

Down Payments and Monthlies – The Data!

In previous posts, I shared some of the data we are collecting at OrthoFi. In a series of blog posts, I hope to share more of the data we have collected from over 76,000 new patient exams, over 50,000 starts and over \$226,000,000 in orthodontic production. Today we discuss down payments and monthly payments.

There are a variety of ways to present treatment fee options. The best performing offices engage in some active negotiation with the patient over their down payments and monthly payments. However, this requires a very efficient infrastructure as well as a talented and sales-savvy treatment coordinator. As a result, rather than negotiating most offices offer two or three options for a patient to select from.

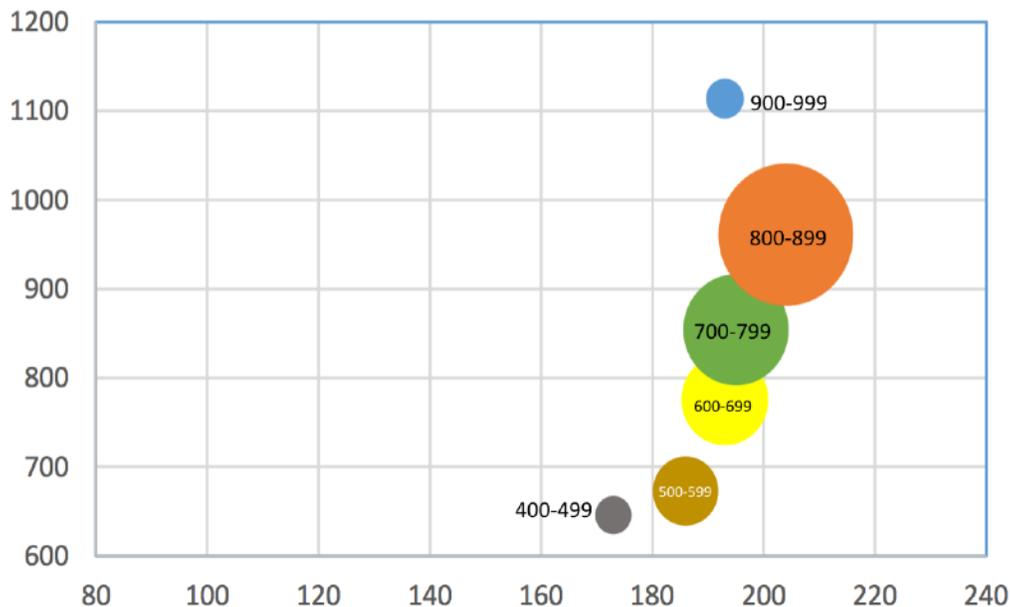
Typically the options are:

- Payment in full (with some associated discount)
- A 15-20% down payment with monthly payments that coincide with treatment time
- Perhaps a low or zero down option
- Outsourcing to 3rd party financing (e.g. Care Credit) for extended payment terms

But what if the patient were allowed to choose from a virtually unlimited number of down payment and monthly payment options and customize their plan to their individual financial needs? What do people who finance their treatment (\$X down and \$Y per month) choose? Also, if we are offering extended credit to all potential customers, how does credit score impact how they choose to pay for treatment? The answer lies in the data...

Across more than 50,000 starts in over 100 practices, we see an average of 22% of all patients selecting to pay in full (PIF). The typical discount we recommend for PIF is 3%, as we've seen that higher discounts offer diminishing returns. However, practices can customize that based on their cash flow needs.

