifty dollar crown and I'm letting people walk out the door because they may not have all the money up front. And so, it's really changed. We started the company 6 years ago. We've done now over ... we're approaching a hundred million dollars in notes for our doctors. It's not ours, we just service the notes for them. So what I really wanted, as a dentist was, I wanted to have a third party be my in house financing, do all the collection so my team wouldn't have to do it and create great dashboards and stuff like that so I could see every loan I have in my system and create this passive revenue stream, this secondary revenue stream that not only most dentists don't have, as you're aware, they could do it. But that's really what we did, that kind of what started the entire process 6 years ago.

David: And Bruce, what have you seen that it's done in terms of production? Let's just leave that revenue stream off to the side. What about the ability to have more treatment accepted because the financing's now available. What have you seen? Give me some averages or ballparks, that case study type of metrics that you've got.

Bruce: Well, the average dentist in the country is doing four hundred and five dollars an hour, that's thirty two hundred dollars a day, which is basically only 2 or 3 crowns a day is all they're doing. The rest of the time, I think they're online or doing whatever, but they're not doing a lot of dentistry. And, in my opinion, when you're not doing a lot of dentistry, well you're not getting to help a lot of people.

So what we've seen is doctors go into starting to use financing and giving patients an opportunity to finance over a period of time. Maybe it's twenty four months, maybe it's sixty months. I don't mind because the longer it goes out, the more interest I make. But we've seen doctors go to fifteen hundred an hour. Well, if you were at four hundred an hour and now you're producing fifteen hundred an hour, all of the sudden, your revenue changes and your lifestyle begins to change because you're starting to see growth, monthly growth every month. Most dentists have never take more than a week off because they've got their team there and they don't have this revenue stream coming in unless the drill is turning.

And the nice thing about this is, the drill is turning, but what's going to happen is, you're going to start getting this revenue stream coming in, starts out 2 or 3 thousand a month, then it's 6 then it's 8. We have a couple offices that bring in over eighty thousand a month now. They can take more than a week off. It's really changed the way dentists are able to be more productive because if you could get everybody to say yes, or at least ninety percent of the people, just work out some convenient monthly payments, that's a game changer in dentistry. Really works that way.

David: Yeah, no question about it. So let's just take one example. You mentioned Ortho, so I don't know if you want to take another example like Ortho, the one you were talking about, fifty five hundred dollar total case, two thousand down, four hundred dollar hard cost. Do you want to use that as an example, or do you have another one that you'd like to use that we could just ... let's just walk through the numbers and the financing and what it looks like from the patient's side as well and what the financing terms are. Let's just kind of walk through one. Could we do that?

Bruce: You bet. Probably the best way to look at things is, Gordon Christensen came out this past year saying that nine out of ten crowns now done in the United States are done one at a time. Single crown, that's it. And the reason is, it's fairly straightforward. You go, you present 5 crowns to the patient, they need 5 teeth worked on, and first thing out of the patient's mouth is "what will my insurance cover?" Your team member says "well your insurance is going to cover fifteen hundred dollars and your portion is going to be thirty five hundred, so total of five thousand". The next thing out of the patient's mouth is "wow, can we just do one?" And your team member, because they're compassionate people and everything else, you have no other options, they say "well sure, we can just do one". Well what this does, first of all, is it allows the insurance company to keep a thousand dollars and they're laughing all the way to the bank. The other thing is, your patient has to come out with five hundred out of pocket.

Instead, what we say is "well you could do that, but why don't we just do this, why don't we use your insurance as your down payment". Which, a down payment needs to cover whatever your hard costs are, and that would be more than enough to cover your hard cost. "So why don't we just use your insurance as your down payment and let's just work out some convenient monthly payments. It could be as low as eighty dollars a month". Or, whatever time, and so with our software it pops up and they get to choose from 6 months to sixty and they have a bunch of different levels of what their payments could be and the patient says "well I can do one fifty". I usually will tell them "well why don't we just do one twenty five, let's make it easy, and you can always prepay it, there's no penalty." And I've never had a patient say "no, I really want to wait every year and use my insurance."

David: Right.

Bruce: So now, you're getting fifteen hundred cash from the insurance company. You're doing 5 crowns, which you could do in 2 hours easily. Now you're at seven hundred and fifty an hour, cash pay. So, you picked up fifteen hundred, which over 2 hours, that's seven fifty, seven fifty, which is three hundred more than they're making now.

The other factor is, you picked up another thirty five hundred dollars of high valued short duration payments.

David: What is the interest rate to the patient?

