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“PPO Transition: Lose the Discounts, Keep the Patients!”

by: **Bill Rossi**

Bill Rossi is President of Advanced Practice Management. He and his team are actively involved in the ongoing management of over 220 dental practices. He has over 35 years in practice management, has been a contributor to Dental Economics, Excellence in Dentistry, The Madow Brothers Audio Series and Dentaltown CE.

Mr. Rossi is an ally for private independent practices in a profession increasingly impinged on by corporate dentistry and PPOs.

We are excited to have Bill as a special guest lecturer at our upcoming Aggressive Business Tax and Practice Management Seminar in Scottsdale, AZ from December 28-30, 2016. Bill's lecture topic will be “PPO Plays: You Will Make Thousands More with the Right Moves.”

Visit www.CollierAdvisors.com/Seminars or call our toll-free seminar line at (888) 888-4840 to register.

Going through a PPO transition is serious business. It is one of those moves in dental practice management that has substantial risks and rewards like adding an associate or building a new facility.

So as dentists “balance” their PPO participation and decide to peel off some of them, I offer the following suggestions based on many years of helping clients through this process.

It's always better to talk face to face with patients about this transition. Letters are rarely thoroughly read, sound self-serving and can confuse and irritate patients.

I know because a long time ago I used to help write those letters! I found it wasn't the best approach.

However, if a doctor insists on writing letters, we suggest sending them out a small batch at a time and following up with phone calls—just like you would with a recall notice. In this way, you can adapt and tailor your message. A mass sending of letters can seriously damage a practice.

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Remember, the goal when a client leaves a PPO **is not just to minimize the loss of patients; it's to slow down any loss.** That gives the practice time to "heal up." So, if the practice is otherwise well managed and has decent new patient flow, it will be fine.

Slowing down the loss is another reason not to send letters. If you do things face-to-face, you'll see every patient at least one more time. Face-to-face communication is always best especially when it's a potentially difficult subject.

As far as deciding which PPOs to peel off, it's not just a matter of which ones have the lowest fee schedule. There are other key factors, such as the number of patients on the plan, out-of-network benefits for the PPO (plans with good out-of-network benefits are easier dumped than plans with no or puny out-of-network benefits), how many of the doctor's patients are on the plan and how many new patients are brought in through the PPO.

If the conditions are right and things are handled well (the staff coached, the groundwork done, etc.) a PPO transition should result in less than 30% of lost patients from that plan in the first year. However, I ask my clients, "If you lost 50% of the patients on this plan, would you be okay?" That is sort of a gut check.

We keep very close track of the statistics before and after a PPO transition. We watch new patients, total patient flow and, of course, production and collections, as well as some other key statistics. That is how our approach to transition has evolved. Doctor, you do have the power to peel off bad PPOs!

The Following are Several Employment Related Topics Based on Audience Questions From Recent Collier & Associates Doctor Seminars: Labor law is a highly specialized area and is subject to a multitude of federal and state laws, most of which are skewed in favor of the employee. The following items present an overview. If you plan on implementing these ideas you **must** consult with a good local employment attorney to be sure you are in compliance.

1. The Value of Employee Handbooks:

We like the idea of using employee handbooks because they help eliminate confusion about rules and policies. The bad thing is that they can be interpreted as a contract that binds the employer in ways it did not anticipate. Thus every employee handbook should contain a statement that it does not change the at-will nature of employment. This means that the employment can be terminated by the employer or employee for any reason at any time. It should also state that no terms in the handbook become contract terms of employment, and that the employer reserves the right to make unilateral changes. If you have ever had an employee handbook, have your attorney review it to be sure it (and prior versions) did not make promises regarding job status. If your handbook did not contain the right of the employer to make changes or other appropriate language, your attorney can guide you through the steps to create an updated version.

2. Preventing a Claim of Negligent Hiring Through the Use of Background Checks and Job References:

Employers owe the public a duty to conduct a reasonable investigation prior to hiring an employee, particularly in jobs where the public may be especially vulnerable like health care, teachers, or dealing with the elderly. But, if you are conducting background checks, the applicants have certain rights as well. This usually means providing a stand-alone written notice that you'll be doing a background check and getting their consent in advance. If you don't hire the employee because of something you find in the report, you may be required to notify the applicant and explain why -- and give them the chance to respond. Keep old records of background checks. They may be useful if a future applicant brings a discrimination suit arguing that she was the only one you've done a background check on.

Use a local attorney who can set up a standardized program and be able to answer the thorny questions that come up should you find something incriminating in an applicant's past.

When it comes to job references, the idea is that **you should seek them, but be reluctant to give them.** Have every applicant sign a

waiver giving you permission to contact previous employers, and be suspicious of the ones who won't sign it. Then, check **at least three** references so you can compare the information you receive for consistency and be able to show that you took reasonable steps in screening new employees. Only ask questions that relate to job performance and nothing else that could get you in trouble such as questions about age or religion. Ask open-ended questions about job performance rather than ones that can be answered by yes or no. Good questions include "How would you rate the quality of his or her work?" or "Could you describe his or her interpersonal skills?" The single best question is, "Would you hire this person again?" If you get an immediate "yes" then that's a great sign. If you only get a "yes" after a long pause, it isn't.

There is no obligation to give a job reference, the concern being that you could be sued for saying something that prevents the applicant from getting hired. Some states protect former employers by indemnifying them from lawsuits if they give factual job references. But be careful, because to get this protection you may be required to notify the employee about the factual statements you made. If you are asked to give a job reference about a person **that you would not hire back**, you may find that even a truthful job reference isn't worth the risk. Instead, prepare a standardized letter for future employers addressed to "To whom it may concern" and list only the employee's name, rank and serial number (i.e., name, dates of employment and job functions).

