

The Success of Orthodontic Satellite Practices

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ABSTRACT

Objective: To evaluate the financial success and personal satisfaction of orthodontists operating satellite practices.

Materials and Methods: A questionnaire was e-mailed to 4426 members of the American Association of Orthodontists (AAO), and 817 completed surveys were returned, yielding an 18% response rate. Only replies from solo practitioner orthodontists were analyzed to limit variability among respondents.

Results: Solo practitioner orthodontists with satellite practices reported an increase in net profit and started significantly more cases than orthodontists with one office. Yet, only 27% of respondents with one satellite and 48% of practitioners operating multiple satellites recommend opening a satellite practice. Ninety-two percent of orthodontists stated they were satisfied with the clinical aspects of their practice, and 99% of orthodontists described themselves as happy and satisfied individuals.

Conclusion: Despite the ability of a satellite office to expand a patient base and increase net income, most practitioners would not encourage young orthodontists to establish a satellite office.

KEY WORDS: Satellite office; Multiple offices; Financial success; Net profit; Satisfaction

INTRODUCTION

Orthodontic practices are competitive small businesses, not merely among orthodontic providers, but with all other discretionary consumer products available. Competition within the field comes from non orthodontists practicing orthodontics, too many orthodontists, too few patients, and managed care programs.¹ Also, very few barriers to entry into the orthodontic field exist, as all graduates of accredited dental schools can practice orthodontics.

A study by Huang² found 75% of the providers submitting orthodontic insurance claims in the state of Washington were non-orthodontists and, with the recent opening of new orthodontic programs, the number of graduating residents entering the profession yearly is also increasing. The development of satellite

practices is a popular method of attempting to cope with this increased competition in the marketplace. With multiple office locations, a new source of patients becomes available that would otherwise not seek care from the orthodontist's main office. The development of a satellite also offers the potential of greater convenience to existing patients and the ability to protect an established area of patient referrals that may otherwise be lost if a new provider moves in that vicinity.

A 2003 study of specialty orthodontic practices published in the *Journal of Clinical Orthodontics (JCO)* rated the opening of a satellite location to be the best practice building method available.³ The same study reported 32% of orthodontists operated satellite practices, with the highest net income orthodontists more commonly maintaining satellite locations. These numbers indicate a belief that satellite practices expand a patient base and increase profit, although there is little evidence in the orthodontic or business literature to support this notion. Growth and overexpansion are, in fact, commonly cited as sources of a small firm's financial distress.⁴⁻⁹ Sullivan¹⁰ encourages orthodontists to follow industry principles in managing their practices, which include reducing the number of employees, streamlining processes, and reducing space necessary to conduct business as a means to improve profit margins. The establishment of a satellite practice typ-

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ically does the opposite of the aforementioned industry principles.

Mersha and Paul^{11,12} also warn about the possible dangers of a new satellite. They state the choice of a geographic location implies the selection of a particular target market, and a subsequent change in location may alienate the patronage of the target segment. There is a possibility the satellite office may hurt the production of the main office, as patients and dentists may be hesitant to refer or select an orthodontist who is available only at certain times. Bishop¹³ points out a number of other items orthodontists should consider before opening a satellite office. In addition to the altered patient and referring dentist perceptions previously mentioned, the orthodontist also faces a serious time commitment, increased overhead, and additional stress. A practitioner choosing to open a second office must sacrifice family time, hobbies, or time spent either working at or promoting the main office.

While the opening of a second office will invariably increase overhead, the question is whether the increased income will offset the cost. Rent, leasehold improvements, new equipment and supplies, advertising, and additional staff are responsible for much of the overhead costs. Hughes¹ found that although satellite offices and marketing increase the overhead, they do not add to net profit. Increased costs associated with running multiple offices is regarded as the primary reason that orthodontic occupancy costs are higher than any other segment of the dental profession.¹⁴

Dividing time between multiple offices, increasing advertising and marketing, traveling between the offices, transporting materials and records, and maintaining two fully supplied offices can personally take a toll on the orthodontist. The management of additional staff or even a part-time associate can also act to increase the stress levels of the orthodontist.

