

Practice Success



RED FLAG RULES

On again, off again. Repeat. This has been a red hot debate item. It is on hold through December 31, 2010 while Congress considers the ideal scope of entities covered by these rules. So stay tuned...

VOLUME III ISSUE I

SUMMER 2010

A Letter From the Partners...

We just met with a client and we started talking about how life has changed in healthcare over the years. It seems as if it had been easier in early years to generate a profit than it is now. Systems didn't have to be as tightly run to make a profit as they are now. Administrative tasks seem to absorb as much time per week as clinical duties making it tougher to allot any time as personal. That leads us to finding ways to generate greater profits in the same amount of time.

How to do that...

To explain how to accomplish generating more profits and not increasing time spent, you really have to start with your overall goals - What do you want to accomplish and in what span of time? This is probably the most critical step. Then break it down into small components and proceed from there.

Items to consider in accomplishing those goals many times revolve around generating new sources of revenue. One way is to assess marketing strategies for realized gains for dollars invested. For dental practices, review your perio program in the hygiene department. For medical practices, review productivity of all providers. Assessing equipment needs to help productivity or help patients invest in needed services. Refining internal systems for efficiency is also critical to assess as it could increase revenues or

conversely reduce expenses. Reviewing coding of fees can also make a huge difference. Many times services are being given away because they are not either documented to get billed to the patient or they are being under billed. These few things could be done allowing your practice to become more profitable without working more.

No matter how bad the economy is, you have to be committed to explaining to the patients what they need to do and continue educating them. That will help to keep the patients invested in your relationship.

Don't make your fears become a reality. If you believe your practice will take a "hit" because of the economy, because of insurances or because of whatever, then it will come true. We inadvertently make it happen. Focus on not only maintaining your practice but on growing your practice. Make that happen instead.

You just have to start. Identifying your goals and putting your focus on attaining them is what starts the whole process. Focus on the practice in a different way and this will be the defining moment in your practice growth. This is how you differentiate your practice from the others and align your practice so that the effects of the economy and the new healthcare system will be minimized.

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1099 Expansion

Issuing those pesky 1099's each year just keeps getting worse. These forms are also being examined in more state audits as the states are looking for more revenue streams as well. The IRS has now expanded the filing requirements. There will be penalties for not filing these 1099 forms.

Basically, your practice will be issuing 1099 forms to most of its vendors. If you pay any one person or company \$600 or more in a calendar year, you MUST issue a 1099 to them. Examples are equipment rentals, building rents, interest paid, repairs and

maintenance, whether it's for the building, equipment, land, cars, sub-contractor labor, janitorial, landscaping, snow removal, premiums, computer services, attorney fees, accounting fees, consulting fees, management fees, etc. Payments to corporations are currently not reportable on a 1099. An exception to this is for payments to attorneys. Payments to attorneys and gross proceeds paid to attorneys must be reported even if they are incorporated. They are trying to track down non-filers and under reporting filers so these rules will

continue to broaden to apply to more situations requiring more 1099 filings.

How can you make it easy and more cost effective? Get those Employer Identification Numbers (EIN's) now or better yet, before you even pay a bill. The vendor is motivated to give you the information then. If the vendor refuses to give you their EIN, you are required to withhold "backup" withholding from their payment of 28%. This is then remitted on their behalf to the Internal Revenue Service.

DON'T FORGET!
QUICKBOOKS
2007 WILL NO
LONGER BE
SUPPORTED BY
INTUIT
STARTING VERY
SOON!!!

Health Insurance Credit for Small Employers Who Provide Health Insurance Coverage

Starting in 2010 and continuing through 2013, eligible small employers may claim a 35% tax credit for health insurance premiums paid for employees. It is to encourage employees to offer it for the first time or to keep existing coverage.

Employers must pay 50% of single coverage for their employees. The credit is reduced by 6.667% for each employee over 10 employees AND by 4% for each \$1,000 that average annual compensation paid to the employees exceeds \$25,000.

Full time means "full time equivalent employees."

To be a qualifying employer, you must have fewer than 25 full time equivalent employees for the tax year, have average annual wages of the employees for the year that is less than \$50,000 per full time equivalent employee, and employer must pay the premiums under a "qualifying arrangement."

To calculate the credit, the maximum credit is 35% of the lesser of total premiums contributed by the employer

or the total premiums from the small group Exchange. The Exchange premium is determined by the Health and Human Services for the small group market in your state or area in your state.

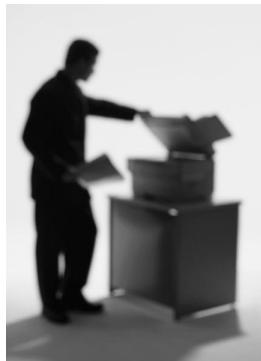
The number of hours is calculated by taking the total number of hours paid to employees up to a maximum of 2080 per person and divide it by 2080 to get the FTE.

