



Are You **PREPARED** to **BEGIN** Practicing Dentistry?

by Jeff Anzalone, DDS

Most schools do an excellent job getting dentists ready to graduate in regard to sharpening clinical and patient management skills. But are you prepared to start up or join an existing practice? When I got out of school, I felt very unprepared.

One of the biggest complaints dental graduates have is not getting enough information about the business

aspect of dentistry. Yes, we know how to prep and remove teeth but what about filing dental insurance or paying employees?

I didn't think about starting a practice from scratch because of my lack of business knowledge. But when my associate job fell through a month before graduation, I had to scramble for employment. I found a dentist who

allowed me to rent space and equipment all while building my practice. Then I made it a point to learn everything I could about how to start up a practice.

Debt

Most students have more than \$100,000 in student loans when they graduate. And it's tempting to take out more loans to purchase a building and equipment. Dave Ramsey, known for his financial wisdom and distaste for debt, says to pay down debt first. Wait until you have a good steady cash flow before making big purchases.

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The advice rings true for personal purchases, too. Ramsey calls the situation "Doc-itis" – living like you make a doctor's salary before you really make a doctor's salary. Doctors have expensive cars, big homes, boats and toys to show off, so why shouldn't you since you're a doctor now? It's the mentality of "we want it all and we want it now." Unfortunately, this situation happens often and adds unnecessary stress to your already stressful life.

For this reason I highly recommend starting out as an associate. Let your employer know up front that your long-term plan is to start your own practice eventually. There are multiple ways to be compensated as an associate. One of the more popular ways is based on a percentage of your collections per month. With this method of compensation, you will not have to make large purchases initially (like dental equipment, supplies, computer hardware and practice management software). Whichever method of compensation is decided on, make sure you obtain a written contract stating the terms (a handshake doesn't count).

Finances

Next, ask around town and get names of Certified Public Accountants (CPAs) who work with local dentists. Interview them and then begin working with the one you feel most comfortable with. It might also be beneficial to find someone who is close to you in age. This way you know the person will not be retiring anytime soon. Your new accountant should be able to make recommendations about what type of corporation you should form for your new practice (LLC, C-corp, S-corp, etc.).

Next, your new CPA will provide you with a tax ID number for your corporation so you can open a business

checking account. You might get better service at a local bank than a large bank. Ask for a debit (not credit) card to be provided with the new business account to decrease the risk of acquiring more debt.

If you are an associate, you will likely practice, at least initially, as an independent contractor. Take out about one third of every check you receive and place it in a separate money market or checking account specifically for taxes. This is not an emergency or vacation fund! Taxes must be paid and the IRS will come after you if you fall behind.

A good way to keep up with your expenses is using a three-part voucher check. These checks are run through your printer, which allows you to keep a record of your purchases. For instance, when I pay a bill with an invoice, I take the middle and bottom section of the check and staple it to the invoice and file it in my filing cabinet. All of the paid invoices go in the folder in case of an audit.

Tracking and paying bills is a vital part of your successful business. Sounds boring, but getting this system in place can make you more money as you time your bills, avoid late payments and even request better terms with vendors by showing a good payment history. Having an appropriate bill-pay software program will allow you and your accountant to keep track of where all the money is going for supplies, expenses, taxes, employees, etc.

I really like using Intuit's QuickBooks software for my practice. Quickbooks organizes your financial accounts in one place. It allows management of bank and credit card accounts and has the ability to create charts or reports to track money in each account. Its payroll management option tracks payments to employees and can help with filing taxes.

Quickbooks has a feature called the Liability Payments Center, which you can use for doing your taxes. Your accountant will calculate the different taxes you will have to pay (payroll, federal, state, etc.) and then post them in the Liability Payment Center. When you access this screen, you will see a list of the different taxes, the due date and the amount to pay. You can then either pay online or use an IRS Form 941, or Employer's Quarterly Federal Tax Form to report the different amounts to withhold.

Get in the habit of saving money from the very beginning. Open an IRA or ask your employer if the practice offers a retirement plan. Max out your retirement plan each year not only to help in the long run but to reduce your taxable income as most retirement plan contributions are tax deductible.

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Insurance

Don't forget to insure everything! The American Dental Association (ADA) uses Great-West Insurance Company as its insurance group to provide its members with different types of insurance. It's also a good idea to find a local agent in your area to insure you once you move out on your own as you will need more coverage at that point.

I recommend obtaining a 20-25-year level term life insurance policy from Great-West. A good ballpark for the amount of coverage is 10 times your annual income. For example, if you make \$100,000 per year, obtain \$1 million in coverage. This can always be increased in the future as your income and family grows.

Disability insurance is another important insurance policy. Unfortunately, it's a policy many people assume they don't need. We never know when something could happen temporarily or permanently not allowing us to practice. Make sure the plan you obtain includes a true "own occupation" definition of disability that can pay benefits to age 65. If you become totally disabled from dentistry, you'll get full benefits, even if you choose to work in another area of dentistry (such as teaching) or if you choose to enter a new profession.

With the cost of health care skyrocketing, it's tougher to find a reasonable health insurance policy with good coverage. Choose a policy that offers a Health Savings Account (HSA) option. This type of policy usually includes a high deductible but counters with a low premium. The premise behind the account is to take the monthly savings (due to low premiums) and fund the HSA. The amount saved in the account rolls over from year to year if left untouched. The money in this account grows tax-free, contributions are tax deductible and money withdrawn is not taxed if used for medical purposes.