The available orthodontic literature notes the popularity of satellite practices as a way to build a practice, but the bigger question is whether satellite practices are associated with increased financial success for the practitioner. This study will assist the orthodontist considering the opening of a satellite office and provide information on what to expect with regard to the personal and professional consequences of dedicating a significant amount of time and resources towards maintaining multiple locations.

MATERIALS AND METHODS

A questionnaire assessing the success of orthodontic satellite practices was constructed using a web-based service called Zoomerang. The survey was sent to the known e-mail addresses of 4,426 members of

the American Association of Orthodontists (AAO) in the United States; it was e-mailed three times to ensure a maximal response rate. The e-mail contained a cover letter explaining the purpose of the study and assured the participants of the voluntary nature and confidentiality of their responses. Included in the e-mail was a link to the survey for the respondents to follow if they wished to participate. A pilot study administered to 15 private practice orthodontists evaluated the clarity of the questionnaire, and improvements were made following the input of the pilot study orthodontists. This pilot established the time necessary to complete the survey to be between 5 and 7 minutes.

The digital questionnaire collected demographic data about practitioners and their practice through the use of multiple choice and yes/no questions, as well as a number of Likert-type questions designed to measure financial success, clinical success, and personal satisfaction of respondents. A series of questions also sought to elucidate the reasons orthodontists open satellite practices. An open-ended comment box provided the respondent an opportunity to include any additional comments.

The data were analyzed using SPSS, and significance was determined with Mann-Whitney and Kruskal-Wallis tests, which are nonparametric tests of ranks. Incomplete surveys were deleted from the statistical analysis, as were responses from orthodontists who were not solo practitioners. Data from group practitioners, although potentially valuable, were deemed too variable for meaningful comparison.

RESULTS

A total of 4426 orthodontists were invited to take part in the study. There were 1180 visitors (27%) to the Zoomerang website hosting the survey, and 817 (18%) orthodontists completed the survey. After excluding all participants who operate in a group setting, a sample size of 601 solo practitioner orthodontists was included in the study. Eighty-nine percent of respondents were male, with 11% stating their main office was located rurally (population < 20,000), 31% in a small city (population 20–50,000), 37% in a large city (population 50–500,000), and 22% in a metropolitan area (population > 500,000). Among the respondents, 48% had zero satellites, 39% operated one satellite, and 13% operated multiple satellites.

Financial success

There was a trend for orthodontists with satellites to report a greater net profit than orthodontists practicing out of a single location. Approximately 41% of orthodontists with zero satellites reported earning more or

Net income compared to number of satellites (JCO average of \$350,000)

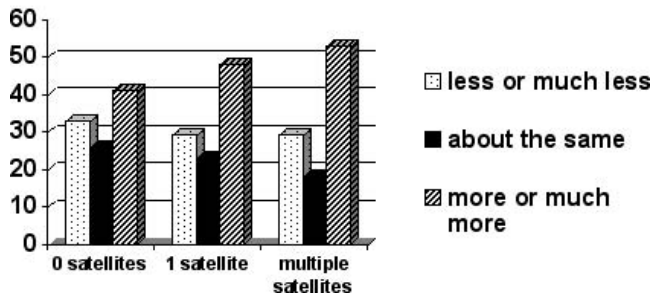


Figure 1. Orthodontists responding how their annual income levels compare to the 2003 JCO average of \$350,000.

