

Health Care, Meet Business 101



Jeffrey Parker is the CEO of Sarrell Dental Centers, a nonprofit corporation that runs the largest network of dental clinics in Alabama. Only five years old, Sarrell had revenues of \$10.4 million in 2010, employing 52 dentists working in 11 clinics in rural areas of east Alabama. It primarily treats underserved children covered by Medicaid and Alabama All Kids, the Alabama Department of Public Health's insurance program for children under age 19.

Sarrell Dental, over the past two years, drew criticism from members of the Alabama Dental Association and the Alabama Board of Dental Examiners, which claimed Alabama law did not allow a nonprofit to operate dental clinics. The question was resolved by legislation, passed in June, that says nonprofit-owned dental clinics are legal and come under the supervision of the state Board of Dental Examiners.

Parker retired from a career in the processed food industry at age 40. A graduate of Jacksonville State University, he worked in management for General Foods Corp., Schering-Plough, Con-Agra, Sara Lee, Foster Farms and Crider Foods. He is executive in residence at Jacksonville State University's College of Commerce and Business Administration. He was asked, in 2003, to help manage a struggling nonprofit dental clinic in Calhoun County—

Alabama's largest chain of dental clinics is a worthy model for driving down health care costs and delivering quality care.

Interview By Chris McFadyen

the first of what became the growing Sarrell network, named after Warren Sarrell, a retired Anniston physician who is one of the founders of the clinics.

We started in 2004 with revenues of a few hundred thousand, and we've grown 50 percent a year compounded.

Last year, we had revenues of \$10.3 million and 79,100 patient visits. This year, it will be \$13 million to \$15 million in revenue and 100,000 patient visits. We employ 52 dentists and 31 hygienists, the largest number in the state.

We have no desire to compete with for-profit dentists, but we're determined to go into any community that has a need.

When we started, with one clinic in Calhoun County, six out of 10 children in the state that qualified for Medicaid did not have the ability to see a dentist. The kind of growth we've had can go on in perpetuity, because 66 of 67 counties in Alabama do not have enough dentists, per government statistics. The only county that meets the needs is Shelby County. We're only in 11 counties now, and, theoretically, we could multiply that six times.

It's Business 101. We do more relatively simple tasks over a period of time, and the learning curve improves and costs go down. Any competent business person knows that happens. For dentists, the most basic service is filling cavities, not doing veneers and fancy bridges and cosmetic procedures—which are the trend in dentistry. Primarily, we're filling cavities. We've driven down costs per patient visit from \$328 to \$126. I have a full-time per-

son dedicated to driving down the price of everything we buy. If you make the assumption that supply costs are 7 percent of sales of \$10 million, that's a \$700,000 supply business. We're big enough to have hired the former executive head of purchasing at Patterson Dental, the largest dental equipment supplier in the country. He understands the margins, from technology to chairs.

We pay our dentists \$130,000 per year, which is \$30,000 more than the average private practice. The vast majority of the graduating class at UAB asked to interview with us. We did not recruit them. They came to us. They're getting paid well and doing something for society.

We have proven that it is not true that Medicaid does not pay enough to stay in business. Over 90 percent of our revenue is from Medicaid and All Kids. Serving Medicaid patients, we have opened 11 new practices on our operating revenues in the last five years.

We have also proven that it is not true that Medicaid patients are hard to serve because they don't show up for appointments. We have the highest show rate in the state. We use technology, like texting patients about appointments, but, as studies show, the most important factor in patient show rates is the way a clinic treats its patients.

We're patient-focused. We work six days a week. The dental profession in Alabama is good, but it is not consumer-focused. They work Monday through Thurs-

day until 4 o'clock. We're 100 percent open when they want us and we see any patient who presents. We're open 52 weeks out of the year.

Dentists are an unbranded product. They are a service commodity. I can drive to any town in the state and most of the dentists' offices have a sign that says, just, "Dentist." They're unbranded. You find one or two in every town and they all

charge the same, what Blue Cross pays. So, general dentistry is a service commodity, and they allow themselves to be, because they don't brand themselves and invest in their business. We have a full-time outreach program that does free dental education, that screens 30,000 school children for free each year. We brand everything. We invest in the community. We do free football camps at Jacksonville State and give out T-shirts. We do \$400,000 a year

of free work on children we are not reimbursed for. If we exceed the All Kids maximum, we do the work whether we're reimbursed or not.

We're out in the community, and we're doing education with the children and with the parents. We encourage the parents and grandparents to come to the dentist with their children and to come to the back with them. Our dentists and hygienists look at this as part of their work. We're changing, certainly in Alabama, the way that dental care is delivered to those less fortunate.

Consolidation happens in any fragmented industry. Dentistry is fragmented and unbranded and the logical conclusion is consolidation. There are many companies already, publicly traded companies, that buy up dental practices—American Dental Partners, Small Smiles. We were recently contacted by a very large venture capital firm wanting us to go from nonprofit to for-profit and we declined. The reason they approached us is they saw the national average Medicaid pays is \$250 per patient visit, while I'm operating at a cost of \$126 per patient visit.

We're working very well as a nonprofit. There are for-profits that work very well all over the country, and one of them, Small Smiles, is here in Alabama. But the key to our model is that, by not having to focus on making a profit, we can concentrate on people and delivery of care and driving down cost. We're not taking money from the public, we're paying our way, but we're for the public good. Everything is paid for out of operating cash on hand, not donated to us: state of the art equipment and practices, Kavo handpieces, digital x-rays. We reinvest in opening new practices. We pay the highest salaries in the industry, and we buy the best, top-end equipment that you can buy.

We're a self-sustaining nonprofit.

Chris McFadyen is the editorial director of Business Alabama.