Bruce: Interest rate varies depending upon what state you're in, but thirty eight states, you can go up to eighteen percent. And what it is, we rate the paper A, B, C, D or E, depending upon the credit score, but not just credit score. That's all that Care Credit goes into. We also look into their checking histories. We look into, do they write NSF cards, do they take good care of their money and do they make monthly payments on a regular basis.

And what we see across the industry, Gordon Christensen talks about nine out of ten crowns being done one at a time now, which is amazing. If anybody needed 4 or 5 crowns done, any one of us, we'd want it done in 1 visit or 2, but no way am I going to go ten visits to get it done, yet ninety percent of the patients in the country are having their crowns done one at a time. And the reason is, you tell the patient what they need, say you need 5 crowns and the patient, first thing out of their mouths is "well how much will my insurance cover?" And your team member says "well it will be fifteen hundred and your portion will be thirty five hundred, so it's a total of five thousand." The patient then, the next thing out of their mouth is "uhh, well can we just do one?"

Because the average person in the country only has forty six hundred in their checking account, they have sixteen thousand eight hundred dollars of debt in just their credit card alone, and that's going up two hundred and fifty dollars a quarter. So, they're just worried about ... they just need monthly payments and they can't come up with the cash right now.

What we say instead, patient says "can we just do one", your team member says "yeah, sure, we can just do one". What we say is "Well, you could, but why would you want to do that, why don't we do this, why don't we have your insurance pay your down payment, which is fifteen hundred and then why don't we work out some convenient monthly payments for the rest? You could have payments as low as eighty bucks a month." Well, that's awesome because now the patient says yes and they say yes consistently. I've never had a patient say "no, I really just want to do one at a time", especially if they could make those convenient monthly payments that fit into their budget.

So that's really what's been, really changed the industry because now, whether it be implant cases, no matter what, we just want to get a down payment to cover our hard costs and then we start to create this high value short duration paper. Fifteen hundred dollars from the insurance company and you're doing 5 crowns. Well, the good news is, it's going to cover your hard cost. It also gives you cash for 2 hours at seven fifty an hour, but allows you also to have thirty five hundred dollars in high value short duration paper paying you over whatever months that the patient determines they want to pay it.

So that's kind of the philosophy that we're using and these patients are either A patients, B patients, C patients, D patients or E, so we classify these patients based upon their creditworthiness and their payment worthiness. We look into their checking history as well as their credit scores. So it's not just credit score. That's what the Care Credits do, that's what ... and here's something about Care Credit and Lending Club. Eighty five percent of their loans are twelve months interest free.

Well, interestingly enough, when people quit using it, our doctors, when they quit using it, they've had a three hundred percent increase in cash payers. So, what we've been taught by them to do is to say "well we have interest free financing." Well on a ten thousand dollar case, they keep a thousand of it, so they keep ten percent. And these are actually the only patients in your practice that could actually pay you cash. So when you don't offer that, they actually pay you cash, and if they need monthly payments, then by golly, it should have interest associated with it. An A patient may pay nine point nine percent interest, a B, eleven nine, thirteen nine, fifteen nine to seventeen nine. So everybody is paying interest based upon their payment worthiness.

David: So do you set up the ... you set up the infrastructure, you've got the dashboards, you're the servicer. Does the dental office, does the dentist need to have any particular consumer lending license based on the state? What does that look like, what do they need to do to be set up to do this with you Bruce?

Bruce: We set them up in each state, whatever state that they're in, we set them up for that. We go through the regulations and every state's different. Some of them charge X amount, twenty five dollars per year, some charge fifteen hundred a year. So, we work with the doctor to get them set up so that it's legal in their state. We very much stay within the rules and regulations of each state and federal regulations.

That's a problem I've seen over and over again as we've gone across the country. A lot of docs say "well yeah, I do some financing. We go out 6 months or 9 months." The problem is, I haven't seen one of these plans that are following anything as far as regulations and you've really got to be careful because those are things that can cause some serious problems, legal problems and legal issues. So we stay within that, we have clients in all fifty states and again, we've almost a hundred million in loans, worked with over fifty thousand patients. And we do all the collections, with all due respect to our collections team in our practices, we don't want you doing it because we have experts, that's what they do.

We have 8 people, if a person misses a payment, we get ninety seven percent of them back up and paying within twenty one days. So if they see you calling from the dental office they just hang up or they don't even answer. They know they owe you money. With us it's a truth in lending document. They fill out paperwork just like they're buying a big screen TV down at Best Buy.

