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GRAY • PILGRIM AND ASSOCIATES, LLC

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The Business Side of Your Practice

Just showing up for work isn't enough to be profitable anymore. At one point, you could just open your doors and you would have enough patients to fill the schedule and make enough money. Those days are gone for the most part. Yes, you will make money, but is it enough to be able to offer the staff their pay increases as deserved; pay the vendors their ever increasing bills; or fund your pension plan fully? Probably not.

The answer is to treat your practice like a business too. You have to plan, budget and pay attention to the details. Yes, it is nice to walk in the back door and just start to work; however, you have many more decisions that need to be made. So unless you hire someone to be your CEO, CFO and COO, you have to take on some of those responsibilities too.

Here are some things that you want to keep on your list of considerations:

1. Establishing a budget and monitoring it throughout the year
2. Organization of information—whether it be tax related, professional reading materials or other, it needs to be organized so that you can follow up as time permits
3. Setting goals for the practice and your personal life and how the practice can help you achieve your personal goals
4. Establishing a plan to replace equipment and technology and furniture as well as purchasing new technology on a fiscally sound basis

5. Setting up annual or semi-annual staff reviews so that they are well handled to accomplish better results rather than simply hand out raises
6. Consider fee increases and fee balancing on an annual basis
7. Establish pension goals and how to fund it
8. Look at how the coding is being done and find out how you could code better; not miss coding for work done; being sure that you aren't coding inappropriately
9. Review loans for possible consolidation or restructuring

The business side of practice ownership now demands more time than ever and many aren't fully prepared to take that on because they are trying to find the balance between work life and personal life or it is considered a distasteful task. However, it is necessary and it does require your time, energy and attention. Actually planning it all out and following through with it makes your professional life easier rather than getting jammed up when you least expect it.

We are happy to work with you on these things to help you achieve the success that you deserve and meet the goals that you have set for yourself. Whether we take on some of these items or just coach you through them, we are here for you as you need.





Reward program costs are really borne by you and me – the person who accepts credit card payments

MiCAMP Credit Card Processing

We are always looking for companies that have a product or service that we can pass along to you. We recently had the opportunity to hear Ryan Beagin from MiCamp Solutions speak about credit card processing and their associated fees. This area can be very expensive and we see how the costs have risen over the years as more patients are paying with credit cards, especially those who have rewards tied to their credit card activity. These “reward program” costs are really borne by you and me – the person who accepts credit card payments. Ryan provides one service that will look at the amount of credit card activity and associated fees over a period of time and then research to see whether he has a better rate and what other services he could offer to save you money. They have security assessment services also, but you may want to certainly check out the credit card processing fees for potential savings initially.

Contact information is: Ryan Beagin (617) 895-9665 rbeagin@usa-ms.com

DENTAL FEE SURVEYS

Dental Fee Surveys will be sent out in the next few weeks. Filling them out and returning them to us in a timely manner is a great help. The survey can help your practice grow and, maybe more importantly, not continue to decline because you haven't raised your fees for a while.

If you participate with insurance plans, you still must increase those fees each year to not get behind. Insurance companies aren't looking to put more money in your pocket and they won't increase your reimbursements without you submitting higher fees to them first.

Previously insurance companies would base their reimbursement, UCR, usual and customary reimbursement, on a certain percentile. We see that this percentile being used is lower than it used to be and may continue to decline. So, if you don't increase your fees reliably you risk getting further behind each year.

Take the time to participate in our survey. We tally the results and send them back to you showing your individual results, allowing you to make educated adjustments to your fees. In some cases, we also take your fees and show you how unbalanced they are and help you determine the best way to rebalance them for better results for your practice profits.

Fee Surveys are just another way we help to provide great tools for you to use in your practice.



The Fee Survey allows you to determine the best way to rebalance your practice profits.