Patient starts compared to number of satellites (JCO average of 212)

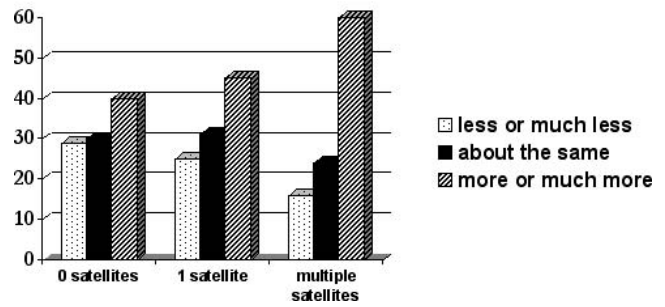


Figure 2. Orthodontists responding how their annual patient starts compare to the 2003 JCO average of 212.

much more than the 2003 JCO average of \$350,000,³ compared to 47% of orthodontists with one satellite, and 53% of orthodontists with multiple satellites (Figure 1). However, the differences were not statistically significant ($P = .157$).

Seventy-nine percent of orthodontists with one satellite, 93% of orthodontists with multiple satellites, and 70% of previous satellite practitioners stated net profits increased with the establishment of satellites.

Approximately 69% of orthodontists with one satellite agreed or strongly agreed their satellite has lived up to financial expectations, compared with 89% of multiple satellite orthodontists. Forty-one percent of orthodontists who previously had satellites reported the satellite had lived up to their financial expectations.

Clinical success

Approximately 92% of orthodontists responded they were satisfied with the clinical aspects of their practice, and only 7% felt the quality of care delivered at the satellite was inferior to that at the main office. Seventy-eight percent of respondents who have, or previously had a satellite, agreed or strongly agreed a satellite office increases patient referrals.

Orthodontists with satellites were much more likely to eclipse the 2003 JCO average of 212 patient starts.³ Forty percent of respondents with zero satellites reported starting more or much more than 212 patients (Figure 2), contrasted with 44% of one satellite practitioners, and a statistically significant 60% of the orthodontists with multiple satellites ($P = .017$).

Practitioner satisfaction

Satellite owners related working slightly more hours than orthodontists without satellites. Sixty-eight percent of zero satellite orthodontists work more than 30 hours per week, while 73% of one satellite orthodontists, and 75% of orthodontists with multiple satellites

work more than 30 hours per week—although this slight increase is not statistically significant ($P = .584$).

Sixty-three percent of orthodontists with one satellite agreed or strongly agreed that operating a satellite has increased the stress in their life, with 51% of practitioners with multiple satellites answering similarly (Figure 3). Seventy-nine percent of orthodontists who previously had satellites stated they increase stress levels. Only 32% of one-satellite orthodontists felt family time and hobbies have been sacrificed because of their satellite, compared with 19% of multiple satellite orthodontists. Fifty-five percent of orthodontists who previously had satellites stated family time and hobbies were sacrificed.

Forty-five percent of satellite owners agreed or strongly agreed they would close one of their offices if possible. Approximately 48% of multiple satellite practitioners recommended opening a satellite to a young orthodontist, while only 27% of orthodontists with one satellite would make the same recommendation ($P = .0$). Only 18% of previous satellite owners would recommend their establishment (Figure 4).

Do satellites increase stress levels?

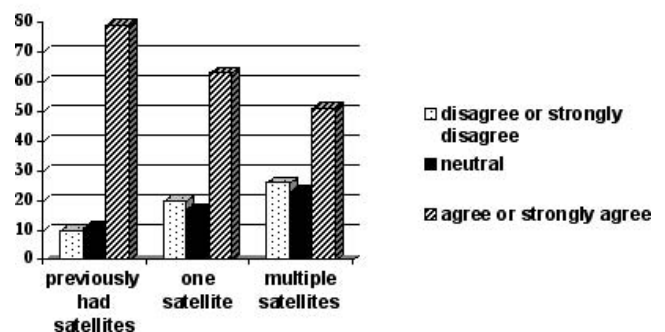


Figure 3. Orthodontists responding to whether satellite offices increase stress levels.

