

Quality Dental Plan Presents

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# Harnessing Buyer Behavior To Build Practice Profit:

How Using an In-House Membership Plan can  
Create Value for You and Your Patients

*by Dan Marut, DMD*



Special Report &  
Breakthrough Quiz

[www.QDPdentist.com](http://www.QDPdentist.com)

Over the past several years, dentists across the country have been asking themselves one very crucial question.

## “How can I grow my practice in this tough economic climate?”

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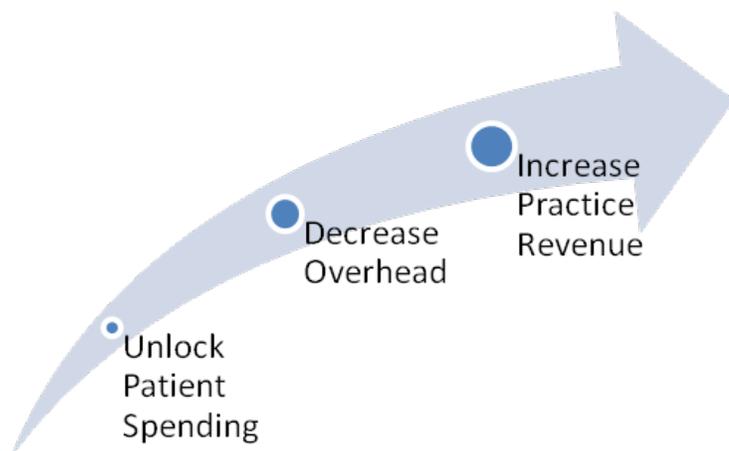
The astounding thing is that the answer already exists within your practice. There’s a simple, proven way to increase your revenue, build patient loyalty, tighten your recall, reduce overhead and grow your practice substantially, and best of all, it can be found almost entirely within your existing business model.

In this whitepaper, we’ll examine how your dental practice can thrive regardless of the economy by taking a page from membership-based retailers like Costco and by studying what they already know about buyer behavior. You’ll learn how implementing a membership program in your practice can help you stand out from your competitors by helping your patients see the value in your products and services, which can open the door to unparalleled new levels of patient compliance and case acceptance. Plus, we’ll look at how this can also benefit local employers, and show you how implementing a prepaid, fee-based membership plan can revolutionize your practice, freeing you from the need to accept dental insurance while increasing profits for your practice.

Whether your practice is already thriving or needs a shot in the arm to help keep itself afloat during the recession, this whitepaper will give you the information you need to take your business to the next level.

### In-house Membership Programs

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## Today's Financial Climate

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The economic crisis isn't taking any prisoners, so we owe it to ourselves to be brutally honest about what we're facing. There's frankly just not as much business coming in as there used to be, and left on its own, there's not going to be. The current recession has permanently changed the way people look at spending money. This change in perception is going to remain long after the recession is over, and as business owners, we need to acknowledge this change. We may not like it, but we must accept it and find a way to work within its framework.

Americans are learning to do more with less and returning to the basics of budgeting and responsibly managing their money. For the first time in a long while, value is in and frivolous spending is out. Consumers are questioning every dollar they spend – asking themselves if what they're spending it on is truly necessary.

That presents a particular challenge to dentists because except when they're facing a dental emergency, the average person doesn't really see dentistry as necessary. Not when they're on a tight budget and worried about how they're going to keep the lights on and the water running. Not when they're going to work every morning and wondering if they'll still have a job at the end of the day.

The typical way of doing business doesn't work in an economic climate like this. It's time to realize that patients don't see dentistry the way that we do and start addressing this through communication, education and innovative approaches to selling dentistry.



## Their Concerns Are Your Concerns

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Older patients were once a dependable source of big-ticket restorations such as implants and partials. However, over the past couple of years, many of those seniors have watched their retirement plans dry up and are now facing greatly limited budgets. Twentysomethings used to be a big market for cosmetic dentistry, but now many of them are losing their jobs or emerging from college to find a brutal job market and no real way to penetrate it.

