**HEALTH INSURANCE**

# Have You Met The Obamacare Penalty Deadline?

Many practices are still providing staff health insurance coverage, partly due to the lucrative Small Business Health Insurance tax credit (Form 8941) which remains available through 2015. From 2010-2013, the law allowed a maximum tax credit of 35% of the health insurance premiums paid on behalf of staff, with the maximum tax credit rising to 50% of staff health insurance premiums paid for 2014-2015.

A growing number of practices have already dropped staff health insurance coverage, and many more will follow beginning in 2016 once the tax credit is phased out. However, most of these doctors want to provide some type of health benefit for their staff to take its place.

Some have elected to pay or reimburse staff members for premiums paid on policies that they have taken out on their own (or through their spouse) on a basis which has been tax-deductible to the practice and tax-free to the staffer. Unfortunately, in 2014 the IRS ruled that these reimbursement arrangements violated the Obamacare rules, and will trigger a penalty of up to $100 per day ($36,500 per year) per employee, beginning July 1, 2015. Accordingly, in order to avoid the penalty, practices should **no longer** pay or reimburse staffers for their individual health insurance premiums.*

**What to do?**

Doctors who have dropped group health insurance coverage, but want to provide a tax-free health-related fringe benefit to their staff should use the following tax-savvy option. The doctor should recommend that each staff member purchase a qualifying High Deductible Health Plan (HDHP) through the Obamacare health insurance exchange. Staff members purchasing such coverage will likely be eligible for significant subsidies to offset part of the premium costs, based on their income level. In some cases, these subsidies will make the effective cost of purchasing medical insurance through the exchange cheaper for the employee than when they were previously paying 25-50% of the cost of coverage provided under the practice's plan.

The doctor can use funds previously set aside for staff health insurance premiums, pay raises, and/or bonuses to contribute to a separate Health Savings Account (HSA) for each staffer, thus gaining a triple tax benefit. These HSA contributions are tax-deductible to the practice, and no payroll taxes or retirement contributions are due on them since they are not considered as salary.

Furthermore, the practice-paid contribution is not considered as taxable income to the staffer. And, the HSA earnings grow tax-free and can be withdrawn by the employee tax-free up to the amount of their past and present medical expenses.

**Deducting Premiums for S Corporation Doctors**

We've reviewed several doctors' 2014 tax returns and discovered that they were not claiming deductions for the health insurance premiums paid on behalf of the doctors' family because their CPA said that was no longer allowed. That's wrong. IRS Notice 2015-17 provides that those premiums should be paid for and deducted by the S Corporation, with the premiums added to the doctor's W-2. The premiums should then be deducted on the doctor's tax return (Form 1040-Line 29).

The notice further provides that Obamacare penalties do not apply if only one doctor's health insurance premiums are paid by the S Corporation, since it is not considered as a group health plan. The notice further defers penalties (through the end of 2015, or until further guidance is provided, if later) for arrangements where the S Corporation pays the premiums for two or more doctors' individual health insurance coverages, or reimburses the doctors for personally-paid premiums.

** For more information, see "How To Solve The Staff Health Insurance Problem," August 2014, pp. 1-3.*

**MARKETING**

# How To Generate More Positive Online Reviews

The dental marketplace is rapidly changing, dramatically affecting the marketing strategies necessary to attract new patients, particularly for specialists. Dental specialists are experiencing declining referrals from general and pediatric dentists, as they keep more patients in-house. Meanwhile, managed care (PPO) plans have exploded, with close to 80% of doctors now participating. As a result, it's relatively common for patients to ask for referrals to orthodontists and other specialists who are "on my plan" (in-network). As discussed earlier, corporate dental management companies are growing rapidly, with virtually all of these practices performing dental specialty services in-house.

In the wake of declining referrals, specialists must generate more new patients through internal marketing and direct-to-the-patient marketing efforts. Fortunately, the internet has become a more powerful source in dental marketing efforts. Patients and parents usually perform their own research before making any major purchasing decisions, including which orthodontist or other dental specialist to choose.

**The Growing Impact of Online Reviews**

Collecting online reviews is an excellent way to begin building your reputation and differentiating your practice from your competitors. Online reviews tell an authentic story about what it's like to be a patient in your practice. Patients saying great things about your practice in online reviews is much more credible than what you say about yourself. In fact, positive feedback on third party review sites is one of the most compelling factors patients use to select a doctor. A recent study found that 88% of consumers said they trust online reviews as much as they trust personal recommendations, up from 79% in 2013 and 72% in 2012.

Getting more positive online reviews isn't easy – there's no question about it. There's lots of apprehension in asking patients for reviews, and for good reason. It can be awkward in some cases and nerve-racking in others, especially since you have little control over what your patients decide to write.

And negative reviews can be damaging. You may have spent years building your reputation, and it's a shame when a negative comment or two tarnishes it. But the truth is you can't please everyone, and a bad review will eventually come. The key is to be prepared. It's extremely difficult to have negative reviews removed, so the best way to defend against them is by proactively buffering your online review pages with positive feedback. That makes a single negative comment look like an outlier, minimizing its impact.