As for the rest who need financing, we use the OrthoFi slider, which allows prospective patients to design their own terms with full open choice. When we first started offering downs as low as \$250 and monthlies extending out as long as 36-months, we weren't sure what would happen. What do they choose? The answer lies in the data:

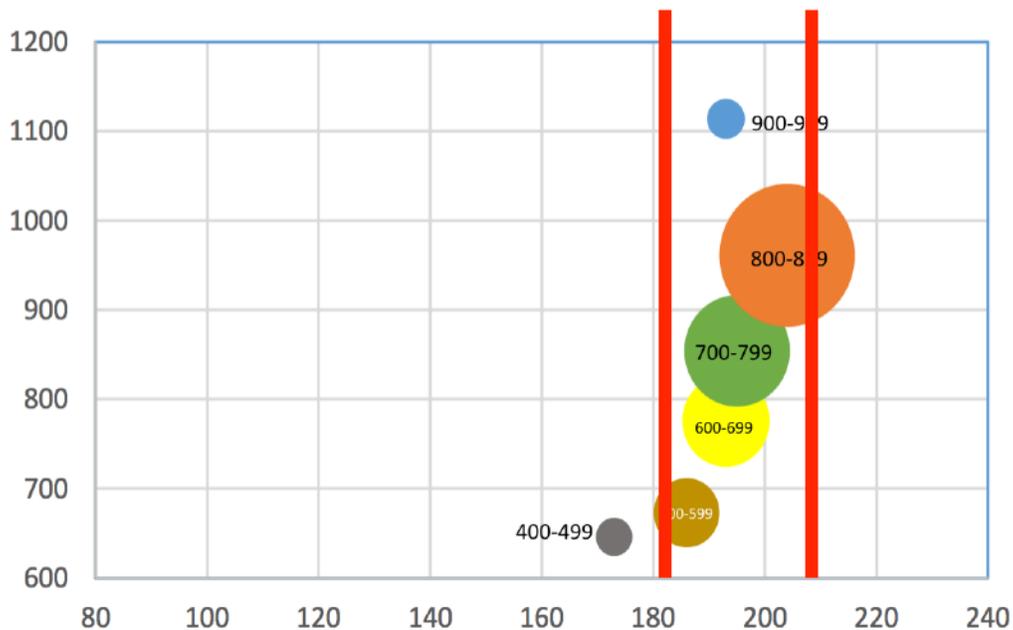


This is an interesting chart. It's a little confusing at first glance so, let me explain. Data are grouped in bubbles representative of credit score grouping. For example, the green '700-799' bubble represents the options chosen by people who have a 700-799 credit score. Bubble size indicates relative amount of people in that group. Bigger bubbles equals more people in that credit grouping.

On the Y-axis is the average down payment ranging from lowest to highest. On the X-axis is the average monthly amount selected. In discussing financing options with many doctors over the years, I think an assumption most of us have is that people with good credit have more money and are able (and willing) to put more money down and pay more money per month.

Our data proves that people with better credit do, in fact, tend to put a little bit more money down. As you look at those bubbles and follow the Y-axis, people with higher credit tend to put a little bit more money down as credit score increases. However, a note to those who demand \$1,500 down payments for Invisalign or other high lab fee technologies: all credit groups chose down payments with \$1100 or less down with the vast majority being under \$1000 down.

But the really interesting finding was around monthly payments. Again, you might assume that people with better credit have higher income, and thus will pay higher monthlies. However, you can see with aid of the vertical lines that all averages fall between \$185 and \$205 per month regardless of FICO score, except for the very small amount of people with sub-500 credit.



Higher credit did translate to higher monthly choices, but that difference was only \$20/month. This shows that the price of orthodontics is not infinitely elastic – that consumers believe that orthodontics should cost \$200 or less a month. If you think about it, there are a lot of families you likely know who are house/car rich and cash poor, who are overextended with private school tuition, music lessons, etc. So the truth is that no matter what technology you use or how

premium your treatment might be, you need to be able to make it around \$200/month, regardless of what income bracket you treat. Remember, this is validated across \$226 million in orthodontic production.

So, what can we conclude from this data set? People in all walks of life, with all ranges of income and creditworthiness, want orthodontic treatment to be less than \$1000 down and \$200 or less per month. If you are not offering flexible options to allow for this range of payment options, you are likely letting a lot of business walk away.

Also, in case you missed it, this information and a whole lot more is covered in a webinar I did for OrthoFi recently. You can find the replay here: <https://vimeo.com/177147940/9e8d708da3>

NEXT UP: Will people pay *more* in total to get more affordable monthlies?