Medicaid and Children's Health Insurance Fund (CHIP) Affordable Care Act

October 16, 2016 is an important date which requires action by health care providers to comply with the Affordable Care Act, which just had a final rule passed. This rule applies to those dentists or physicians who provide or administer health related services and receive any financial assistance from the Federal government. This would be Medicare Part B, Medicaid, CHIP or any meaningful use incentive payments. Under this Rule, there are several requirements such as:

- Review, update or create policies and procedures regarding non-discrimination
- Determine how to provide translation and language assistance services
- Develop procedures for complaints and grievances
- Educate and train your staff
- Assign someone as the compliance officer (for those practices with 15 or more employees)



Then, you must post notices regarding your discrimination policies *including on your website*, showing these items:

1. *Your nondiscrimination policy*
2. *The availability of auxiliary aids or services provided at no cost*
3. *Services offered for translation and language assistance*

4. *How the above services can be obtained*
5. *List the name of your compliance officer and their contact information*
6. *The procedures for filing complaints and grievances*
7. *The process to file a discrimination complaint with the Office of Civil Rights (OCR)*

These policies must be posted in a **VISIBLE** location where the public is clearly able to see it; typically the waiting room (and web page). If you provide literature or publications, it also should be included although it may be a shorter version.

All posted notices must include taglines in the top 15 languages spoken by individuals with limited English skills *in your particular state*. The Department of Health and Human Services (HHS) has it on their website, but we can provide you with the list should you need.

There are horrendous penalties for non-compliance and there are investigations by HHS and the Department of Justice where they can assign compensatory damages resulting from discrimination without taking into consideration any administrative remedies.

If you would like to read more or have access to templates, you may go to: www.hhs.gov/civil-rights/for-individuals/section-1557/translated-resources/index.html

Year End or Periodic Bonuses

Reminder – Bonuses, whether year end or not, **MUST** be treated as paychecks. It is one of the first thing auditors look at. The most frequent audit, from the state unemployment department, always catches these payments and if you cannot prove that they were from something else, such as a reimbursement, then they make you pay taxes on them after the fact. Because they find this issue, they start looking at other areas, such as payments made to individuals that were paid on 1099's (with no taxes withheld) versus being properly paid as paychecks with deductions. They look for other abuses because they found you disregarded proper treatment on bonuses. Calling year end bonus checks "uniform allowances" is also a tip off, so that doesn't pass their scrutiny either.

If you want to give out a round dollar amount, that's fine. We can calculate what the gross pay less tax deductions will be to give the employee a nice, round net check.

There are other ways to save tax dollars, so give up writing checks out to employees as bonuses with no tax deductions and use some of the other tax savings ideas instead.





Children can be paid a modeling wage if you have their pictures taken



Tax Savings

We have written about different tax savings ideas as well as talked to many people about different ways to save tax dollars. Some of these are:

- ◆ Utilizing your pension plan to its greatest potential – Maximize it!
- ◆ Utilizing a home office if it applies to your situation – you receive a deduction for rent on the entity return and it allows you more mileage deductions which can eliminate commuting mileage totally
- ◆ Children can be paid a modeling wage if you have their pictures taken professionally and they are displayed on your web page or at the office in patient areas. The business purpose is met, for example, by showing that you are a family dentist. The children do not need to be identified as being your children for security reasons.
- ◆ Keeping track of staff meals in your office because you can receive a 100% deduction for them versus 50% deduction for other types of meals or entertainment.
- ◆ Keeping mileage records – Those who keep records generally have more business miles than they guessed they had.
- ◆ Needed equipment purchases – not purchases just for the sake of a deduction. Keep your practice up-to-date with equipment-purchasing something every year or so. Don't get yourself into a "time-warp" where your practice looks like it is the 25th anniversary of the 80's or 90's. It helps to preserve the value of your practice.
- ◆ Don't fall into the mental trap of it all revolves around taxes! Sometimes it is better to pay taxes because you have made tangible profit rather than spending it for tax deductions.
- ◆ Remember that it is as important to work ON your practice as it is to work IN your practice. Revenue stream is more important than or just as important as taxable profit!!!!
- ◆ This isn't tax advice, but, find a balance of work life and family life and you will be a winner on all fronts. You can have it all!



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Department of Labor and New Overtime Rules

Overtime rules have been updated this year and they take effect December 1st this year. Sometimes staff members have been put on salary – many times inappropriately – but now there is a new standard in place. If you have a **salaried** employee who **makes less than \$47,476 a year** (was \$23,660), you **MUST** pay them overtime if they work over 40 hours in a week. (*Some states have a rule that requires overtime to be paid if they work over 8 hours in a day.*) So check your records to see if you have someone that fits this situation and be ready to pay them overtime. Paying someone a salary does not disqualify them from overtime pay anymore.