3. Employment Practices Liability Insurance (EPLI): This is specialty insurance which will defend the practice against claims relating to employment such as wrongful termination, improper hiring practices and sexual harassment. Your standard property and casualty insurance policy does not cover these things, or it covers them to a very limited degree. Even though the majority of these lawsuits end up getting dismissed, the legal fees and potential settlement costs could run well over \$70,000. It's not imperative to have EPLI, but we'd recommend it for practices with many employees (say 15 or more) and that are located in areas where employees are more brazen and

which tend to see more employment lawsuits. You can buy this insurance from the same agent who sells your practice's property and casualty insurance.

4. Separation Agreements for Terminated Employees: If you don't have EPLI and your intuition tells you that a soon-to-be-fired employee may sue you, consider offering them a separation agreement. The idea is that you will give them a certain amount as a severance payment that is contingent on them giving you a release against all lawsuits and money damages. The key question is, should you make this offer? This is a difficult decision. If you offer the separation agreement, the employee may think they have a legitimate claim when they really don't. You'll have to do a weighing process, comparing the risks and rewards. If you are only offering a tiny amount, like a few days pay, don't bother with the agreement. When the employee sees all of the rights she's giving up, it will send her running to a lawyer.

If you are considering offering an employee a separation agreement, **always consult with a local attorney who specializes in labor law**. Do not prepare this yourself or pull a form from the internet. The documentation must contain the appropriate language to deal with the federal and state laws. For example, you will be required to give the employee a minimum amount of time to consider the offer, and that will vary state to state. Or, your state law may say that if you require the employee to waive certain rights like unemployment benefits, that will invalidate the agreement and could even be a criminal misdemeanor. We have spoken with several dentists who, in retrospect, were very happy to have been proactive, paid a modest severance and gotten out of potential employment lawsuits.

We STILL Have Never Seen an Annuity That We'd Consider Buying: Annuity salespeople are aware that their products are controversial and have a reputation for big sales commissions and high annual fees. Thus, a common sales tactic is to tell their prospective victim that there are indeed many bad annuities out there, **but the one that this agent is selling just so happens to be one of the good ones**. Buyer beware. This

is especially true if the salesperson wants you to buy the annuity through an IRA or retirement plan, in which case you'll waste the tax deferral on the meager annuity investment gains.

Avoid this Trap if Helping a Family Member Pay a Mortgage: For someone to deduct the mortgage interest, she must actually make the payments **and** be legally obligated to make the payments. If you are helping a child by making his mortgage payments, the interest deduction may be lost to both of you -- the child cannot take it because he did not make the payments and you cannot take it if you are not liable on the mortgage and if it is not your primary or secondary residence. It is better to make cash gifts or loans to the child. He can then make the payments and take the deductions.

Related Issue - Loans to Family Members: Let's say you loan your brother \$10,000 with a general statement that he can take three years to repay it. He then gets a divorce, leaves town and doesn't repay you. Can you deduct the bad debt loss? No, because advances to family members are presumed to be gifts unless there is strong evidence that a loan was intended. If a loan is really intended, the clear lesson is to get a note or collateral or some evidence of a repayment schedule at the time the loan is made.

Michigan Dentist Sentenced to 45 Months in Prison and Restitution of \$550,000 for Not Paying Taxes: If you've ever thought about becoming a tax protestor, this case will give you pause. (See U.S. v. Rae, 117 AFTR 23 2016). **(Editor's note - We can't make this stuff up!)**

The dentist, Dr. Rae, filed tax returns for the years 1999-2011 but paid no tax. He had created a sophisticated scheme to hide his income by depositing all practice revenue into the bank account of the dentist who had sold him the practice, rather than using his own business bank account and tax ID number. From there, he paid his practice expenses and personal living expenses. He rented his home and office so there would be no assets that the IRS could put liens on. He did not accept direct insurance payments, instead directing that the payments go to the patients who would pay him in cash. Again, this was to eliminate any accounts receivable

that the IRS might claim. The court looked at the elaborate steps he took to avoid paying taxes and had no problem dismissing his bogus argument that he had the honest, but mistaken, belief that taxes weren't required.

The irony with tax cheaters is that they often end up paying more in tax than the honest taxpayers who report every dollar of income but then claim many **aggressive but legal deductions**. The cheaters don't take these deductions fearing that they may lead to an audit. The honest ones get a double benefit - they pay less tax and stay out of jail.

Season Pass to a Local Public Golf Course is a Deductible Business Expense to the Extent it is Used for Business: If, for instance, the pass costs \$5,000 and 45 of the 50 rounds played are with current or potential patients and referring doctors, then \$4,500 (90%) of the pass is deductible. In addition, related expenses on those days for meals, golf balls, golf gloves are deductible as well. Sadly, the golf clubs themselves are not deductible. A golf season pass of this sort is different than monthly dues to a private club, which are also non-deductible.

Important Life Lesson From, Of All People, Dallas Cowboys Owner, Jerry Jones: Though he's a shameless self-promoter, the following quote from Dallas Cowboys owner and lifelong deal maker, Jerry Jones, offers a valuable insight. Jones regretted not offering more trade value in order to move up in the draft to select the team's quarterback of the future -- a player who ended up going to another team that was willing to pay more. *"When I look back on my life, I overpaid for my big successes every time. And when I tried to get a bargain, get it a little cheaper or get a better deal on it, I ended up usually either getting it and not being happy I got it, or missing it."*

The valuable things in life come at a cost. Even if we feel we are overpaying for the home or the practice we truly want, it is better to do that and be happy than to pay less for an alternative and feel like we've settled. Our long-term satisfaction will turn the initial anxiety of over-paying into a distant memory.