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Delta Dental Shenanigans Require a Careful Analysis Before Hiring a New Associate and a Thorough Understanding of your Delta Contract: If you're a Premier provider, understand that in many states now, any new associate who joins your practice who was not credentialed with Delta before August 2014 cannot be a Premier provider. He or she must sign up as a PPO provider. This requires careful analysis, because once the PPO plan enters the practice, this will be the beginning of the end of your Premier reimbursements.

If Delta comprises a relatively small portion of your practice and the associate can be kept busy treating non-Delta patients, then we recommend that you don't credential the new associate with Delta at all. However, you must review your Delta contract to confirm that it doesn't require that any new associate must be credentialed as a PPO provider.

If Delta comprises a large part of the practice such that the associate cannot be kept busy seeing non-Delta patients, then the associate will be credentialed as a PPO provider. You, on the other hand, will **probably** continue to be a Premier provider. We say "probably" because we have heard reports of Delta requiring that the Premier doctor must then accept PPO reimbursements as well.

Are these Delta contract provisions enforceable? Yes. A contract can be one-sided and still enforceable. Courts will likely view you as an educated and informed party who signed the contract in order to get access to a larger patient base.

Even if you can negotiate to keep your Premier status, you will face new billing nightmares and difficult conversations with some of your patients. If you share the patient pool, then you will be treating various family members and charging different fees. Or, if you each do similar procedures on the same patient, you will have to explain the rationale for the different fees. In short, you lose either way, and the practice will inevitably drift towards PPO.

One alternative is to drop Delta and do your best to retain as many patients as possible. As a general rule, assume that you will lose 50% of them. This may be so many that you decide you don't need an associate at that point.

If you are approaching retirement, but are busy and contemplating an associate, you will likely be better off

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not hiring that person. Blame it on Delta's "anti-employment" business practices. Keep practicing at your busy pace for as long as you can, and then gradually scale back your schedule as is necessary or desirable. We continue to see practices that are still largely producing as much in 3-1/2 or 4 days as they used to produce in 5 days by improving scheduling efficiency and by consistently raising their fees.

This will be a popular topic of discussion at our Aggressive Business, Tax and Practice Management Seminar in Scottsdale, AZ this December 28-30. BILL ROSSI, President of Advanced Practice Management, and a national expert in dental PPOs will be the special guest lecturer at this seminar.

Call our toll-free seminar line (888) 888-4840 or visit www.CollierAdvisors.com to register.

A Recent IRS Ruling Targets Captive Insurance Companies: A "captive" is an insurance company that is wholly owned by a parent company. Its purpose is to provide insurance coverage for the parent company for certain risks that the parent cannot reasonably get in the normal insurance markets. Under Section 831(b) of the U.S. tax code, premiums paid to a captive insurance company are both tax-deductible to the parent company **and, if the premiums don't exceed $2.2M per year, tax-free to the insurance company**. This is a legitimate concept for many large businesses with costly insurance exposures. However, tax shelter promoters and insurance salesmen who see a big tax loophole then try to shoehorn this concept and make it fit in a dental or small medical practice.

In IRS Private Letter Ruling 201613016, the IRS disallowed the parent's captive insurance company on the grounds that it was not actually selling insurance. The parent company in this case (not a doctor's office) created the captive solely for the tax savings. The captive insured the parent for such things as pollution liability, the temporary loss of services of a key person in the business, losses from an IRS audit, and the reimbursement of attorney's fees if the parent were ever sued. The IRS held that most of the insurance policies weren't really insurance but were instead there to cover simple day-to-day business losses.

The IRS is Well Aware That the Captive Insurance Concept is Being Abused by Shady Promoters: When given the chance, they should easily be able to dismiss a doctor's captive for several reasons. First, the captive usually isn't selling real insurance. Second, the insurance that is sold is priced for higher than what it can be bought for in the traditional insurance market.

Finally, if you are shown a proposal for a captive that is to be capitalized with expensive life insurance, then run fast and far in the opposite direction. This is all but guaranteed to be a sham. Real insurance companies are capitalized with cash, government bonds and other liquid investments, not life insurance.