We will work with you to calculate the appropriate credit amount.

Keeping Your Data Confidential

You may have seen something recently on television about personal information getting out unprotected to the general public through discarding copiers or returning leased copiers to the vendor. While we generally think about that when we discard computers, we were never aware that copiers also have a hard drive in them and copies are made internally to this hard drive. We asked Alan Estes from our IT firm, Global Data Consultants, what he thought about this:

"When dealing with sensitive data and preventing data being compromised it is important to identify what is being thrown out when replacing computer hardware, since not only PC's have hard drives anymore. Many devices have permanent storage,



including: digital cameras, phones/PDA's, thumb drives, scanners and printers. Devices with hard drives installed should be handled in a way to eliminate the possibility of recovering data. The best way to handle these situations is to ask the technician replacing the hardware what will become of the old devices and if there is permanent storage on it? If the device contains a hard disk and the technician does not indicate that the hard disk will be overwritten you should ask for the hard drive to be removed and kept in your possession until you can have such actions

taken. Formatted disks still contain readable data that can be recovered easily with free software on the internet. In today's world you need to ensure that your data is kept confidential within your business and when hardware

is taken from your office that is when it can be most vulnerable. It never hurts to ask before it leaves."

We were shocked when we first saw this report but we are now aware and have to take the appropriate steps to avoid confidential, private information getting out to the general public. They were able to take the hard drives out of the copiers and by using free software from the internet, were able to reconstruct those documents which showed payroll information, social security numbers and medical diagnoses, financial statements, etc. It was all there and it only took someone about 30 minutes to get the information. Who knew? There are many other items in our offices that contain personally identifiable information on them that we need to control so that we don't violate HIPAA or other privacy issues.

Something to take action on!

Is Converting A Good Idea?

Should you consider converting from a Traditional IRA to a Roth IRA? In 2006, legislation passed a change on Roth conversions which ended the \$100,000 income limitation which became effective January 1, 2010. If it made sense to convert before this change took place and you were unable to convert to a Roth simply because of the income limitation, then the answer is probably still yes. Benefits to a Roth account include tax and penalty-free distributions once you reach the age of 59 1/2 and have met the five year holding requirement.

Other factors to consider-

- ♦ If you expect your tax bracket to be

significantly lower at the time of retirement you may want to stay with the traditional IRA.

- ♦ The younger you are, the better! Young taxpayers may find the tax-free income will more than make up for the money lost to taxes on the conversion.
- ♦ You do not have to convert all of your traditional IRA's if you choose to do a conversion to a Roth.

You can do as much or as little as you wish and you can convert some each year if desired.



- ♦ You can change your mind! If you do the conversion and decide it was not such a good idea you have until October 15 of the year following the conversion to switch back without paying any penalties.

There are many tax, estate, and financial aspects that may need to be considered. For more information about a Roth conversion with

your personal situation in mind, please contact our office.



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New HIRE Act (Hiring Incentive to Restore Employment)

This is a new incentive for businesses who hire an employee who was previously unemployed. What makes someone an eligible employee? They must not have worked more than 40 hours in the previous 60 days ending on the date that employment begins. They cannot be a family member or own more than 50% of the business. They must sign an affidavit to that effect. A new IRS Form W-11 is used for this purpose. There are two aspects to this Act.

Effective Dates – March 3, 2010 through December 31, 2010

1.) Employer Tax Exemption – You receive a benefit by not paying your match of 6.2% of their wages that you pay from the date they start until the end of 2010. As the employer, you match the FICA tax withheld on the employee's gross pay. FICA tax is made up of two portions: 6.2% for Social Security and 1.45% for Medicare. You will be exempt from paying your match of the 6.2% Social Security tax on the newly hired eligible employees from their start date until the end of 2010. This is effective for wages paid from March 19, 2010 through December 31, 2010. The limit is on

the first \$106,800 of wages per employee or \$6,621.60 of tax per employee.

2.) Business Retention Credit – This is another facet of the New Hire Act. Employers who continue to employ these new hires for at least one full year may become eligible for this credit. You receive a credit for the lesser of \$1,000 per employee or 6.2% of wages paid to the employee who stays on your payroll for 52 consecutive weeks. The wages paid in the final 26 weeks must be at least 80% of the total wages paid during the first 26 weeks of employment to qualify.

Again, these new hires must have been unemployed or employed less than 40 hours during the 60-day period ending on the date that employment begins. They may not be a family member or someone who owns more than 50% of the business. They may be hired part time or full time. The credit will be taken in 2011. There is no limit on the total of new hires.

Maryland also has a H.I.R.E. program where you could receive a \$5,000 tax credit for every new eligible employee hired.