**An Effective System**

Dr. Leon Klempner is a successful orthodontist and CEO of People & Practice, LLC, a marketing consulting firm he formed to help orthodontists grow their practices.* After years of trying different methods, he developed a program to increase the number of positive online reviews and catch negative feedback before it goes public.

He says it's important to target patients/parents who love you and ask them to share their experience online. He says many patients feel honored and are happy to share their positive experience. Receiving a compliment provides an excellent opportunity to approach a patient about an online review, turning them into brand ambassadors that promote your practice to friends, family, and neighbors.

It's also important to understand what's happening online regarding your practice. This means monitoring all public reviews across the web for any negative comments, and taking any such conversation offline quickly to limit the damage.

**How it Works**

In his office, Dr. Klempner offers an online feedback form on two dedicated office iPads, with one in the reception area and the other in the treatment area. He and his staff ask patients and parents throughout the day if they wouldn't mind providing feedback (not "reviews") so they can make their patient experience even better. The form also asks their name, email, and some information about their review site usage. This feedback is collected on a private site, so they get as much information as possible. Whether positive or constructive (negative), all comments are welcome. He also provides the digital intake form on his practice's website.

The positive comments automatically appear prominently on his website, adding credibility, personalization, and authenticity. He follows up with patients and parents who leave positive feedback, with a personal email asking them if they wouldn't mind posting their comments on one of the online review sites (such as Google+, HealthGrades, or RateMDs) from their own computer. He recommends emphasizing Google reviews so that your practice will be awarded gold stars in the Google search. These not only attract the attention of potential new patients, but also improve your local Google search engine ranking.

While it's important to thank patients for providing online reviews, never pay a patient or give them a gift in exchange for their positive review. It's against Google guidelines and not worth the risk of being penalized.

Feedback that is negative, or even not overwhelmingly positive, does not appear on his website. Instead, it instantaneously generates an email alert to the doctor so he can call the patient or parent and address the issue directly. This allows him to successfully deal with the concern privately, minimizing or eliminating negative online reviews.

In this rapidly changing dental environment, it's no longer enough to provide excellent clinical care. Your patients expect that. Rather, you must use the internet to educate prospective patients about your practice and its competitive advantages. Developing a system for getting strong, authentic, favorable online reviews is a critical part of that process, so get started today!

** For more information on Dr. Leon Klempner's online review services, contact him at leon@pplpractice.com.*

**TAX PLANNING**

# How To Maximize Tax Benefits From Office Building Ownership (Part One)

We've long recommended that doctors purchase, rather than lease, their office space in every situation where ownership proves cost-effective. We are pleased that approximately 80% of our clients own their own office space, which can not only help facilitate practice growth but also provide a valuable asset to help achieve financial security in retirement.

Office building ownership can also provide substantial tax and economic benefits. Below, we discuss ways that doctors can maximize these advantages.

**Protecting Assets (Limited Liability)**

We recommend that the title to the office building/condo not be held in the doctor's name, or his professional corporation's, for asset protection reasons. Otherwise, the doctor's personal and/or practice assets could be reached to pay any liability arising from the office building (i.e. slip and fall, personal injury, etc.). Rather, doctors should hold title to the office building/condo through a limited liability company (LLC) or family limited partnership (FLP) to limit their liability and provide asset protection.

In many cases, doctors are best served to achieve the liability protection they need while minimizing cost and complexity through initially owning the property through a Single Member LLC (SMLLC), with the doctor owning 100% of that entity. In this situation, the rental income and expenses associated with the office building are reflected on the doctor's individual tax return (Schedule C), and no separate tax return need be filed. The Single Member LLC can be easily converted into a Multi-Member LLC at a later date to achieve greater tax savings in the future, as discussed below.

**Maximizing Depreciation Deductions**

As a general rule, the cost of the office building land is non-depreciable, while the building cost itself must be written off over a 39-year period. However, doctors can use a cost segregation study to allocate much of the building cost to shorter lived assets, for more rapid write-offs (deductions).

A cost segregation study uses an engineering approach acceptable to the IRS that can allow doctors to reclassify as much as 40% of the total building costs as non-structural, thus qualifying for faster depreciation deduction. Costs which can be reclassified include carpet and furniture, parking lots, landscaping, shrubbery, sidewalks, roads, outdoor lamps and fencing, signage, special wiring and plumbing, room partitions, generators, heating and air conditioning equipment, elevators, security and sprinkler systems, as well as vinyl wall coverings, kitchen water piping, and X-ray plumbing connections.

While the total depreciation benefits over the life of the building will not change, most of the benefits will be accelerated to the early years of ownership, allowing doctors to realize the cash flow resulting from increased tax savings now, rather than in future years.

The IRS has ruled these cost segregation studies can not only be performed on new buildings, but also for any building purchased or constructed after 1986. Furthermore, IRS Revenue Procedures allow doctors to reclassify costs that previously qualified for short lives to "catch up" those missed deductions immediately (in a single tax year), even for buildings that were purchased or constructed many years ago.

Next month, in Part Two, we will discuss additional ways that doctors can maximize the tax advantages of office building ownership.

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