

AKT ADVISORS



DENTAL OFFICE DISCOVERY RESULTS REPORT

CONNECT WITH DOUG FETTIG AT DFETTIG@AKTCPA.COM OR
503-716-9316 FOR YOUR CUSTOMIZED DISCOVERY MEETING

Dear Dental Office,

Thank you for allowing us to learn about more about your practice, your personal financials, and your strategic goals for the future.

“HELPING OUR CLIENTS ACHIEVE THEIR GOALS.”

is our mission and the foundation of our approach to serving you. With over 300 professionals serving clients nationwide, we have the breadth and depth of experience to assist you and your dental practice by establishing a roadmap to success.

WE UNDERSTAND THE DENTAL INDUSTRY.

We are proud of the clients we serve, which include dental practices of all sizes. Our team has been working with the dental community for a very long time which enables us to share best practices we have learned with you.

WE THINK STRATEGICALLY ABOUT DENTAL PRACTICES.

We recognize that dental practices have unique circumstances that require special strategic planning. We take a holistic approach when we work with you and your practice. Your goals are our goals. We work collaboratively so you always know someone is available to help you navigate your roadmap.

WE HELP YOU DEVELOP YOUR “PLAN” TO SUCCEED.

We help you develop the practice that you envisioned by working closely with you and your team. No matter what your goals are, we will be honest, innovative and treat your goals like they are our own.

This discovery report presents what we learned about you and your practice. The summary will provide you recommendations designed to improve your Quality of Life, including the ability to increase your practice profits and retain more of the money you work so hard to earn.

We look forward to the opportunity to serve you and be more proactive in helping you achieve your goals. Should you have any questions, please feel free to contact our team at 503-716-9316.

Sincerely,

AKT LLP

AKT Dental Consultants

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WHAT WE HEARD FROM YOU

We understand you want to work closely with a CPA and consulting firm that focuses on dentist and their practice. With that knowledge, we can help you with tax savings strategies and eliminate any “tax surprises” throughout the year.

You also want guidance to help you achieve your goals, which includes the ability to effectively and efficiently grow your practice and add new team members, which includes an Associate.

You would like an analysis of your PPO participation so that you can evaluate your relationships with the current PPOs.

You currently have a Simple retirement plan for your dental practice and would like to evaluate more options for retirement planning that can assist you to put more of your hard earned dollars away for retirement, have the ability to have increased cash flow for debt payoff and the ability to maintain your current lifestyle.



SECTION I

WHAT WE DID

To assist you in achieving your goals, our team has reviewed your tax, financial, retirement, and practice management information. Below is a summary of the areas and documents that were requested and evaluated, with a detailed list of the documents on the following page.

TAX

- 1120S
- 1040

RETIREMENT

- Census report

FINANCIALS

- 2015 Profit and Loss and Balance Sheet from your QuickBooks

PRACTICE MANAGEMENT

- Fee schedule
- Accounts receivable aging, credits and debits
- Day sheet
- Patient analysis report
- Provider productivity
- 2015 patient analysis report
- Treatment plans not completed
- Employee policy handbook

INFORMATION REQUESTED FROM CLIENT	PROVIDED	PARTIAL	N/A
Copies of your last 2 years business (all business) and personal tax returns, including full depreciation schedules	✓		
List of business and personal debt (blank form attached)	✓		
2014 and 2015 year-to-date Profit and Loss Statements and Balance Sheet	✓		✓
Copy of personnel/employee manual	✓		
Summary Plan Description of your retirement plan if not a SIMPLE	✓		
Employee census (blank form attached)	✓		
Accounts receivable aging reports, one for credits and one for debits only, totals only from last page		✓	
Payment and adjustment summary reports showing total amounts for each type of payment and adjustment, it won't show any patient names		✓	
2014 Procedure code frequency report in numeric order		✓	
2014 Total revenue and collections, per provider	✓		
Hygiene compensation for the same time period of their production as requested above	✓		
Active patient count	✓		
UCR fee schedule in numeric order	✓		
Total dollar amount of incomplete, unscheduled treatment from the last 12-18 months, total only, no patient names	✓		
Average number of no-shows or short notice cancellations per month	✓		
Average number of new patients per month	✓		
Backup copy of QuickBooks	✓		

SECTION II

FINDINGS & RECOMMENDATIONS



TAX

Findings:

- Your basis is negative which means you owe money to your practice.
- Do you and your current CPA have a loan document for this amount?
- You are unable to take advantage of current tax laws for accelerated depreciation, such as section 179 and 168, because of this basis issue.
- You are deducting your dental equipment over 7 years.

Recommendations:

- Work with you to reduce your negative basis in a manner that makes sense, potentially over the next few years.
- Correct your dental equipment to be deducted over 5 years.

FINANCIALS

Findings:

- You are not using a dental specific chart of accounts.
- Assets are included in your Profit and Loss.
- Loans are not set up correctly on our Balance Sheet.
- Accounts receivable is reported on your Balance Sheet.

Recommendations:

- We can assist you to set up your books on a dental specific chart of accounts that helps you and us more easily benchmark and understand the health of your practice.
- Potentially assist you to use Xero instead of QuickBooks. It is a very similar program, but requires less work and provides increased information.
- We can assist you to accurately set up your assets and loan on the Balance Sheet.
- You should be on the cash basis, not accrual, so you are not paying taxes on our accounts receivable.

RETIREMENT

Findings:

- There is almost always a 401K plan that is better for saving and as a deduction than a Simple plan.
- We have run some scenarios that we will send for your review and will discuss at our Discovery meeting.