The Demand for Tax-Avoidance Schemes Seems Unlimited: That's fine as long as they are legal, such as qualified retirement plans. But, how does one know if the shelter advice is too aggressive? These things have a certain smell about them. While no list can be complete, if we saw any of the following signs, we would definitely not be interested - no matter how much the self-interested promoters say the tax avoidance strategy will work:

- **If It Looks Too Good to be True . . .** This applies in all situations!

- **If There is No Real Economic Purpose Behind the Complicated Strategy:** Even if each step (in itself) might be proper, if the total transaction lacks any purpose other than avoiding taxes, it is vulnerable.

- **If It is an Off-The-Shelf Tax Avoidance Gimmick, Especially One Involving Insurance:** An insurance policy can have tax advantages in its basic form, but the insurance sellers have been extraordinarily aggressive over the years in trying to extend those advantages into areas that the IRS and the courts don't accept. For example, if the acronym "VEBA" is involved, we would immediately run the other

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way. Or, if we were being told we should buy insurance we did not need because of its tax or investing advantages, we would show the salesperson the door.

- **If a Foreign Country is Woven Into the Transaction Because of its Supposed Tax Advantages.**

- **A Complex Legal Opinion that the Transaction is OK From a Law Firm Supplied by the Shelter Salesperson is Not Impressive:** Especially if it is longer than a few pages. It doesn't take much space for the law firm to cite existing court cases or IRS rulings approving the strategy. The longer the opinion, the more likely it is artfully drafted to have so many caveats and exceptions as to be meaningless.

- **If the Shelter Promoter Insists that the Ideas are Proprietary to Them, and We Must Keep Them Confidential:** That could be a sign of an out-and-out scam. Or if it's an established law or accounting firm saying that, it's likely that they think their strategy is so clever that no one else has thought of it and they want to retain a monopoly (and high fees) on the idea as long as they can. A secret idea that no one else has thought of yet is unlikely to pass the IRS's smell test either.

Exposing a Patient's Eyes to Bacterial Infection Constitutes Dental Malpractice: A New Jersey dentist accidentally dropped a Novocaine needle onto the patient's eye. She was injured by the dangerous bacteria in her mouth, not by the needle itself. Her eye was destroyed and was replaced by a prosthetic eye. She sued and before the case went to trial, reached a large settlement with the dentist.

Both the Centers for Disease Control and Prevention and the ADA recommend that that all patients be given eye protection. This should now be considered the standard of care in dentistry. Had this patient been given a pair of safety glasses when she was seated, this would have been easily prevented.

Credit Cards Offering Great Rewards: There is no single card that will be best for everyone, because the reward programs that are offered are tailored to different spending habits. We prefer cards with cash back or airline benefits. Cards that accumulate points that can be redeemed for specific goods and services are less appealing, because the prices of the goods and services tend to be inflated.

Credit card rewards are not to be missed, which is only appropriate. As business owners, we are the ones paying our clients' (or patients) rewards through the high transaction fees.

In addition to whatever card is linked to your primary airline (for miles, free checked bags and other perks), the following cards offer excellent TRAVEL rewards:

Chase Ink Plus Business: Excellent card for business expenses. **5 points** for each dollar spent on office supplies, cable and telecom expenses up to $50,000 per year. **2 points** at gas stations and hotels up to $50,000. 1 point on everything else. 60,000 bonus points if you spend $5,000 on the card in the first 3 months. Then when you redeem points for travel through Chase, you get a 1.25% conversion rate. The conversion ratio is 1:1 when transferring points to other loyalty programs. $95 annual fee.

Chase Sapphire Preferred: 2 reward points for each dollar spent on travel and restaurants, and 1 point everywhere else. High redemption value - points are worth 25% more if you book travel through Chase's system. Big signup bonus of 50,000 bonus points if you spend $4,000 in first 3 months. No foreign transaction fees, so great for travelers. Not connected with a specific airline, so no special perks on your primary carrier. $95 annual fee after year 1.

