SCIARABBA WALKER &CO LLP
CERTIFIED PUBLIC ACCOUNTANTS
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Perspectives on Medical Practice Management

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Can We Help?

Our firm provides a broad range of services to medical practitioners, including:

- Accounting & Financial Management
- Tax Services
- Internal Accounting Controls
- Personal Financial & Estate Planning
- Practice Valuations
- Finance Consulting

Inside this issue:

Recent Changes Affect Plan Sponsors

Fee Disclosure Rules

Federal pension law (ERISA) requires fiduciaries to act prudently and solely in the interests of the plan's participants and beneficiaries when selecting and monitoring plan investments and service providers. As a fiduciary of your practice's plan, you must act with the sole and exclusive purpose of providing benefits and defraying reasonable expenses involved in administering the retirement plan. That means you must ensure that any arrangements your plan enters into with its service providers are "reasonable" and that only "reasonable" compensation is paid for services.

Your ability to make these decisions depends on the availability of clear, accurate information from plan service providers. The U.S. Department of Labor (DOL) recently issued regulations that mandate comprehensive fee disclosure by recordkeepers, brokers, and investment advisors -- information designed to help sponsors like you evaluate your plan's fee structure. The regulations take effect July 16, 2011.

Timing and Order of QDROs

A qualified domestic relations order (QDRO) is a judgment, decree, or order that's issued under a state domestic relations law in regard to child support, alimony payments, or marital property rights of a retirement plan participant's spouse, ex-spouse, child, or other dependent. A QDRO generally creates or recognizes the existence of an "alternate payee's" rights to all or part of an employee's retirement plan benefits.

A domestic relations order must include specific information and must meet various requirements to be considered qualified. Plan administrators are responsible for determining whether an order received by a plan is a QDRO.

The DOL recently finalized regulations on the timing and order of QDROs. The final regulations contain guidance and examples that can help plan administrators determine whether an order is qualified. The examples show that timing or order of issuance alone won't disqualify a domestic relations order from being considered qualified.

Investment Policy Statements

An Investment Policy Statement (IPS) provides well-defined investment guidelines for a plan's fiduciaries. In addition, it can systematize how the plan sponsor is to set investment goals and make broad plan investment decisions. Your IPS should be specific to your plan. You'll want to confirm that the investment choices offered by your retirement plan are still appropriate. If your plan provides target date funds, you should review each fund's "glide path" (the schedule by which a target date fund's asset allocation is adjusted) to ensure that it is reasonable and appropriate. The DOL and the Securities and Exchange Commission (SEC) have released an investor bulletin that discusses target date funds (www.dol.gov/ebsa/pdf/TDFinvestorbulletin.pdf). You may find it useful when reviewing your plan's funds.

In-Plan Roth Conversions

401(k) and 403(b) plans that have Roth contribution programs are now permitted to allow rollovers (or "conversions") of eligible distributions from participants' regular plan accounts into designated Roth accounts within the plan. The taxable portion of amounts rolled over must be reported as income by the participant. Only certain plan balances may be converted. Plans are not required to offer in-plan Roth conversions.

Your Practice and the 2010 Jobs Act

- Edited by Roberta M. Norman, CPA

The Small Business Jobs Act of 2010 was enacted in September 2010 in an attempt to help businesses, increase employment, and jump-start the economy. The Jobs Act contains a few tax benefits that may be helpful to your practice.

Enhanced Section 179 Expensing

One way your practice potentially can reduce its tax burden is to take advantage of the Section 179 expensing election. This election allows you to deduct the cost of equipment and certain other types of otherwise depreciable assets in the year they are purchased and placed in service -- rather than claiming depreciation deductions over a multi-year period. The Section 179 deduction can't exceed taxable business income.

The Jobs Act increases the maximum annual Section 179 expensing limit from $250,000 to $500,000 for tax years 2010 and 2011. The amount of the available expensing election is reduced dollar for dollar to the extent the cost of the qualifying assets your practice places in service during the taxable year exceeds $2,000,000.

Real property generally does not qualify for Section 179 expensing. However, for tax years beginning in 2010 and 2011, Section 179 expensing may be available for up to $250,000 of certain leasehold improvement property.

Example. In 2010, a medical practice placed in service $100,000 of equipment eligible for Section 179 expensing and $300,000 of qualified leasehold improvement property. Subject to the taxable income limitation, the practice may elect to expense $350,000 ($100,000 of equipment purchases and $250,000 of leasehold improvement property) under Section 179.

Your practice also may elect to treat "off-the-shelf" computer software as Section 179 property for the 2010 and 2011 tax years.