With forced furloughs, layoffs, pay cuts, down markets and deteriorating home values, people across the country are facing the worst financial crisis since the Great Depression. As a result, your existing and prospective patients are being forced to make tough choices when it comes to their budgets.

Surely this is no surprise. After all, you're dealing with the same sort of issues, aren't you? Ultimately, there's no difference between the concerns you currently have and those held by your patients.

As a practice owner you want:

- **To reduce your overhead**
- **To take back control of your finances and increase your revenue**
- **To find a reliable source of sustainable income**
- **To operate more efficiently, since you can't afford to add staff**
- **To strengthen your relationship with your patients**
- **To enjoy your retirement when you decide the time is right for it**
- **To make certain you're getting sufficient value for each dollar you spend**

So you understand what your patients are facing because you're facing the same issues in your business and probably also at home. And since you're both in the same boat, you know that if you can provide them with something that solves even one their problems, you'll be nothing less than a hero to them. You'll have a patient for life. Therefore, if you can instigate a new system within your practice that offers your patients something they really need right now—genuine value—while also allowing you to improve your profit margin, then you have a system that will sustain your business forever.



The question isn't how you can hang on until the economy improves. It's going to be years before the economy fully recovers. Instead, a better question to ask may be:

## **“How can I provide a fresh solution to the challenges my patients are currently facing?”**

To do that, we must take a look at a few lessons some of America's most successful retailers can teach us.

### **Harvard Case Study: How Membership Programs Build Value for Retailers and their Customers**

Professors from Harvard and Columbia Business Schools recently conducted a study to evaluate the power of membership-based retailers. They found that:

- While many consumers equate membership plans with savings, the plans actually encourage consumers to spend more on a particular product or service, including health and wellness services like dentistry.<sup>1</sup>
- Membership fees unlock consumer spending because customers perceive added value in “members only” stores, they actually buy more. In the case of a dental practice, this means additional revenue from increased case acceptance – and a decrease in collections and overhead.
- While consumers expect lower prices in membership-based stores, they also consider these retailers more exclusive, so the perceived value of products and services doesn't decrease like they might at a 99¢ Store.<sup>2</sup> This is why manufacturers allow Costco to sell their brand-name items at discounted prices.
- Membership-based retailers also make a higher per-customer profit by bundling products and services together. Having patients prepay for bundled services will not only increase your predictable revenue and improve your collections, it also strongly incentivizes patients to be more agreeable to your treatment recommendations and suggested recall intervals.

<sup>1</sup> Norton, Michael I., and Leonard Lee (2007), “The Fees – Savings Link,” Harvard & Columbia Business Schools.

<sup>2</sup> Norton, Michael I., and Leonard Lee (2007), “The Fees – Savings Link,” Harvard & Columbia Business Schools.



**A fee-based membership plan can decrease overhead while increasing revenue.**



## Customers want value – and in return, they are rewarding stores like Costco with unprecedented levels of customer loyalty.

### So what can we learn from the Harvard case study?

- Membership fees signal exclusive, members-only discounts in the eyes of consumers <sup>3</sup>
- Membership fees actually increase consumer spending and overall store profitability <sup>4</sup>
- Healthcare plan fees allow for a higher product/service quality offered at a lower cost <sup>5</sup>
- Membership-based warehouse clubs are estimated to be a \$120 billion industry <sup>6</sup>

**“The presence of the membership fees alone – independent of the actual savings on any given product – can lead consumers to infer a ‘fees-savings’ link, leading them to spend more than they otherwise would to capitalize on these perceived great deals...”**

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### To see the complete study, visit:

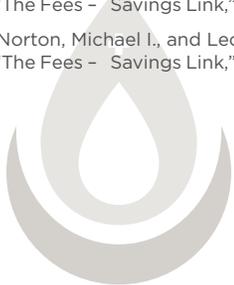
[www.QDPdentist.com/harvard](http://www.QDPdentist.com/harvard)

<sup>3</sup> Norton, Michael I., and Leonard Lee (2007), “The Fees – Savings Link,” Harvard & Columbia Business Schools.

