

# Notes

PRACTICE

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## DOCTORS MANAGEMENT

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## “Leave the business of medicine to us”

“Leave the business of medicine to us” was adopted as our company motto several years ago. Now we can tell you that more and more physicians and dentists are doing just that. These professionals are doing exactly what they are trained to do—practice medicine and dentistry. It could be said that DoctorsManagement’s “patient” base has grown, thanks to each of you. We appreciate all of your past referrals and recommendations.

Just as with your patients, not all practices have the same aches and pains. Because we listen to the needs of the practices and their staff members, we are able to prescribe an ever growing regimen of “treatment.” When we advise you that you need more staff in order to properly treat your growing patient base, we also know that the same applies to DoctorsManagement. We have added personnel to help deliver the services we provide in an accurate and timely manner. Our expanded support staff provides enhanced educational programs,

procedural manuals, and on-call help lines specifically for medical and dental offices. It’s not enough just to offer services. Services have to be available when they are needed—and that’s our commitment to you. We have expanded our services to include office and clinical purchasing discounts, enrollment and credentialing, and business development for client marketing and customer service satisfaction. OSHA seminars and practice management classes are on-going with additional certification courses being offered in coding and auditing procedures.

Again, we thank you for your loyalty as customers of DoctorsManagement. We are always ready to serve you.

### From the President

Paul L. King



**Success comes when you’re most prepared for it...  
come share the knowledge!**



**THE DOCTORSMANAGEMENT SCHOOL OF  
MEDICAL PRACTICE MANAGEMENT**

*The Practice Manager Certificate Program*

[www.drsmgmt.com](http://www.drsmgmt.com)

# THE SMALL BUSINESS AND WORK OPPORTUNITY ACT OF 2007



by T. Blake King, CPA, MAcc

The *Small Business and Work Opportunity Act of 2007* (SBWOA), which passed Congress on May 24<sup>th</sup> and was signed into law by President Bush on May 25<sup>th</sup>, gives businesses nearly \$5 billion in tax cuts over a 10-year period. Through the Congressional budget rules, however, the tax advantages to small businesses over the next five years are even more generous: over \$8 billion. All of the small business provisions are designed to help businesses absorb the cost of a higher federal minimum wage. The new law gradually raises the federal minimum wage from \$5.15 an hour to \$7.25 an hour over the next two years. The two provisions of the Act that will generally affect physicians, dentists, veterinarians, and other high net worth individuals are the increase in §179 expense election and changes to the “Kiddie Tax” laws.

## Section 179 Expense Election

Per §179 of the Internal Revenue Code, businesses may elect to immediately expense certain capital property, rather than depreciating the property over time. For 2007, the new §179 limit will be \$125,000, up from the \$112,000 which was originally planned. Therefore, up to \$125,000 of assets can be expensed in the year of purchase (this expense cannot, however, take income below \$0.00), save some exceptions for income over \$500,000.

Section 179 applies to personal property (most property other than real estate) purchased for business use. This includes most furniture; medical, dental, and veterinary equipment; and office equipment. Therefore, if you are planning on purchasing large amounts of equipment, it may be beneficial to move those purchases up to take advantage of these increased expense limits.

At a marginal tax rate of 35%, this \$13,000 increase can result in significant tax savings (approximately \$3,640). For example:

	Before SBWOA	After SBWOA
Equipment Purchases	\$125,000.00	\$125,000.00
§179 Expense	112,000.00	125,000.00
MACRS Depreciation*	2,600.00	0.00
Total Depreciation	<u>\$114,600.00</u>	<u>\$125,000.00</u>
Tax Reduction	<u>\$40,110.00</u>	<u>\$43,750.00</u>

\*\$13,000 X 20% 1st Yr Depreciation

## THE SMALL BUSINESS AND WORK OPPORTUNITY ACT OF 2007 (continued)

### “Kiddie Tax”

Section 1(g) of the Internal Revenue Code imposes a tax on the unearned income of dependent children at the parents' highest marginal rate. The law was designed to lessen the effectiveness of intra-family transfers of income-producing property, which shift income from the parents' high marginal tax rate to the child's generally lower tax bracket, thereby reducing the family's overall income tax liability. Unearned income, the only income to which this tax applies, includes dividends, interest, rents, and capital gains. For high net worth individuals, this tax can create an extreme burden.

For many years, the tax only applied to children under the age of 14. This allowed for taxpayers to pass appreciated and/or income-producing assets to their children to pay for college and other expenses as they age. Any income or gain on these assets would then be taxed at the child's income tax rate, which was significantly lower than the parents', creating considerable income tax savings.