Also be careful if you have someone in a salaried position that they really qualify to be paid on a salaried basis. Many people in healthcare do not meet the criteria set up earlier by the Department of Labor. It can be costly to go back and rectify this situation with the employee, so it is better to be aware of the potential issue and make changes now. There are three categories that apply best to healthcare practices to help you determine who may qualify to be paid as a salaried employee:

Executive Employees:

- Primary duty is management of the business or a department
- Regularly directs the work of two or more employees
- Has the authority to hire and fire other employees or makes recommendations about the hiring, firing, promotions of other employees and these recommendations are given particular weight
- This also applies to those owners who own at least a 20% equity interest in the business

Administrative Employees:

- Primary duty is performing office or non-manual work directly related to the management or general business operations of the business
- Hold a position of responsibility in the business defined as performing work of substantial importance or performing work requiring a high level of skill or training such that the nature of the work affects the employer's general business operation or finances to a significant degree
- They must have a high level of skill or training. The specialized knowledge or abilities need not be acquired through any particular course of academic training or study. The training may involve advanced academic instruction or advanced on-the-job training or a combination of both. The duties many times includes advisory work performed for the management as is typically performed by financial advisors, insurance experts, credit managers, employee benefits experts, human resource consultants, marketing consultants and stock brokers.

Learned Professional Employees:

- Primary duty of performing office or non-manual work requiring knowledge of an advanced type in a field of science or learning customarily acquired by a prolonged course of specialized intellectual instruction, but which also may be acquired by alternative means such as an equivalent combination of intellectual instruction and work experience.
- For the practice of medicine it means an employee employed as a bona fide professional. They must hold a valid license or certificate permitting the practice of law or medicine or any of their branches and is actually engaged in the practice. *This includes dentistry, osteopathic physicians, optometrists, podiatrists, and specialists in medicine.*
- There are some specific professionals that have been found generally to meet the primary duty requirement for learned professionals. **Dental hygienist** is one. Those who have successfully completed four academic years of pre-professional and professional study in an accredited university approved by the Commission on Accreditation of Dental and Dental Auxiliary Educational Programs of the American Dental Association. **Physician Assistants** is another. Those who have successfully completed three years of pre-professional study plus not less than one year of professional course work in a medical school or hospital.

Important note: If you do have an employee who qualifies to be paid as a salaried employee, they are still required to provide you with the hours that they worked just as if they were an hourly employee. This is an often overlooked issue that can cause you problems.

As you can tell by now, this issue has many, many rules and its impact is far reaching. These things mentioned above only begin to scratch the surface of all the information contained in the law. As you would expect, you must keep excellent records; evaluate hourly and salary positions by employee; make changes as needed and you will be well on your way to being compliant with the Department of Labor. If there is one thing that needs to be well understood, it is that the Department of Labor laws will always be tilted towards the employee rather than the employer as their basic function is to protect employees.

Have Student Loans?

Our firm is a member of the ADCPA, which is a national group established to help accountants assist their dental clients in developing their practice in a way that they have always envisioned. We come together for education and training, both from outside consultants working within the dental community as well as from our own members. We had SoFi speak to our group recently and they have offered our clients a discounted rate.

National statistics show that the average dental student graduates with over \$200,000 in student debt. To help ease this debt burden ADCPA has partnered with SoFi to offer our clients, friends, and family a 0.125% rate discount* upon refinancing their student loans through Sofi.com/ADCPA. We do not receive any remuneration from them; it simply is a service that we felt would be beneficial to some of our clients.

SoFi has emerged as the industry leader in student loan refinancing and has funded \$12+ Billion to date for over 200,000 borrowers. On average, dental borrowers who have refinanced with SoFi have saved \$44k over the lifetime of their loan. SoFi refinances and consolidates BOTH private and Federal student loans. The main benefits include:

- Rates: Variable rates as low as 2.23% APR and fixed rates as low as 3.50% APR (with AutoPay)
- Simplicity: Consolidate all existing student loans (federal and private) into a single loan with one monthly payment
- No Fees: No application or origination fees, and no prepayment penalties
- Bonus: 0.125% rate discount for members, their friends and families who refinance through SoFi.com/ADCPA

Have Questions? Join SoFi for a live webinar with an opportunity to ask questions in an anonymous forum. Register at the link below:

<https://attendee.gotowebinar.com/rt/4856340927945433089>



The average dental student graduates with over \$200,000 in student debt