<sup>4</sup> Norton, Michael I., and Leonard Lee (2007), “The Fees – Savings Link,” Harvard & Columbia Business Schools.

<sup>5</sup> Norton, Michael I., and Leonard Lee (2007), “The Fees – Savings Link,” Harvard & Columbia Business Schools.

<sup>6</sup> Norton, Michael I., and Leonard Lee (2007), “The Fees – Savings Link,” Harvard & Columbia Business Schools.



## Traditional Retailers vs. Members-Only Clubs

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Retailers know that customers see value in brand names, and that offering popular merchandise at fair prices is a sure way to increase sales. In fact, studies have shown that shoppers often buy things because of the perceived potential loss if they don't take advantage of a sale price <sup>7</sup>. And members-only stores know that their membership fees suggest that the process of shopping at their store holds value in and of itself. People are paying for the privilege of shopping there. They're paying for the ability to purchase at the store – to pay Costco and Sam's Club even more money!

Unsurprisingly, traditional retailers once scoffed at the members-only warehouse business model. Who, they asked, would pay a fee to shop somewhere? Several decades and billions of dollars in revenue later, Costco and Sam's Club have reinvented how people shop for household goods and services.<sup>8</sup>

**“We wouldn't charge you this fee if it wasn't going to be worth your while...”**

“Retailing isn't rocket science. Costco has figured out the big, simple things and executed them with total fanaticism,” according to Charles Munger, a Costco director for the past 10 years.<sup>9</sup>

If there was any doubt to the accuracy of Mr. Munger's words, the Harvard Study should put it quickly to rest. The study clearly examines this fee-savings link and teaches us what these pioneering retailers realized about buyer behavior: Paying members buy larger quantities and spend more because they experience a level of exclusivity and value far beyond what they actually receive for their annual membership fee.

## Dental Insurance Leaves Much to Be Desired

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Ah, dental insurance. The headache and crutch of many a practice. It's not only a frustrating business to be in for you, but it also has major shortcomings from your patients' perspective.<sup>10</sup> The great disparity between what people expect from their dental insurance plans and what they actually receive is another reason why a membership plan is a better alternative for both you and your patients.

Healthcare affordability remains one of our nation's largest problems. Insurance premiums have risen at a time when many Americans are out of work or struggling to pay their bills.<sup>11</sup>

<sup>7</sup> Lehrer, Jonah (2009), *How We Decide*. New York: Houghton Mifflin Harcourt Publishing. pp.76-78

<sup>8</sup> Norton, Michael I., and Leonard Lee (2007), “The Fees - Savings Link,” Harvard & Columbia Business Schools.

<sup>9</sup> <http://articles.moneycentral.msn.com/Investing/Extra/CostcoTheAntiWalMart.aspx>

<sup>10</sup> <http://communities.washingtontimes.com/neighborhood/dispatches-heartland/2009/nov/12/why-do-people-hate-insurance-companies/>

<sup>11</sup> <http://www.bcbs.com/blueresources/healthcare-trends-report/pdfs/2010-healthcare-trends-in-america-2.pdf>



In fact, the average yearly healthcare premium for a 40-year-old living in the U.S. is now over \$2,800. For someone in their early 50s, that number jumps up to over \$4,000.<sup>12</sup> Due to rising healthcare costs, annual family health insurance premiums have risen 23% in the last five years; employers continue to cover nearly three-fourths of those costs.

And at an average of \$1,500 per year, annual plan maximums are almost exactly where they were twenty years ago even though fee schedules have increased by nearly 25% in the past five years. What does all this mean? Simply that in 2011, having dental insurance doesn't necessarily guarantee any true savings.

That's not all. Claims can be denied by insurance carriers even after care that was determined to be appropriate and necessary and has already been provided. Meanwhile, dentists don't want to deal with collections issues and patients don't want to be stuck with the bill when they had a reasonable expectation of coverage.

For those who do not have dental insurance, dental care is often re-categorized as a luxury to be sought only when in dire need. The irony, of course, is that dental emergencies are often far more expensive than the simple preventative care that could have kept the emergency from happening. Patients need to be better educated about the importance of maintaining their oral health. But they also need affordable options for obtaining care, and it's clear that dental insurance is not filling that need.

