

is lower, while the value of the remainder interest passing to charity is higher.

Based upon the current IRS Section 7520 interest rate of 2.4%, the life estate which the 65 year-old doctor retained in the second home is valued at \$329,470, while the remainder interest passing to charity at his death is valued at \$670,530. Based upon the doctor's combined federal and state marginal tax rate of 45%, this produced income tax savings of \$301,739.

**3. Maximize tax-free rental income** – as part of the sale, the doctor agreed to work back for the buyer on a part-time basis for at least 3 years. Since he was expected to receive total compensation of approximately \$200,000 annually, I recommended that these funds be paid to the selling doctor's corporation, rather than to him personally, in order to minimize federal and state income and payroll taxes. Through utilizing retirement plan contributions, fringe benefits and professional expenses (perks), the doctor would be able to receive the maximum economic benefit from these funds, while paying the least amount of taxes.

I also recommended the doctor rent his second home to his corporation for a total of 14 days each year, at the highest reasonable rental value, in order to generate one tax-free perk. Since the vacation home typically rented for \$5,000 a week during the high season, this provided the doctor with \$10,000 in tax-free cash annually from his corporation.

## PRACTICE MANAGEMENT

# 7 Steps To Boost Your Practice Profits While Reducing Managed Care (PPOs)

By Bill Rossi\*

Last month, we discussed strategies to minimize patient loss, and slow it down, when reducing managed-care (PPO) participation. However, that's not enough. Doctors need concrete plans to rebuild their practice in order to counteract the patient loss and add mightily to their bottom line. This requires developing a plan for seeing more patients (measured by total exams) and doing more for the patients you do see (measured by production per exam).

### Seeing More Patients

An over-dependence on PPOs to keep your schedule

full causes other parts of the practice to atrophy. It's time to get your practice in shape!

While it isn't easy to increase new patient numbers, it's certainly possible with a little hard work. Here are the top strategies to make it happen, ranked in order of cost-effectiveness:

### 1. Increase Internal Marketing

Virtually every doctor recognizes that internal marketing is the most cost-effective way to build his practice. Yet fewer than 10% of doctors feel they do a "good job" in generating patient referrals. It's time to get good at it! Doctors must become more comfortable in asking satisfied patients to refer their family members, friends, and colleagues to the practice. This should be done at appropriate times (when a new patient joins the practice, when a patient compliments you or your staff, and upon completion of major cases). To get comfortable, consider this simply as an invitation to join your practice. And, add: "Please don't keep our practice a secret"!

Finally, the doctor should encourage staff members to refer new patients from their family, friends and colleagues. Be sure to establish a bonus program to reward their referrals.

### 2. Improve Practice Signage

One of the best ways to attract more new patients is through adding or increasing practice signage to improve visibility. Remember, signage is the silent salesperson, providing a 24/7 365 days a year image touting your practice. So, find out what legal restrictions (if any) your locality has on office signage and maximize your exposure with a well-lit sign.

## ONLINE-ONLY ARTICLE

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I've seen patient numbers double simply through adding improved signage. So, get a sign up, so you don't have to "sign up."

### 3. Upgrade Your Practice Facility

Remodeling and/or implementing cosmetic upgrades to your office facility (new paint, carpet, wallpaper, etc.) is almost always a wise investment. Your practice will typically grow 10-15% through increased patient referrals, and improved case acceptance of upper-level procedures, providing a great return on investment.

That means a large, attractive internally-lit sign, along with an engaging "storefront." Your visibility isn't just a matter of the signage, it's the whole presence of your office!

### 4. Improve Your Online Presence

Doctors should enhance their online presence by upgrading their practice website, adding video testimonials, and original photographs of actual cases. This will help improve search engine optimization (SEO) as well as attract new patients. Also, increase favorable patient reviews since our research indicates that having 10 or more favorable (five-star) Google reviews can add measurably to your new patient flow.

### 5. Practice Purchase/Merger

If dropping managed care reduces the practice to operating at 70% or less of capacity, the doctor should purchase a practice and merge it into his own. Through treating the additional patients in your existing space, the purchaser can often generate incremental profits of 60-70% on the added volume before debt service, since there are no additional fixed costs, and the incremental lab, supply and labor costs are usually minimal. Even after deducting debt service payments, most doctors can still generate a 50% profit margin on the added volume purchased, making this a "slam dunk" investment.

### 6. Boost Hygiene Department

Most of your patient flow comes from continuing care in the hygiene department. Many doctors feel they are already doing a good job with their continuing care system, but most aren't. For best results, use a "continuing care checklist" in order to track these statistics on a monthly basis:

- How many hygiene patients confirm their next

appointment while in the office? Your "appoint ahead" percentage should be 75%+.

- How many cards, texts, and emails went out to patients that are due and past due?
- How many past due recall patients were actually scheduled?
- Are the hygienists helping with calling and confirming patients?

Digital communication options such as Revenue Well, Lighthouse, etc. can be very helpful, but don't stop sending postcards. And whatever you do, don't stop using the phone!

For the typical general practice, it's not hard to increase the number of hygiene recall visits by five or so per week; that's 20 per month, which will represent a 10% or more increase in patient flow for the average practice. Call Bill Rossi at Advanced Practice Management (952.921.3360), for a complimentary 10-minute continuing care checkup.

### 7. Ramp Up External Marketing

Doctors heavily involved in managed-care often boast they're spending little, if any, money on marketing. They complain they can't afford to, because of overhead concerns. In reality, these doctors are already spending tens of thousands of dollars on managed-care fee adjustments monthly, which is actually just a "marketing expense." These doctors are always better off spending more time, energy, effort, and money on marketing to boost their new patient flow, rather than simply standing by while managed care companies bite off a bigger part of their practice profits each year.

As a rough rule of thumb, it costs about \$300 in marketing expenses for each new patient brought in. Direct-mail, pay-per-click, and online advertising do work, but doctors have to stay with them long enough to figure out what works best in their practice environment. \$300 is cheap when you compare it to how much it costs for you to continue writing off 30%+ per year in PPO discounts. Too many general dentists end up working 2-3 months a year for free, due to PPO write-offs. It's costing you big money, you're just not writing a check for it!

Next month, we'll discuss how doctors can increase production on the patients they already have, to offset patients lost when reducing managed-care (PPO) participation.