David: And you know, Bruce, there's a real negative connotation that goes along with what I call conventional, traditional collection agencies and I know that most dentists, if they have carried some financing not through a program or protocol that you've set up but I mean, just here and there, carried a little bit of a balance for a patient for example, and it goes bad, number 1, as you said, our offices, our teams are not set up to know how to really collect. There's laws involved there, and yet, going to an outside agency, the fear for most of us is doing it the right way. You don't want to just blast a relationship and kill it because there's so much negative viral after the fact. So what approach do you take on collections, and do you work with the doctor and their office in terms of how aggressive or lenient they want to be? How do you assess that?

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Bruce: Well, it comes down ultimately to the decision of the doctor, but what I tell them is what I do, and I'll give you some examples of ways. We go into a ninety to a hundred days of soft collections where we just are trying to call the patient and we get ahold of them and they end up making their payments. But there's ... we right now pay at ninety six point two percent of usual and customary fees. That's after our fees for doing the collections, and after defaults. So, defaults are not really very high.

We know that A is default at less than one half of one percent and we know that E is default at about seventeen percent. You say, well why on earth would I ever do an A? Well, because you have eighty three percent paying you seventeen point nine percent interest over the life of the loan. Banks understand that interest offsets risk and it does. You have fifty loans, here's the way I look at it, and I have a lot more than fifty loans, but the way I look at it is, if I have somebody that can't pay, first of all, we'll get ahold of them. And they'll say "well my air conditioner went out and I've got some ... my kid wrecked the car and I just don't know what I'm going to do".

Well what our team really understands, and that's why we call the consumer part of this compassionate finance, the doctor's side is comprehensive finance. But, what we do is we'll say well "I see that you have thirty one months left on your note, why don't we do this. You're paying a hundred and forty a month, why don't we stretch it out to forty two months. Let's lower your payments down to one ten and why don't we skip this month and put it at the back end, would that help you?" We've had people crying, they can't believe that somebody would actually work with them. You do that with conventional third party, they just turn you right over to collection agency. Well you're trying to collect money from people who can't pay you because obviously they have things going on in their life.

As far as hard collections go, if somebody wants us to turn it over to Vinny, that's fine, we'll do it. I'll tell you what I do Dave. I write a litter to them and I say "Bob, I know that you're having some personal issues and some financial problems and challenges. Here's the deal, I'm relieving this debt, you don't owe me anymore. I'm still your dentist, I'm still here to take care of you. God bless you guys, I hope you get things turned around".

Now in the town where I live, I've had to send one letter out and I've got lots of loans. But the truth is, I'd rather send that out cause I'm not going to get it collected anyway. I've had patients send me additional people just because I'm doing the right thing. I'm getting interest off of fifty other loans that more than cover the one that defaults. That's really, to me, it's just the right thing to do in those circumstances.

David: Yeah, Bruce I totally agree, and you're right, when you have a relatively large portfolio in this case of service paper, you're right, the weighted averages make up for the very few defaults and yes, I think you will get back far more in referrals and goodwill by the occasional, as you said, letter you send out. Plus you've already covered your hard cost and then some and you've also been doing comprehensive dentistry in most cases more efficient and better for the patients because you've got all this capital intensive infrastructure in your practice. You've got your overhead, and my gosh, that's why I wanted you to bring this up, you did a great job. Many doctors, their first thing was "oh my gosh, what if someone defaults?" And you just covered it, there's no reason not to investigate this.

All right, so next follow up, and then I want I want to get our friend Jeff Buske on the phone and talk about his experience, but my last question for you really Bruce, on this subject is, what's the intake look like ... So the patient's in the practice, they've had the treatment plan presented, they're ready to go because they've been show that there's a way to finance it. Now, what happens next in the office, how's the dashboard work with your portal and getting them approved and classification from A to E and all this kind of thing?

Bruce: Well the neat thing is, it's pretty much seamless, it's all done with tablets or even on the patient's own phone. They can fill out the application, takes them 5 minutes, they push a button and it says ... we'll push a button for them ... but it'll say they've been approved or call for override. That means your team is going to have that, and I'll mention ... call for override ... I'll mention why we have that.

Ninety percent of the patients are going to be accepted, eighty five to ninety percent. They actually make monthly payments and they do a great job. You hit the button and it says accepted, it automatically comes out with their interest rate and a list of fifteen different payments. One might be eighty dollars a month for sixty months, all the way to, it might be two thousand a month or fifteen hundred a month for six months and the patient just picks which one they want. So they hit that button, it comes up to truth and lending document, they say "I agree", they sign it right there on their tablet or on the phone and push a button and that's all it is. Now the patient is ready to get the work done. It's pretty well seamless.

David: That's excellent, that's excellent.