<sup>12</sup> <http://www.ahipresearch.org/pdfs/2009IndividualMarketSurveyFinalReport.pdf>

## Insurance companies are dealing with their own paradox:

- They provide fewer benefits than ever and pass on costs to the consumer and the provider
- Insurance red tape is confusing for you and your patients
- The insurance billing process costs everyone time and money
- Patients lose trust in both the provider and insurance company when treatment they believe should be covered is not
- Annual premiums are often higher than annual maximum benefits



Employers are no better off. With stagnant or decreasing revenue for businesses and the rising cost of group medical insurance, employers are looking to cut costs and often this translates to reduced benefits, including dental insurance.<sup>13</sup>

It's not difficult to see why when you run a simple cost-benefit analysis on dental insurance premiums vs. benefits: \$2,400 in annual premiums for a dental plan with a \$1,500 annual maximum just doesn't make financial sense.

**So how can what we learned from the Harvard Study be used to make dentistry more affordable to patients and employers, and more profitable to dentists?**

## Building the Case for a Membership Plan in a Dental Practice

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In this economy, motivating patients to keep appointments and to accept your treatment recommendations relies on harnessing their natural buying behavior. It has been demonstrated that case acceptance goes up when patients value dentistry.<sup>14</sup> The reason is simple – they decide to buy because you're offering them something they actually want at what they perceive to be a fair price.

Of course, the problem we're facing is how to get patients to continue to value dentistry when their budgets are tight. It's never going to be easy, but offering your patients an affordable, flexible option that allows them to continue with their treatment even after they lose their dental insurance (or start treatment if they've never had it) creates value.

It also communicates a powerful message: You understand that their budget is tight and you're willing to work with them to make sure they can still afford care.

And best of all, since it takes the form of a membership, it encourages them to come in as regularly as possible to enjoy their benefits; the fact that most of their preventative care needs, including their initial exam and x-rays, twice yearly prophys and even take-home whitening are built into their annual membership fee acts as an incentive for them to keep appointments and it remain compliant when it comes to continuing care.

<sup>13</sup> [http://www.usatoday.com/money/workplace/2009-04-06-employers-cut-worker-benefits\\_N.htm](http://www.usatoday.com/money/workplace/2009-04-06-employers-cut-worker-benefits_N.htm)

<sup>14</sup> Homoly, Paul (2001), Isn't It Wonderful When Patients Say "Yes". Charlotte: Homoly Communications Institute.



You can see how offering your patients fair discounts when they purchase prepaid membership plans can really benefit you as well.

Insurance is out of the picture so you keep 100% of the fees. Collections issues are greatly reduced since much of the payment is done in advance of treatment. And patients are more likely to accept comprehensive and restorative treatment knowing that their membership means they're getting a discount on your standard fees.

Even better, offering prepaid membership plans is a great way to attract new patients. This is a new and revolutionary idea in dentistry, and you'll be providing something that none of the other dentists in your area offer. That can really help you stand out from your competitors, especially in a down economy.

**Having insurance doesn't necessarily mean savings when additional care is needed beyond plan maximums...**

**COSTCO**

Brand Names = Value

Membership Plan = Exclusive Savings

- Customers spend more \$ in store
- More products purchased
- Savings unlocks spending

**YOUR PRACTICE**

Your Dentistry = Value

Membership Plan = Exclusive Savings

- Customers spend more \$ on dental care
- More treatment is sought
- Savings unlocks treatment acceptance

A Costco-style membership plan can grow your practice by reinforcing the value of your services while making sure your care remains affordable and accessible to your patients.