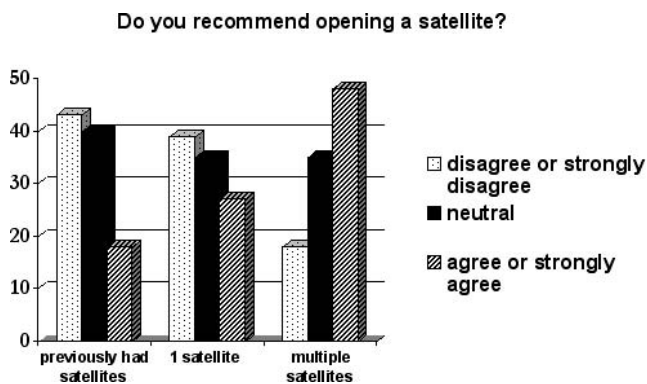


Figure 4. Orthodontists responding to whether they recommend opening a satellite to a young orthodontist.

Location

Rural orthodontists (61%) were more likely to maintain satellite offices than small city (47%), large city (56%), and metropolitan (58%) practitioners. Rural orthodontists (19%) also were more likely to possess multiple satellites compared to small city (12%), large city (14%), and metropolitan (13%) practitioners.

Looking at data only from orthodontists with one satellite, 39% have a satellite in a rural location, 33% in a small city, 14% in a large city, and 13% operate satellites in a metropolitan area. Nearly 18% of satellites are within 10 miles of the main office; 42% are 11–25 miles and 27% are 26–50 miles from the main office; 13% are located further than 50 miles from the main office. Forty-seven percent of practitioners with satellites from 11–25 and 26–50 miles from the office started more or much more than the 2003 *JCO* average of 212 starts, while 32% and 33% of orthodontists with satellites less than 10 miles and greater than 50 miles, respectively, started more than the 2003 *JCO* average. Fifty-one percent of orthodontists with satellites from 11–25 miles reported a net profit greater than \$350,000, while 47% from 26–50 miles, 43% from greater than 50 miles, and 40% from less than 10 miles responded similarly. Orthodontists traveling further than 50 miles to their satellite (38%) were most likely to recommend opening a satellite to a young orthodontist, while practitioners with satellites less than 10 miles from their main office were least likely to recommend opening a satellite (16%). Conversely, 77% of orthodontists with satellites greater than 50 miles from the main office considered the distance between offices a major inconvenience. Forty-six percent of each of the other three groups of orthodontists considered travel a major inconvenience.

Reasons to open a satellite

Participants were asked to rate which factors were most important in choosing to open a satellite. Re-

sponses from most important to least important are: (1) need to increase net profit, (2) proximity to areas of future growth, (3) lack of orthodontists in the proposed location, (4) relocation to an area of patient density, (5) surplus of orthodontists around main office, (6) main office production stagnating, (7) locating in a desirable place to live, (8) looking for a challenge or change of scenery, and (9) locating for a hobby or recreational activity.

DISCUSSION

This survey of AAO orthodontist members in the United States yielded an 18% response rate. The 18% response rate was significantly higher than previous orthodontic surveys, most notably the 2003 *JCO* Orthodontic Practice Study, which reported an 8% response rate.³

Approximately 52% of the respondents to this survey reported currently operating a satellite office, which is much higher than the 32% of those polled in the 2003 *JCO* survey. This discrepancy may be due to the fact this survey's topic was satellite practices, thereby prompting a larger percentage of satellite owners to reply.

As this study illustrates, the most important reason in choosing to open a satellite office is the need to increase net profit. Bishop¹³ agrees, stating the purpose of a satellite is to generate income or maintain income. The majority of orthodontists possessing satellites who were polled in this survey agreed or strongly agreed a satellite office is effective in increasing net profit, although some practitioners are more successful at this than others. Only 41% of orthodontists who previously had satellites felt their financial expectations were met. Although orthodontists with satellite practices were more likely to net more than the *JCO* average of \$350,000³ (Figure 1), the differences were not statistically significant, leading one to speculate financial expectations for a satellite be realistic.