Jeff Buske, I know you're kind of running mobile today but I really wanted to get you on the line today so why don't you pop your -

Jeff: No problem, no problem.

David: There he is, there he is. So Jeff, you've recently started up a new practice in the last couple years. Tell the audience a little bit about how your utilizing comprehensive finance in your practice, kind of what it's done for you, what you've seen it do.

Jeff: Sure, great. Well Bruce and I have been practicing together, and we still practice together, we've been practicing together since 2004 and the last couple years, I opened up just a scratch practice to run as a business with an associate in there, and I go over and I'll work a day or so a week in the practice, but mostly it's the associate driven practice. And, the opportunity to take and utilize the financing there is huge. One, it starts to allow the opportunity to fill up the associate's schedule.

So one of the things that I've looked at doing and utilizing there is to ... I make the down payment, twenty five percent, for the individual having their treatment completed and that covers a lot of the cost for what the associate is getting paid and there's some different formulas that we can be happy to share with you maybe in the show notes and so forth there on how we can break out some different formulas on how you can pay an associate with that in this model.

It can work very, very well and very advantageous to everybody really. To the patient, it's a win because they're allowed to get their treatment done, to the associate it's a win because it's allowing them to fill up their schedule, and to the practice it's a win because now you're having ongoing revenue coming in.

You're getting your hard costs covered and you are continuing to build your portfolio. So it's really an incredible opportunity to allow somebody to start to build their practice and allow you to have that put in your marketing. For basically marketing, hey, we do take care of great, easy financing, no insurance, no problem. There's a lot of ways you can market that and for us to have different opportunities that were not really available, especially when, places like Care Credit really tightened up the purse strings and not being so willing to lend. Does that make sense?

David: Makes total sense and you know, Jeff, I'm glad you brought up the aspect of how you're using it in your practice where it's basically associate driven because there's so many doctors today that would love to figure out the formula for bringing an associate, maybe an associate to become an eventual buyer.

Whatever the case is, there's always that gap, right? There's always that gap because they never really cranked up their marketing because they can't handle it all and now they're thinking about bringing an associate, but they go "well, do I have enough production for the associate?" Because that's really the job of an owner or a senior doctor to provide that, and now you've got another link to making that happen. So I think, yeah, sharing the models that you've built on your associate driven practice might be very helpful for docs that are saying "how can I make this work and actually make it viable to bring an associate in my practice?" Do you agree Bruce?

Bruce: Oh, absolutely, I mean, In fact, I'm going to be speaking at a large group practice meeting tomorrow in Phoenix ... or in Scottsdale ... and it's basically about, how do you compensate your associates that creates more longevity for them, an added stream of revenue, and also more productivity for the associate, so it really is a win-win.

David: Perfect, so I want to make sure that people know where to get more information and where to find you. So I know the website is www.comprehensivefinance.com, that's comprehensivefinance.com, can go there and find more specifics, frequently asked questions, some of the ins and outs of it. Is that the best place for people to go as far as next step Bruce?

Bruce: It is, and they'll talk to Charles, Charlie Brown, they're going to be talking to Charlie, and the phone number, if anybody's interested is 866-964-4727. But I'd go to the website, look at all the testimonies, look at how it works. There's a lot of featured videos on there, there's a lot of information for people to look at. Then give Charlie a call and he'll kind of walk you through the steps of how to get started.

David: Perfect. Excellent. Well, thank you so much for sharing this information Bruce. I really think it is extremely viable, especially in the marketplace today where we know a lot of our great colleagues are in some markets struggling to a great degree and I think this is a very instrumental pillar to add into any practice that can be done easily because you've set up the infrastructure, you've got it really laid out so the doc can implement this easily and, gosh, because you're running such a volume now, nationwide, the small percentage that you take is all you need to make this thing viable and the doctor's left with, as you said, nine six point two percent was the payout, so that's a very small discount to take to ramp up your production and have a higher productive and more efficient practice.

Bruce: Do doubt about it. Thanks David, I really appreciate the opportunity.

David: Thanks for being on the call. By the way, Jeff's one of our freedom founders members and Jeff, I know that you know we're big on paper and financing in the real estate sector, but I thought this was such a great segue to take what we already understand in financing and actually make it work in one's practice. Because the practice is the number one asset to leverage. Real estate's great as a bolt on, but gosh, if you're not doing this in your practice, you're missing the boat, so thank you both for being on the call today, I know our listeners have very much enjoyed the information, I hope many will take action and look at this as a viable way to enhance their profitability and next steps. So everybody have a great day.

Jeff: Thanks David.

Bruce: Thank you.

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