Barclaycard Arrival Plus: 2 miles per dollar spent on all purchases. Miles can be used for any airline or hotel and are redeemed as a credit on your monthly statement. You actually get 5% of your miles back when you redeem them. 40,000 miles if you spend $3,000 in first 3 months. No foreign transaction fees. Like Chase Sapphire, not connected with a specific airline. $89 annual fee after year 1.

Capital One Venture: Same benefits as

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Barclaycard, but you don't get 5% of your miles back when you redeem. Slightly lower annual fee of $59.

BankAmericard Travel Rewards: 1.5 points for each dollar spent on travel expenses (airline, hotel, rental car) in the form of a statement credit. If you are a Bank of America customer, ability to earn slightly higher bonus rewards. No annual fee, but since the rewards aren't quite as good, a frequent traveler will do better with one of the other, annual fee, cards.

Starwood Preferred Guest, AMEX: Great for hotels. High rewards rate of 5 "Starpoints" for each dollar spent at a Starwood hotel and 1 "Starpoint" on all other purchases. 25,000 bonus points after spending $3,000 in the first three months; redeemable at over 1,200 hotels and resorts for a redemption rate of around 2.4%, or redeemable for airline miles at a rate of 1 Starpoint to 1 mile. Points can be transferred to 30 frequent flyer programs. $65 annual fee. It has a foreign transaction fee of 2.7%, so it's not ideal for foreign travel.

AMEX Platinum: Niche card for frequent business travelers. 2 points per each dollar spent on travel booked through American Express and 1 point on everything else. Relatively low benefit considering $450 annual fee. But access to Delta Sky clubs (which alone costs $450 per person), Centurion Lounges and Airspace Lounges. Free access to Gogo and Boingo airport Wi-Fi. $200 credit for airline incidentals like checked baggage fees (you select your airline). 40,000 points if you spend $5,000 in first 3 months.

The following cards offer excellent CASH BACK rewards:

Chase Ink Cash Business: Excellent business cash back card. **5%** cash back on office supplies, cable and telecom services up to $25,000 per year, 2% cash back at gas stations and restaurants up to $25,000 per year, 1% on all else. Bonus of $200 if you spend $3,000 in the first 3 months. No annual fee.

Blue Cash Preferred, AMEX: Cash back card paying **6%** at U.S. supermarkets up to $6,000, 3% at U.S. gas stations and certain department stores (no annual dollar cap), 1% on other purchases. $95 annual fee.

Chase Freedom: **5%** cash back on up to $1,500 in spending in quarterly rotating bonus categories such as groceries, gas stations, restaurants and wholesale clubs). 1% on all other purchases. $150 cash back if you spend $500 on the card in the first month. No annual fee. This card makes sense for someone willing to stay abreast of the rotating 5% categories.

Citi Double Cash: 2% cash back on all purchases (1% when we make the purchase and 1% when we pay the credit card bill). No annual fee.

Costco Anywhere Visa: Costco consumers will benefit after their switch from AMEX to Visa. **4%** cash back on gas for first $7,000 per year, **3%** on restaurants and travel, 2% on purchases at Costco, 1% on all else. Redeemed as a credit against Costco purchases. No annual fee, but must maintain Costco membership.

Investing in New and Small Companies: Like the long shot player at the race track, the investor who invests in new and small companies is dreaming of big returns on a small investment. Everyone knows about the millionaires who bought 100 shares of Microsoft for $2.00 per share (before it became a multi-billion dollar company), but for every story like that one, there are hundreds about the purchase of the new hot stock at $40.00 that fell to $1.00. We suggest making investments in new and small companies only as a game or pastime because it is not an investment.

College Grads Starting Full-Time Jobs in the Middle of the Year Should Use Part-Year Withholding to Lower Tax Withholdings and Increase Take-Home Pay: The standard withholding tables assume they are working the entire year when determining how much income tax to take out of their paycheck. The part-year method will withhold based on what they actually earn during the shortened work year. If they are working less than 245 days, then they can request that their employer use part-year withholding.

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