Satellite practices do increase patient starts, with multiple satellite practices starting significantly more patients than orthodontists both without a satellite and with one satellite. Sixty percent of multiple satellite orthodontists start more than the 2003 *JCO* average of 212,³ validating the assumption that satellites are an effective practice building method (Figure 2). One respondent stated, "The greatest value was getting my name and reputation out to a broader patient base." Along with starting more patients, satellite owners also tend to be more likely to work more hours than orthodontists without a satellite, although the differences among groups was not statistically significant.

Multiple satellite practices tend to be more successful than practices with a single satellite. Compared to

single satellite orthodontists, multiple satellite orthodontists are more likely to report greater net income, increases in net profit, more patient starts, less stress and family time sacrificed, and are more likely to recommend opening a satellite. This may be due to improved efficiency, superior organization and systems in place, and experience with operating multiple offices. In addition, the quality of orthodontic care in satellite locations was not reported to be inferior to that provided in the main office.

When considering a satellite, it is of absolute importance that the two practices be mutually exclusive. If this is not the case, the orthodontists will have two offices servicing the same population. Nearly 18% of respondents reported operating a satellite within 10 miles of their main office. This group of respondents was the least likely to attain more than the 2003 JCO averages for net profit and patient starts, as well as being the least likely orthodontists to recommend the opening of a satellite practice. In the instance of these practices, perhaps eliminating one of the offices and redoubling efforts in the other would be beneficial. Blair/McGill has reported on a number of orthodontists acting similarly and seeing income levels rebound to previous levels within a few years.¹⁴⁻¹⁸ Another benefit of consolidating offices is physically being in a single location makes you more accessible to patients and referral sources. One orthodontist observed, "I get lots of referrals because I am the only orthodontist who is in my area 4 days per week . . . patients and referring dentists like having a full time orthodontist who is not spread thin between offices."

Nearly 92% of all respondents were satisfied with the clinical aspects of their practice; this number compares favorably with a similar figure of 85% reported by Coats.¹⁹ Almost 99% of orthodontists describe themselves as happy and satisfied individuals, indicating orthodontics is a very successful and rewarding profession. Stress levels among groups did differ, with a majority of satellite owners reporting the operation a satellite increased stress levels in their life (Figure 3), and a smaller percentage of satellite owners stating family time and hobbies were sacrificed because of their satellite. One respondent replied, "The 'satellite office' offers professionals a way to further explore and develop their professional skills. It should not be taken lightly, for indeed it requires more effort, time, and business savvy than managing a single office."

These increased stress levels and time commitments may be what keep the majority of orthodontists with satellites from recommending satellites to young orthodontists. Less than half (48%) of multiple satellite owners, 27% of one satellite orthodontists, and just 18% of previous satellite orthodontists recommend opening satellites (Figure 4). As previously established, satellites are associated with increased finan-

cial success and patient starts, yet it remains difficult for orthodontists to personally endorse their operation.

CONCLUSIONS

- a. Orthodontic satellite practices are financially successful enterprises. The establishment of an orthodontic satellite office is associated with a reported increase in net profit.
- b. Orthodontists with multiple satellites start significantly more patients per year than do other practitioners, indicating the potential practice-building ability of satellite practices.
- c. Satellite offices should ideally be located greater than 10 miles from the main office to maximize convenience to a new target market. Orthodontic practices operating satellites within 10 miles were least likely to report above average net incomes and patient starts, as well as being least likely to recommend opening a satellite office.
- d. Multiple satellite practices tend to be more successful than practices with a single satellite. Compared to single satellite orthodontists, multiple satellite orthodontists are more likely to report greater net income, increases in net profit, more patient starts, less stress and family time sacrificed, and are more likely to recommend opening a satellite.
- e. Nearly 92% of orthodontists are satisfied with the clinical aspects of their practice, and 99% of orthodontists describe themselves as happy and satisfied individuals, with no differences between orthodontists with or without satellites.
- f. Despite the financial success and increased patient volume, the establishment of satellite practices is not advocated, as most satellite owners do not recommend the opening of a satellite to a young orthodontist. One possible explanation is increased stress levels and the complexity of operating multiple offices offset the reported increase in net profit.

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