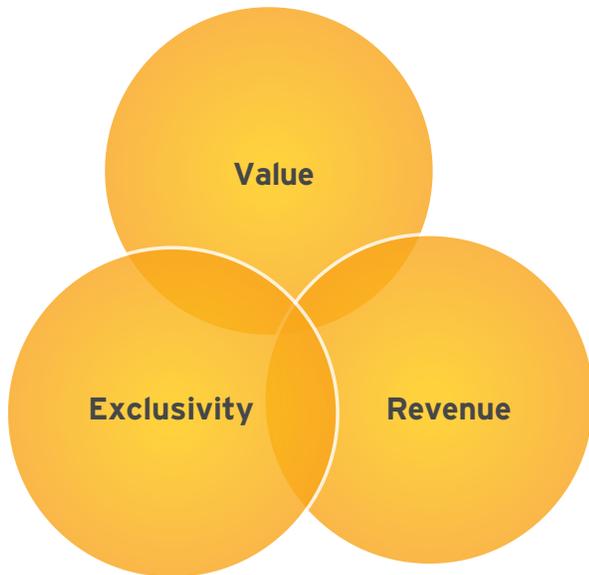


# Applying the Members-Only Model to a Dental Practice

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Even in this tough economy, a membership program allows you to earn more by keeping more of your fees, improving your case acceptance and attracting new patients.

## Fee-Based Membership



- Increase perceived value of your services
- Increase case acceptance
- Attract new patients
- Facilitate word-of-mouth referrals
- Eliminate the cost of dental insurance as a prohibitive factor
- Create patient loyalty regardless of insurance coverage
- Reduce or eliminate your reliance on insurance
- Simplify collections
- Reduce patient no-shows
- Decrease practice overhead

## Quality Dental Plan (QDP) Puts the *Private* Back into Private Practice

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- Establishes a proven fee-based membership program for your practice
- Offers a viable alternative to dental PPOs
- Sets your practice apart by providing a unique patient benefit
- Allows you to keep 100% of your profits
- Functions as a fully sustainable income source



## QDP is an innovator in creating dental practice membership plans.

Typical membership plans include:

- Free initial exam and x-rays
- Free simple cleanings (two per year)
- Free take-home whitening
- Significant discounts on all dental procedures (as determined by you)

**You determine your own annual membership fees & fee schedule – and you keep 100% of all fees collected.**

**QDP offers you all the benefits of dental insurance without any of the third party headaches.**

**Quality Dental Plan** provides an innovative option for your patients on a budget, while also creating value for your services and reducing paperwork, freeing up your front desk to focus on more important things. Your patients will no longer have to wait on pre-authorization before beginning your recommended treatment, and there is no middleman telling you what treatment you can and can't provide.

### Make dentistry affordable again

For many, the cost of dental treatment is keeping them from achieving their optimum oral health. **QDP** patients have an added incentive to move forward with both preventative and restorative care, at a price that ensures they can afford it.



**Acquiring a new patient via external marketing is 5-7 times more costly than generating an internal referral...**



## For individuals and families

Since a **QDP** member's patient also receives a substantial discount on dentistry for other family members, there is added incentive for patients to get everyone in the family under your care.

## Great employee benefit

Local businesses can offer **QDP** as part of their employee benefit program. The cost to the employer is minimal, while the benefits to their employees and to your practice are huge! This is a great way to add possibly hundreds of new patients to your practice.

## Treatment can begin immediately

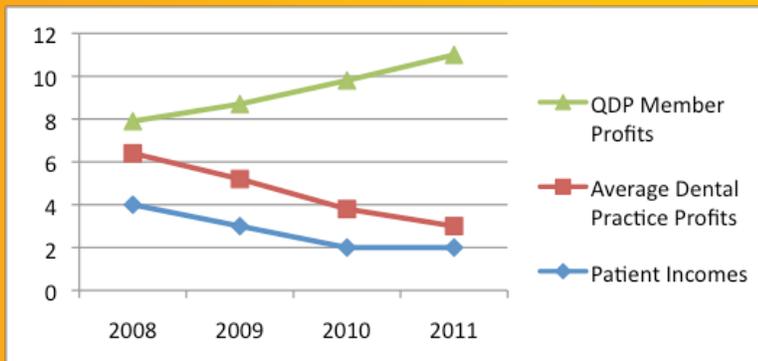
No more waiting for benefits to kick in. They start the minute your patients purchase a membership. You're in complete control of administering the plan.

