



Practice With Your Eyes Wide Open

Doctors wonder how the recent health care reform legislation impacts their practice of pediatric dentistry. It appears substantial changes in reimbursement at this time will not take place. *The most concerning practice impact will not be the new health care legislation, but the current state of the economy.*

Doctors should be most concerned about the lack of jobs and tax revenues because this impacts their practice in three ways: reduced discretionary spending, reduced Medicaid payments and the high prospect of increased taxes. All three contribute to reduced profits and available income for paying bills and retirement savings.

Consider also the ballooning federal deficit, to be followed by baby-boomers retiring and drawing social security and Medicare funds. As Federal Reserve Chairman Ben S. Bernanke said in April 2010, "To avoid large and unsustainable budget deficits, the nation will ultimately have to choose among higher taxes, modifications to entitlement programs such as Social Security and Medicare, less spending on everything else from education to defense, or some combination of the above." The solution will probably come from "some combination of the above." Perhaps baby boomers will receive significantly reduced Social Security and Medicare benefits.

In light of this dismal current state of affairs it is very important for doctors to take a proactive approach to running their practice as efficiently as possible to maximize profits for income and retirement savings. Doctors will have to earn more dollars to meet retirement goals due to the future possibility of higher taxes and reductions in Social Security and Medicare benefits.

This message is a call to arms to make sure doctors plan well for their future.

Broad Impact Points of the Health care Legislation

The following are some of the major points that are included in the bill. This list is only meant to highlight

the points that most affect the practice of pediatric dentistry for the private practitioner. The bill's full impact can not be determined for a number of years because some changes do not take place for several years as indicated below.

- Extends Medicaid eligibility in 2014 to individuals in families with incomes up to 133 percent of the federal poverty level.
- Fails to require adequate Medicaid dental reimbursement while dramatically increasing the eligible patient base.
- Provides increased funding for school-based health center facilities and Federally Qualified Health Centers (FQHC's) to provide oral health prevention education, community water fluoridation, comprehensive primary care, including oral health services to serve large populations of Medicaid and CHIP eligible children.
- Includes provisions to allow a workforce pilot program that may lead to non-dentists performing surgical dental procedures.
- Places a limit on Flexible Spending Accounts (FSA's) to \$2,500 (down from \$5,000) beginning in 2013. Many people use these accounts to pay for dental care.
- Beginning in 2014, the bill requires medical plans offered on the newly-created state health insurance exchanges (virtual marketplaces where insurers offer plans with identical benefits so consumers can shop for coverage based on price) to include "pediatric oral health services" as a required benefit. Stand-alone dental coverage will also be offered on these exchanges. There is no guarantee that this dental coverage will be substantial. To remain competitive and keep premium costs down, there is concern that the dental benefit may be limited.
- In 2014, an employer with 50 or fewer employees does not have to provide health insurance to their employees.



- Employers who currently cover dependant children will have to do so for *children* up to age 26.
- In 2010, practices with 10 or fewer full-time employees and average yearly wages of less than \$25,000 are eligible to receive the maximum tax credit of 35 percent of the actual cost of coverage, or the average group premium within the practice's state, whichever is lower. Smaller credits are available to practices with 11-25 employees, or whose average annual wages exceed \$25,000, but are less than \$50,000. A practice must contribute 50 percent or more towards the employee's premiums to qualify. In 2014 the maximum tax credit rises to 50 percent to practices that purchase their health insurance coverage through health insurance exchanges.
- At this time, the bill does not change existing health insurance coverage, however it is difficult to determine what will happen over time. Beginning in 2014, the benefits in plans offered through the exchanges may affect coverage offered by insurers who operate outside of the exchange.
- In 2018, high cost plans may be subject to an excise tax if your plan's premium exceeds \$10,200 for individual coverage or \$27,500 for family coverage. Dental benefits are excluded from this calculation.
- In 2013 Medicare taxes are increased by 0.9 percent on wages in excess of \$200,000 for singles and \$250,000 for couples filing jointly.
- A new 3.8 percent Medicare payroll tax will apply to unearned income (interest, dividends, capital gains, etc.) for individuals with an adjusted gross income over \$200,000 for singles and \$250,000 for couples filing jointly.
- The bill establishes a new "Simple Cafeteria Plan" for small businesses to enable them to offer tax-free benefits to employees.