Recommendations:

- Implement a 401K plan that allows you to put more away for yourself as a percentage. One option allows you to put away \$50,000 per year for you and \$18,000 for your spouse.
- Are you wondering where you will find this money to have this great retirement plan?! It is in our tax savings when you invest in a retirement plan, correctly deduct your equipment, and increase collections as noted below.
- Have you paid any retirement funds in 2016? If not, we may be able to start your new 401K immediately. You cannot terminate a Simple plan and start another in the same year.

PRACTICE MANAGEMENT

Findings:

- Patient retention is low, at about 38%.

Recommendations:

- Work with you and your team to fine-tune your verbiage and hygiene program.
- A standard benchmark is 85%, and if you increase patient retention to around 75% you would increase collections by about \$130,000.
- This would also provide you with more periodic exams to diagnose more wanted and/or needed treatment.

Findings:

- Your hygienists together are being paid 46% of their total production.
- Hygiene production represents about 24% of total office production.
- Do you refer out much perio?
- Do you have a periodontal protocol?

Recommendations:

- Look at current hygiene compensation and bonus system and determine potential revision.
- Work with hygienists and team on scripting and processes to keep hygiene schedules full and efficient.

- If you were to pay them about 28% of their adjusted production, which is more common, you would have saved about \$45,000. We want to help them make the income they want, and bring in the associated production.
- A standard benchmark for hygiene in a general practice is to produce at 35-40% of total office production. With the age of your practice and the number of patients, that shouldn't be an issue. Increasing to just 35% would add about \$70,000.
- Consider putting together a solid perio protocol to avoid managed- neglect issues that are prevalent.

Findings:

- Collections are a little lower than we like to see, at about 93% of adjusted production.

Recommendations:

- Work with your team to set solid patient financial arrangements and helpful scripting to ask for payment. Collections are not only necessary to run a successful practice, but it is good customer service..."the worst fitting pair of dentures are the ones not paid for!"
- A standard benchmark is about 98% and if you were to increase to that level, you would add \$50,000.
- You did not include your payment summary to know how your patients are paying. We help teams properly utilize third party lending to increase collections. Year after year, studies show that more patients get more treatment done when they have a good third party lending option.

Findings:

- Accounts receivable is over 1 month's production; we like to see it closer to half a month.
- The amount over 90 days past due is \$58,000, 74%, and we like to see that less than 10%.

Recommendations:

- Work with your team to improve patient financial arrangements and collect past due AR.
- You did not send your credit balance report and it would be beneficial to look closer at that to know your true AR since your aging report most likely includes credit balances, so your AR is higher than stated.

Findings:

- Your UCR fees are all over the board, meaning they are not balanced.
- Your 2740 crown code and inlay/onlay codes are at about the 40th percentile.
- Adult prophylaxis and 4 bitewings are 80-90th percentile.

Recommendations:

- We can provide you with a geographical fee analysis to help you rebalance your fee schedule to reflect your skill and technology and help increase collections.
- If you increased just the crown fee for code 2740 to about the 70th percentile, you would have an increase of about \$22,000.

Findings:

- You report an average of 30 missed appointments per month in your practice.
- Depending on if they are in hygiene or dentist's schedule you could be missing about \$3,000-\$30,000 of production/collections each month, so \$36,000-\$360,000 per year.

Recommendations:

- Work with your team to reduce this issue using solid scripting and potentially an incentive for patients to keep appointments.

Findings:

- Your Employee Handbook may lack enough detail to be valuable to you.
- One of the top liabilities in the dental practice is your team, so it's important to have a legal handbook.
- A lawsuit we saw last year resulted in the dentist borrowing money to pay \$100,000 to a team member due to lack of detail surrounding continuing education.

Recommendations:

- We can help you work with a dental specific attorney to have a legal and binding Employee Handbook.
- Some areas of concern are:
- The search policy you currently have.
- Team/family dental treatment.
- CE, HIPAA, OSHA, Hep B.
- Employee termination and final pay
- Unpaid time off.
- Not allowed to delete or adjust treatment fees.
- Social media that is detrimental to the practice.

Findings:

- Adjustments are high at 37%.
- 49% or \$176,000 of those adjustments are elective, meaning not mandatory insurance write offs.

Recommendations:

- Put process in place to review adjustments daily and consider limiting ability for team to make adjustments without your consent.

YOUR TEAM



The abilities, strengths, and personal characteristics of our people are the foundation for our excellence in client service. Our philosophy is to hire people that fit our culture and service philosophy and retain them. We believe consistent and knowledgeable staffing provides better value to you based on growing familiarity with your organization and establishing positive relationships with your staff.



MEGAN URBAN

SENIOR MANAGER, DENTAL SERVICES

Megan has been serving the dental industry for over 25 years. She began her journey as a dental assistant and ultimately became a Regional Manager for a large dental group. She has extensive background in helping dental teams reduce stress and become more profitable by locating areas of opportunity and helping them implement solid systems within the practice. Her clients appreciate that she customizes their plans to the practice so they can easily maintain them and have continued growth. She also assists her clients in buying or selling their practices.



LIZ DEBARRO, CPA

MANAGER, DENTAL SERVICE

Liz has over ten years of experience providing strategic tax planning and compliance services to her clients in the healthcare industries. Prior to joining the firm, she spent time at the Big Four and at local and regional accounting firms. She is recognized as a Certified Public Accountant in Oregon and California, and a QuickBooks ProAdvisor. Liz received her accounting degree from San Diego State University.

YOUR PRACTICE ADVISING AREAS



As a firm with abundant resources, we are also equipped to help your practice in other areas. Below you will find a list of our other areas of expertise with dental practices. We would be happy to discuss any of the additional services with you in the future