Malpractice insurance is a must-have but can be a bit confusing due to the different types of policies that are available. The two main types of policies are Occurrence and Claims-Made.

When you purchase an Occurrence Policy, the premium you paid upfront will cover all claims for malpractice during that policy year. No additional premium is required if you cancel your policy. For example: A medical practitioner purchases an Occurrence Policy from a carrier for 2005. The insured decides not to renew for 2006. The carrier is presented with a claim in 2007 for a surgery the practitioner performed in 2005. The company will defend the practitioner because the incident occurred during the policy period of 2005, during which the practitioner was insured. However, if the same medical practitioner had

performed the surgery in 2006, the carrier would not provide coverage for the practitioner, because the incident occurred after the policy period ended.

The main difference between Occurrence coverage and Claims-Made coverage is that the event insured under a Occurrence Policy is covered regardless of when the occurrence took place. When Claims-Made coverage is initially purchased, the premium charged will be lower than premiums collected for comparable Occurrence Policies. The premium charged for the Claims-Made coverage is made based upon the possibility that a claim will be made during the year of the premium charge. Claims resulting from professional services are not usually reported during the first year; therefore, the first year's Claims-Made premium is significantly lower than the following years' premiums.

This stair stepping of premium continues for five years until you reach a mature premium. At that point, assuming there are no rate increases, your premium remains stable and you pay the same premium every year thereafter, with one significant exception. That exception occurs when you cancel your policy. It is the Reporting Endorsement.

Claims-Made Policies, unlike the Occurrence, require the purchase of a tail (extension of coverage) if it's discontinued. This is due to the fact that the policy only covers claims that are made during the policy's period. Future claims may arise and be first reported after the termination date of your Claims-Made Policy. A tail provides insurance for covered losses arising after your retroactive date, and reported after your policy's termination date.

Computers and Practice Management System

The brain of your practice will be your computer system and practice management software. It is strongly recommended that you begin practicing chartless. If you begin working with someone who has paper charts, just remember that all of those notes and documents of patients that you treat will one day have to be scanned into your computer system. Most software companies and equipment vendors will provide a new dentist discount so make sure you ask.

Dentrix is a very popular practice management system used by general dentists. There are several different companies so it would behoove you to try several out and ask around first before making this purchase as it will be one of the largest practice investments you will make. Whatever system you decide on will include on-site training for you and your staff. The trainer will give



instructions on everything from scanning documents, progress notes to electronically filing insurance. Make sure the software trainer shows you how to set the security levels for each employee and sets up the system in which they must log on/off each time they use a computer. This is important to allow you to run reports and visualize what staff member is doing things such as printing prescriptions, attempting to delete transactions or any other thing you may want to keep an eye on.

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This is an issue that you and your staff will need to keep top-of-mind. Your software trainer will show you and your staff how to electronically file insurance claims daily. A nice inexpensive add-on to your practice management software is NEA FastAttach (www.nea-fast.com). This is a downloadable program, which allows dental providers to transmit supporting documentation for electronically filed claims. Documentation like periodontal charting, patient notes, digital X-rays, letters to insurance companies on why treatment is needed can be sent electronically.

Most software is Microsoft Word-based for clinical progress notes, letters, etc. Initially, templates and forms will have to be set up and then placed in the system. This is very time consuming initially, and is a continuous work in progress, but it is easiest to do it up front when you have fewer patients. Examples of forms include consent forms, HIPAA forms and financial forms, which can all be viewed on our website, (www.anzaloneperiodontics.com).

Staff

Staff is a big deal in a practice. Hiring and firing dental staff can be very stressful and unfortunately most

of us will make errors hiring folks that we think are a good fit but turn out not to be. One thing that you must perform on all potential employees is running a background check. Companies like AccuScreen Systems can provide these types of services. Not only will it perform a background check, it also offers drug and alcohol testing too. Dental office embezzlement is a big problem affecting more than 35 percent of all offices in the U.S. These screenings can help to potentially weed out the field before the possibility of you hiring them. These companies check criminal records, driving records, employment and education credentials, and identity and credit background checks as well. Who is the type of person that is going to potentially steal from you? Background checks help you to identify the person with a history of drug or alcohol abuse or someone who has horrible credit and owes everybody money. We now routinely screen every potential employee and these services are very reasonably priced considering what they can do for you and your office.

All employees must read and sign an Employee Policy Manual once hired. Most companies offer generic manuals that can be modified to your liking. Policies such as cell phone usage, Internet usage, office attire, vacation, sick leave, etc. are all spelled out for each employee. Job descriptions and your office systems can also be added to help with the training process. For the first employees you hire, have them write down everything they perform, step by step, in a notebook (which you can have typed in a Word document). After this is completed, future employees will be able to come in and perform all required tasks by following the documented procedures. The more detail, the better the list. The list should span from turning off the alarm in the morning to the time the door is locked at the end of the day. Once the system is created, try handing it over to another staff member to test. Keep adding more details until you are satisfied that the task is being performed correctly with few outstanding questions. Then you will know your system is ready. ■



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The books *What They Don't Teach You In Dental School*, and *Great Dental Specialist Marketing* by Jeff Anzalone are available on Amazon.com. The book lists all the steps for starting a practice, from forming an LLC to picking out practice management software.