Bentson Clark reSource

3rd Quarter 2013

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Exploring Practice Overhead: Staff & Supply Expenses

By: Chris Bentson & Doug Copple

In the 2nd Quarter edition of the *Bentson Clark reSource*, we performed a high level review of practice overhead from 75 valuations that were completed over the last several years by Bentson Clark & Copple. The article categorized adjusted practice overhead into four primary categories: staff expenses (averaging 24.2% of net collections), orthodontic supply expenses (averaging 11.6%), business management expenses (averaging 10.3%) and occupancy expenses (averaging 9.7%). When all categories were combined, the average adjusted practice overhead was 55.8% of net collections. This can be compared to a similar study of 25 practices published in the 3rd Quarter 2008 issue of the *reSource* (Volume III, Issue III), wherein the same four comparable categories illustrated an average adjusted practice overhead of 50.9%. In both studies, discretionary and other non-operating expenses were removed.

This article will break down the first two primary categories, staff expense and orthodontic expense, into the line items of the income statements that yielded the average expense for each category. A sample section of an income statement is shown below, with averages from the most recent sample data and the older 2008 sample data for purposes of comparison. The data given is expressed as a percent of net collections for the line items in each category. There will be a brief discussion regarding common adjustments that may be deducted from various line items to eliminate discretionary expenses and comments on variances from the current data when compared to our 2008 valuation review statistics.

2013 Tax Law Changes Challenge Traditional Tax Planning Strategies

By: Diane Rumley & Heather Cosgrove

There were several items enacted or extended through the American Tax Relief Act of 2012 (ATRA) and the Patient Protection and Affordable Care Act (PPACA) that could directly impact your 2013 tax liability. The text below highlights a few of the significant changes. Awareness and understanding can help you make mindful financial decisions as you embark on the second half of 2013. It should be noted that this article is based solely on Federal tax law. Please keep in mind that there may be additional state and local considerations. As always, you should contact your tax advisor to determine the appropriateness of any strategy relative to your specific tax situation.

One of the outcomes of the ATRA was the creation of a seventh federal income tax bracket. The Bush Era tax brackets, with tax rates up to 35%, remain. However, if your taxable income is around $400,000, you may find yourself in the 39.6% tax bracket that existed prior to the Bush Era. If you are subject to this new higher 39.6% rate, you will also see the tax rate on your long-term capital gains rise from 15% to 20% as the past preferential long-term capital gains rates expire. If you fall into lower brackets in 2013, the preferential capital gains rates of 0% or 15% remain in effect.

Two historical phase-outs that were not in play from 2010-2012 are returning for 2013. These include the personal exemption phase-out and the itemized deduction phase-out.

In This

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Embezzlement: Sadly, It CAN Happen to Anyone!

By: Rebecca Crane

FACT: Fifteen years ago, thirty-five percent (35%) of dental practice owners said they were victims of employee embezzlement. That was then; what about today? Today the percentage is nearly 70% - yes, that's 70% - OUCH! Given that, if you somehow do not think it can happen to you, it would appear that you should think again.

Most dental practices are small, but the opportunities to take advantage of the employer are still many. Think about it; during the course of your day, you are so busy providing dental care that you do not have time to oversee the front desk or office manager's tasks. It may take some time before you realize anyone on your staff is taking advantage of you and the business.

Furthermore, most orthodontists naturally want to focus doing dentistry and tend to rely heavily on others to do the tasks that they do not want to do in relation to managing the various business aspects. Putting that amount of responsibility on people without the proper follow-up and oversight can lead to trouble if the wrong person has been hired.

What You Really Need to Know about the AAO Branding Campaign

An Interview with John Athorn, George Clark and Linda Gladden

It's no secret that the orthodontic market is in the middle of a sea of change. Changes in the economy, changes in the consumer, changes in who delivers orthodontic care (orthodontists, general dentists, pediatric dentists, corporations/clinics), changes in treatment modalities, changes in technology for diagnostic and treatment planning, changes in how to communicate with patients (social networking), etc. Collectively, dealing with the pace and enormity of all this change has many doctors out of breath and looking for some help.

We know that doctors are busy helping clients navigate this new terrain. That is expected and normal; however, the AAO has shown up with a hard hat and headlamp to help show the way forward. How will the AAO's engagement in this new branding initiative and consumer awareness program affect the orthodontic industry? We recently interviewed John Athorn and George Clark of Athorn, Clark & Partners, a Manhattan marketing communications firm, who created the AAO's new marketing campaign. We also spoke with Linda Gladden of American Association of Orthodontists regarding how AAO Members can access the marketing materials from this advertising campaign and use them in one's practice.

Dental Referrals are Declining…Halt the Trend! - Part 1

By: Nancy Hyman

Declining dental referrals often result in looking to other segments of your orthodontic practice for potential patients. It is important not to ignore this important referral stream! The *Journal of Clinical Orthodontics* reports that dental referrals dropped 10% between 1999 and 2011. In order to increase this vital segment of your referral base, create vibrant and innovative programs that keep your practice at the top of the list when general dentists and their teams are recommending patients for your services.

Select your Target List and devote at least 18-24 months to a detailed plan of engagement with your targeted general dentists (GPs). I recommend a minimum of 75-100 offices per orthodontic practice location depending on the GP density of your practice area. Examine your patient data for common cities. Consider reaching outside your usual territory, especially if multiple patients from distant cities frequent your practice or if your practice is located near a large industry employing people from an expanded geographic area.