"Bonus" First-year Depreciation Extended

The Jobs Act also makes a 50% bonus depreciation available for the 2010 tax year. This bonus depreciation deduction may be claimed in addition to a modified regular deduction for first-year depreciation or in conjunction with Section 179 expensing. Most new equipment, computer software, and certain leasehold improvements can qualify.

New Vehicle Depreciation Caps

The Jobs Act also increases the first-year maximum depreciation deduction allowed for new business vehicles placed in service during 2010. The depreciation cap rises from $3,060 to $11,060 for cars and from $3,160 to $11,160 for light trucks and vans.

Employer-provided Cell Phones

Under prior law, the costs of providing cell phones and other similar mobile communications devices to employees for employment-related business use were deductible only if detailed records regarding the use of the phones were kept. The Jobs Act simplifies the rules by allowing the deduction as long as the employer has records substantiating the applicable costs.

Improving Co-Pay Collections

Receiving co-payments from patients at the time of their appointment should be a practice goal. The benefits of increasing upfront co-payments: You'll enhance cash flow, save on billing costs, and reduce the labor costs involved in having your employees identify and contact patients who fail to pay. While a 100% collection rate may be unlikely, most practices can collect more from their patients by following several easy-to-implement strategies.

Communicate with Patients

Let patients know at the time they schedule their appointments that they will be expected to make their co-pays when they arrive for their appointments. On a related note, this is also the ideal time to inform patients about any outstanding balances they owe for previous services. If the service the patient is scheduling the appointment for is not covered by insurance, let the patient know what the fee is and that it will be collected at the time of the visit. It may help your staff if you create a "cheat sheet" that details how much each insurance company pays for your most common services.

Train Staff

Train your front office staff to check the patient's insurance card for the amount of the co-pay. Patients should be asked for their co-pay when they are being signed in by your staff. If necessary, provide the staff with a simple script on how to ask for a co-pay in a polite but firm way. It also helps if you give patients various payment options. Accepting debit cards and credit cards as well as cash and checks can help ensure that more patients will be able to make their co-pay.

Measure Results

Record the number of patients your practice sees each day, the total co-pay amounts owed, the dollar-percentage collected, and the number of patients who made the payment. Do this daily and you'll be able to see quickly whether you are making progress in increasing patient co-payments. Some practices offer small incentives to front desk staff to increase co-pay collection percentages.

Holding Effective Employee Reviews

Does your practice have a formal process for evaluating the performance of employees? If it does, are you certain that the reviews are effective and provide the type of feedback that benefits the practice and your employees?

An employee review is an opportunity to measure an employee's progress in achieving various performance criteria. It's also an opportunity to provide support and encouragement to high-performing employees to help them maintain their standards and continue their progress. Here are some suggestions you might be able to incorporate for future employee reviews.

Schedule Reviews Regularly

High-performing offices frequently schedule employee reviews at least twice a year, sometimes quarterly. However, at a minimum, you should schedule employee reviews annually. Anything less would allow underperforming employees to potentially undermine your practice's operations.

Prepare for Each Review

It's important to prepare ahead of time so that you know what you want to say and how you plan to say it. Be sure you have documentation that supports any claims you plan to make about an employee.

Use Objective Benchmarks

The review is an opportunity to measure and track an employee's success in attaining the goals and standards you have established for that position. Since coding errors are responsible for the rejection of large numbers of claims by insurers, you could, for example, require your billing clerks to reduce rejections by insurers by 10% every year. Front office staff could be measured in regard to appointment bottlenecks or whether they return every call by the end of the day.

Engage Employees

Lead the review with a positive focus on each employee's strengths. Don't use the review to criticize employees in general terms. Instead, the review should emphasize what can be achieved together. It should also be seen as an opportunity to identify and recognize high performers and to detail what steps weak performers must take to improve.

Allow Responses

Allow time for employees to respond to a performance review. When you seek their input, employees will feel that their opinions matter and that they are valued.

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The Active Professionals

Medical Briefs

More Physicians Opt for Hospital Employment

Nearly two thirds (65%) of established recruited physicians were placed in hospital-owned practices in 2009, according to the Medical Group Management Association's Physician Placement Starting Salary Survey: 2010 Report Based on 2009 Data. The survey also found that 49% of physicians were placed within hospital-owned practices after completing their residencies or fellowships. Median first-year guaranteed compensation was $160,000 for primary care physicians and $230,000 for specialists.

Recession Hurting Hospitals

The nation's hospitals have been feeling the effects of the weak economy, according to an American Hospital Association study. The report, based on data from 572 non-federal, short-term, acute-care hospitals, notes that nearly three quarters of hospitals reported reduced operating margins, 70% reported fewer patient visits and elective procedures, 44% reported reduced access to capital, and 67% did not start or continue capital projects that were put on hold because of the recession.

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