



Keys to Success - Released in June 2016

# Guidelines to Creating a Budget

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A budget is a forecast of revenue and expenses based on assumptions, program goals and strategies. Typically a budget is created for the upcoming year and is not revised unless anything drastically changes in the dental program. All too often the Dental Director is left out of the budget development process which can lead to inaccurate projections, unrealistic expectations and missed opportunities. It is highly beneficial for executive management to involve the Dental Director in the budget development process. One reason for including the Dental Director is that they can recognize trends through everyday occurrences with staff and patients. Also, when the Dental Director is involved, they can be held accountable for meeting or not meeting projected budget expectations. They will be better equipped to identify and explain the dynamics that played a role in meeting, missing or exceeding budget projections. He or she will be better positioned to take ownership and lead the program by utilizing the budget as a road map to success. This can be accomplished by identifying goals designed to meet projections. Goals include number of projected dental visits based on capacity; the amount of expected revenue per visit, per day and per year; the amount of gross charges per visit, per day and per year and patient payer mix. On a monthly basis, the Dental Director should monitor performance by comparing budget projections with actual results. Actual results come from a profit and loss statement and should be compared with the budget projections to determine if goals are met. When budget projections are off, the Dental Director should be able to identify reasons why and in some cases may need to reforecast the original projections based on unexpected events. Unexpected events include a change in staffing, an external change such as the elimination of Medicaid benefits for adults or a natural disaster. Following these budget guidelines will enable the Dental Director to identify problem areas in the dental program and make informed decisions as to what changes need to occur that will lead to improvement.

Data necessary to creating a realistic dental program budget:

- Number of dental visits
- Payer Mix
- Average reimbursement by payer type
- Capacity: Number of clinical hours, operatories and FTE staffing
- Dental program expenses
- Internal or external factors that need to be taken into consideration (i.e. Medicaid dental benefits expansion for adults or provider and staff vacations, organizational changes )

You can also learn more by watching the practice management series online learning module by clicking here: <https://www.dentaquestinstitute.org/learn/online-learning-center/online-courseware/safety-net-dental-practice-management-series>

## **File attachment:**

Profit and Loss Budget Variance Tool 2014.xlsx