## Patients work directly with you

With **QDP**, patients work directly with you and your team. Patients can discuss their treatment and options with the freedom to make decisions regarding their care without having to go through an impersonal insurance company who cares little about them or their health. The more patients come to rely on you and your team for oral health advice, the sooner they'll come to trust you and your team and provide you with valuable word-of-mouth referrals.

## Benefits are unlimited

With **QDP**, there is no cap on benefits, as one would find with most insurance plans. You and your patients will no longer have to wait for insurance payments or authorizations, or wait until the year changes over to continue a treatment plan. Patients will see this as a tremendous advantage, especially when opting for larger, more comprehensive treatment.



## A Win-Win Proposition

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It's really a matter of common sense. In this economy, families and businesses are on tightened budgets and are looking to do more with less while eliminating any spending they see as unnecessary.

Dentistry is hardly unnecessary, but if your patients can put it off, they will. Therefore, it's crucial that dentistry is presented to them in a compelling way that also reminds them that holding off on their care may not be to their advantage.

Offering prepaid membership plans is effective at creating perceived value for your services because it taps into proven buyer behavior. It gives your patients a simple and affordable way of obtaining preventative care, while all but assuring that they'll make their recall for as long as they stay members. It builds loyalty within your patient base, attracts new patients, increases case acceptance, reduces your reliance on insurance, provides a sustainable source of revenue and puts you back in control of your business.

Adopting a fee-based membership program like Quality Dental Plan can allow you to thrive when other businesses are struggling by creating an arrangement that is a win for both you and your patients. It makes dentistry personal again without sacrificing value for your patients or profitability for you. It's as simple – and as effective – as that.



## Next Steps

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Contact QDP to see if our program is a fit for you.  
Call us at **888-960-1221** today!

Visit [www.QDPdentist.com](http://www.QDPdentist.com) for more whitepapers and information on:

- How implementing a few simple management systems can greatly reduce existing administrative and collection costs.
- Techniques to significantly lower the cost of attracting and keeping new patients.
- How to greatly reduce and/or eliminate burdensome insurance company paperwork and insurance company control of your fee structures.
- Ways of reaching out to local businesses to discuss valuable employee benefits you can provide, while adding potentially hundreds of new patients to your practice.

**Take the QDP Quiz** on the next page for a free evaluation of how QDP can benefit your practice!



# Do you need QDP? Take my 10-question quiz...

For a free evaluation of how Quality Dental Plan can potentially benefit your practice, call 888-960-1221 or fax this quiz to us at 323-210-7011 today!

First Name \_\_\_\_\_ Last Name \_\_\_\_\_

Dentist/Owner     Dentist/Partner     Associate     Other: \_\_\_\_\_

Practice Name \_\_\_\_\_

Cell Phone: \_\_\_\_\_ Email: \_\_\_\_\_

## Find out if QDP is right for you!

To what extent does each of these statements apply to you and your practice?

(please mark as appropriate)

	Agree Strongly	Agree Somewhat	Disagree
Increasing my practice's revenue is important to me.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I want to know how to continue to build value for patients.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I want to generate more revenue without reducing the value I provide to my patients who trust me.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I don't want the hassle of dealing with insurance companies about patient care and reimbursement rates.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I am too busy with my practice to invent and implement a new marketing program.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I wish someone could provide me with turnkey advertising campaigns and marketing efforts.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I want to know about inexpensive yet effective ways to increase and retain my patient base.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Creating more enjoyment at work and a balanced work/home life is important to me.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Any new systems I implement cannot disrupt the ones that are already in place.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Even though I'm not a "marketer" learning skills to market my practice is important to me.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I'd like to increase word-of-mouth referrals to my practice.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I've been looking for new marketing systems to implement.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Creating predictable revenue with simple, tested methods and systems is important to me.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I want to know how to creatively reinvent myself and create changes that sustain my practice over the long term.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I'd like for local business owners to know more about me.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Keeping costs low while increasing profit is important to me.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Fax this completed quiz back to **323-210-7011** today for your free practice marketing evaluation.

