Changes and opportunities for health-care practitioners’ finances

By Keith Drayer

There are many areas that can bring small and large changes to a practice’s income as well as the individual health-care practitioner. Outlined below are a few of the changes and opportunities.

The practice’s finances

An area to take advantage of is the 2010 IRS Section 179 Tax Code that allows business owners to lower their taxable income by acquiring eligible property (such as dental equipment, technology and off-the-shelf software). What makes the 2010 Section 179 benefit important is that in the year 2011, this generous allowance will come down to $25,000.

As more and more dentists embrace equipment and technology, such as all-tissue lasers, comprehensive scanning, designing and milling CAD/CAM systems and cone-beam dentistry, this benefit can be applied to lower the buyer's taxable income. These investments make a practice more efficient, productive and profitable.

One of the key areas we suggest dentists to focus on each year is their current fee schedule. Too many dentists leave thousands of dollars in the hands of insurance companies every month because of an unbalanced fee schedule. We recommend that dentists set/balance their fees into the proper percentiles for their particular zip code. This will not only help to maximize the coverage of insurance the employer has purchased for the employee, but it will also be the best way to increase profitability.

While this is not tax advice, as individual circumstances apply, dentists should find out more about Section 199, a benefit for domestic manufacturing. A dentist could qualify for a deduction of 9 percent of the lesser of “Qualified Production Activities Income (QPI),” or taxable income from milling activities. Dentists may significantly reduce their tax bill on domestic production activities as a result of the previous American Jobs Creation Act. This deduction is permanent and should be explored.

Personal finances

Most people have multiple credit cards. The odds of unused credit cards being cancelled should not be discounted. Many of us keep extra, unused credit cards for a "rainy day" (often in a fireproof box, hidden in our home or off-site at a bank-rented vault). Additionally, many people have taken a retailer’s credit card, as they were making a purchase, for the instant 10 percent one-time rebate, which was the incentive for taking that credit card. What has changed in the new era is two-fold.

Financial institutions incur a marginal cost for providing credit. Thus, many lenders are still reducing assets and/or being selective about whom they are renewing.

Canceling unused cards has been happening over the last year and a half and is not ending. The credit-card consumers holding onto credit cards for a rainy day could mean "the flu" for lenders. Lenders are worried that the person who has not used a card in more than a year is taking out their card because of worst-case scenarios (recent unemployment, need to raise funds for a called in home equity line, etc.).

To protect your credit card lines, you may want to use your cards in intervals (every six to nine months).

Finances and partnerships

A change in today’s lending environment affects partnerships. Before the financial crisis hit, many lenders needed one partner or 50 percent of ownership to have decent credit. Decent is defined differently among different lenders, but a FICO score of 675 could have helped a health-care practitioner on an application-only loan (which means providing your name, address, social security, license number) to obtain approximately $250,000.

In today’s lending environment, all owners are scrutinized. Thus, if one partner or an owner with more than a 20 percent stake has weak credit (FICO below 675), then that could be a detriment for the practice obtaining financing.

It’s prudent to be proactive in finding out your partner’s credit before you obtain financing. This is a surprise you want to avoid.

About the author

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