



# Planning for financial success of OMS practice

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Reviewing your historical performance and planning for the year ahead is a vital process that can reveal what you do well and what you can do better as well as set your path to improvement. It is recommended you explore eight key aspects of planning that will help you maximize your practice profitability in 2025.

■ **Assess performance** – Reflection is a powerful tool in business. If you haven't already, take the time to assess your performance during 2024. Identify areas of success and celebrate achievements, but also acknowledge and analyze any unmet objectives. Understanding the reasons behind these shortcomings provides valuable insights into potential areas for improvement.

What were your revenues and profits by month? Who generated the revenue, and were there any trends or stories you can identify? Perhaps the summer was slower, or maybe revenues were down in certain categories versus the prior year. Maybe you did not perform as you hoped in a certain service line.



■ **Set revenue goals for 2025** – Now it's time to plan for where you want to go. To plan for that month-to-month number, consider factors like how many patients you will serve, what fees you will charge and when you will be open. If you plan to see 200 patients in January with an average \$500 bill, you can expect to earn \$100,000 in revenue for the

month. But if the number of patients drops to 150 in July because one of your providers is on vacation, you will need to plan accordingly.

Ensure your goals are **Specific, Measurable, Achievable, Relevant** and **Time-bound** (SMART). Whether it's increasing market share, improving patient satisfaction or expanding your service offerings, each goal should contribute directly to the overall growth and success of your practice. It's important to understand where you want to be financially and map out a plan that encompasses those goals and objectives.

■ **Build a budget** – If the goals you have set are the buried treasure, your budget will give you how many paces to take and where to dig to find it. Basically, a budget is your revenue minus expenses, both variable and fixed. Your monthly top-line revenue is the result of hitting the production and collections goals you set. Now, factor in any anticipated changes – such as expansions, new service offerings, hiring needs and adjustments to fee schedules – and move on to expenses.

■ **Plan for expenses** – After budgeting for revenue, you will need to plan for expenses. Historical financial data can help predict your monthly expenses. As revenue increases, so will your variable costs, since completing more procedures can mean using more supplies, working more hours, etc.

Fixed expenses like rent, insurance and marketing are just that – fixed. They should stay relatively flat month-to-month unless you are planning an expansion or other irregular purchases. If you can subtract these expenses from your revenue and have a number in the black, you have made a profit. You can use that extra money to invest in people and equipment to help your practice grow.

■ **Consider staffing** – Are your current doctors booked months in advance? Do you panic when a staff member goes on vacation? Are patients turning to other practices because they can't get in your doors? Symptoms like these often point to a single solution: hiring new employees.

Hiring a new doctor can help double the size of an OMS practice. You can treat more patients, build brand awareness and ultimately produce more revenue.

However, adding a new doctor takes time and money. Starting with a hiring plan – like working with a recruiter and creating job listings – can offload some of the stress. And it helps to have three to six months of expenses in

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reserve to offset the cost of the new hire's salary. Once you have more patients in the door, you will begin to see a return on your investment.

Once you have found the right person for the job, you will want to consider proper compensation. Whether they receive a flat salary or commission will depend on their experience. You can talk with your accountant and use that handy budget you created to understand how much compensation your practice can afford.

■ **Evaluate equipment** – There are two ways to acquire new equipment for your practice: leasing or buying. It's important to consider what you can afford as equipment often comes with hefty price tags.

When leasing, you make tax-deductible payments to use a piece of equipment and then return it at the end of the lease. Payments on a lease may be smaller than those you would make if you bought the equipment outright. However, consider the cost of interest – it might be more expensive to lease than to pay a loan.

The purchase of equipment is often financed by a loan. On one hand, you own the equipment and can get a tax deduction for the depreciation. Plus, interest rates may be in your favor. But if the equipment could become obsolete or you can't afford the down payment, it might not be the right option.

■ **Focus on cash flow** – If you have made a budget but the numbers are coming up short, it might be time to examine your cash flow. Using percentages and benchmarks can help you understand the data. Calculate each expense line item as a percent of that month's revenue. You can then compare that percentage to past months, industry benchmarks and key performance indicators to see if you are on track.

There also are several common but fixable ways that money can leak out of a practice. Trouble spots include:

- **Supplies and inventory** – It's possible to order too much or waste supplies that expire. To combat unnecessary expenses, implement an inventory

management software that keeps a close eye on what needs to be purchased and what does not.

- **Payroll increases** – Most practices have seen an increase in employee salaries over the past few years. Accommodate by increasing your own fees where you can.
- **Seasonality** – If you have a slow season, it helps to plan ahead and have extra cash flow on hand ahead of this time.

Consider collaborating with your employees and key stakeholders to gather insights into individual needs. This collaborative approach ensures your budget is comprehensive and aligns with the strategic goals all the way down to the employee or associate doctor level.

■ **Meet with CPA and business consultant** – Professional guidance can be beneficial during the planning process. Schedule a meeting with your CPA and business consultant to ensure that you are maximizing financial opportunities and adhering to best practices. Your CPA can provide valuable insights into tax-saving strategies and compliance opportunities.

Similarly, a business or financial consultant can offer a fresh perspective on your business operations and forecasting for the coming year. They can help identify areas for improvement, recommend strategic changes and guide you in aligning your business goals with market trends. The collective expertise of your CPA and consultant can be instrumental in shaping the financial health and strategic direction of your business in the new year.

Effective planning is a comprehensive process that involves financial diligence, goal assessment and professional consultations. By reflecting on and setting new goals, building a clear budget for 2025 and meeting with your CPA and business consultant, you can equip your practice with the tools and strategies necessary for success in the new year. ■

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