Medicaid Reimbursement Changes

States are mandated to have balanced budgets and high unemployment has caused tax revenues to dramatically decrease. Medicaid is funded with state and federal funds and has become one of the areas that state legislators are cutting in order to achieve a balanced budget. We hear from clients across the country about cutbacks in their Medicaid reimbursement from five percent to 25 percent. The state of Arizona will be completely dropping the KidsCare program beginning June 15, 2010, due to lack of state funding.

With Medicaid reimbursements already being about 50 percent or less of the doctor's full fee, these cutbacks make it even more financially difficult for doctors to provide dental services to the Medicaid population. We see doctors responding to the decreased reimbursement by electing to reduce the number of

Medicaid patients treated in the practice or completely avoid treating Medicaid patients. The doctors that treat the Medicaid population are overwhelmed with the demand; it is more than they ever have the ability to meet in their communities.

Proactive Actions for Economic Survival

- **Assume a strong leadership role**
 - Communicate your vision to the team.
 - Hold staff members accountable for good performance.
 - Hold effective morning, monthly team and department meetings to discuss ways to improve efficiency and productivity.
 - Get professional practice management guidance to help the practice be more efficient, productive and profitable.
- **Have a practice business plan that defines goal numbers**
 - Break-even point analysis.
 - Number of doctor and hygiene workdays.
 - Daily production goals for each producer.
 - Overhead expense budget.
- **Front desk systems are worked to create peak performance**
 - Block schedule to producer (doctor, hygiene, hospital) goals.
 - Pre-appointing recare appointments.
 - Producer goals are monitored daily and month to month.
 - Recare and unfinished treatment plan reports worked weekly.
 - Collections meeting a healthy collection ratio of 98 percent+ of eligible fees.
 - Insurance claims filed promptly and unpaid claims followed up on regularly.
 - Excellent telephone verbal skills.
- **Production efficiency**
 - Doctor should do only what he can not delegate.
 - Delegate duties to a "restorative" hygienist or expanded duties assistant to the full extent of your state law to assist in completing fillings, sealants, etc. This becomes especially important if the practice treats a lot of reduced fee plan PPO and Medicaid patients.
 - Practice accelerated hygiene if you employ hygienists.
 - If the practice has slowed down, utilize this time to learn new skills; update software, go paperless, increase staff clinical and verbal skills, etc.
- **Marketing**
 - Attach all referral sources to new patients.
 - Have a monthly meeting with the person in charge of your marketing and analyze the



- new patient referral report to determine where thank-you notes and gifts should be sent, where to schedule lunch and learns with pediatricians, doctor lunches, and school programs to attract the appropriate number of new patients.
- Have a high level of customer service to retain patient loyalty and attract new patients by referral.
 - **Control expenses**
 - Give staff a monthly budget amount for supplies.
 - Have an efficient level of staffing.
 - If practice collections are not increasing, incorporate a wage freeze and use a bonus system when collections increase.
 - Evaluate expenses line by line for reduction areas.
 - Reduce associate doctor days if practice has slowed down.
 - Get competitive bids on services.
 - Get the best merchant fee rate on credit card payments.
 - Renegotiate interest rate on practice loan for reduction.
 - Renegotiate lease for reduction.
 - Rent office space on unused days to part-time orthodontist.
 - **Retirement planning**
 - Meet with a financial planner to create a yearly savings plan to meet future retirement goals.
 - Begin saving as early as possible to maximize gains
 - Consider a monthly savings amount as an expense that gets paid before discretionary spending for lifestyle choices.
 - Reduce lifestyle costs to save more.
 - Fully fund IRA yearly.
 - Fully fund a tax deferred retire plan.
 - **Tax planning**
 - Meet with a CPA to implement tax saving strategies.
 - **Get involved and express your needs**
 - Contact your political representatives at the state and federal level.
 - Join and become involved in your local, state and national dental organizations; *this is where changes to benefit your profession are made.*
- Doctors must take action to increase efficiency and to avoid losing profits unnecessarily. A five percent efficiency increase creates an (extra **\$50,000** to a **\$1 million**) practice which translates into additional retirement savings. With the right help, some practices can achieve a 10 – 20 percent increase in efficiency. Now is the time to make your battle plan for success!

Battle Plan for Economic Success

Customized Comprehensive Consulting

Results oriented, phased approach to achieve more efficiency, increase production and lower costs.

- Business Plan, Goal Setting & Monitoring, Overhead Budget
- Front Desk Systems Training
- Leadership Skills & Staff Management
- || Office Manager Training
- || Marketing

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