The first \$1,700 of unearned income is sheltered from this tax. For example, prior to the Act, if a 15-year-old child had a \$10,000 capital gain, the tax would only be 5% of \$8,300 (\$10,000 - \$1,700) or \$415. If, however, the child were only 13, then the gain would be taxed at the parents' higher rate, 15% for long-term capital gains (\$1,245) or their highest marginal rate for other income (\$2,905 assuming 35%).

In 2006, Congress raised the age to Apply to children under age 18. This was detrimental but still allowed for college-age students to receive appreciated and/or income-producing assets and subject them to lower tax rates.

Under the Small Business Tax Act, the age was raised to under 19 (age 24 for full-time students). This change effectively removed the tax advantage for college-age children. Now any appreciated assets passed to dependent children who are under age 19, or under age 24 if a full-time student, will be taxed at the parents' highest marginal rate.

Fortunately, Congress did not make this portion of the law effective until tax year 2008. That leaves many taxpayers, who were relying on their children's lower tax rates, time to make changes to their tax planning strategies. A popular change will be to create “earned income” by paying the children a justifiable wage. While this will result in Social Security tax (at 15.3%), it will return them to the generally much lower income tax bracket on their portion of the income.

### Accounting Tax Department

#### Accounting Services

- Monthly Accounting ( Tied Out to Cash!)
- Key Management Statistics
- Payroll Services
- Accounts Payable
- Budgeting Analysis

#### Tax Services

- Individual Tax Planning
- Business Tax Planning
- Individual Tax Preparation
- Business Tax Preparation
- IRS Representation

## COMPLIANCE MONITORING - THE BEST DEFENSE



by Shannon Smith, CPC, CMSCS  
Director, Coding and Reimbursement

That old saying, "The best defense is a good offense," holds true for more than just football. Healthcare Billing Compliance is a topic of tremendous concern for most providers, as it should be. Medicare carriers are conducting more audits than ever, and a good defense against an audit is a good-working compliance plan that incorporates regular monitoring.

Simply having a copy of a "compliance plan" somewhere on a shelf in the business office is obviously not sufficient. A compliance officer must be designated, the staff must be educated regarding the plan and its policies, and monitoring must begin. Unfortunately, this is the labor-intensive part of having a compliance plan, and it must not be allowed to fall through the cracks. Decisions must be made regarding how often monitoring will be carried out, how many charts/EOBs per provider will be reviewed, and what disciplinary action will be taken against violations/violators. All of these things may be handled internally or with the assistance of an outside source. Some practices contract out all of the monitoring, while others conduct routine internal monitoring with one annual audit by a third-party firm. (While ALL monitoring can be done internally, at least some outside monitoring is strongly recommended.) An outside source for monitoring should not only be experienced in chart auditing, but should have nationally recognized credentials regarding coding and/or medical records (CPC, CCS, RHIT, etc.)

When the review process has been completed, the results must be documented in the compliance plan.

Once documented, action must be taken to correct detected errors or problem areas. This plan of action must also be documented in the plan, including any specific disciplinary action taken. The next scheduled monitoring session should indicate improvement in earlier detected problem areas. If not, the plan of action is not effective and should be revised.

### EDUCATION

The Office of Inspector General Draft Compliance Plan Guide for Physician Offices recommends that staff education be carried out at least annually for any employees dealing with coding and billing procedures. This can be handled internally by a knowledgeable staff member, by bringing a speaker on-site for educational sessions, or by staff attendance at appropriate workshops or seminars. As with monitoring results, it is important that the education be documented in the compliance plan.

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**"The best defense is  
a good offense"**

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With a sound compliance plan and proper, effective monitoring, all errors should be detected and corrected internally before a carrier audit takes place. By taking the offensive position where compliance is concerned, a physician practice is "ahead of the game!"

### A National Auditing Certification Program Approved for 20 CEUs by the AAPC

Auditing is such a vital part of the compliance of our medical practices today. Become a certified auditor to ensure this compliance for your practice.

A certification in auditing will open a variety of job opportunities in the field of consulting, compliance, and medical auditing.

This is a two day 16 hour course with a four hour certification exam given on the third day. Certification will require continuing education units to maintain yearly certification.

Seating for classes will be limited, so register early!

#### **Current Course Schedule:**

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September 24-26, 2007  
October 10-12, 2007  
October 24-26, 2007  
November 7-9, 2007  
November 26—28, 2007  
December, 10-12, 2007  
January 7-9, 2008  
January 16-18, 2008  
February 4-6, 2008  
February 18-20, 2008

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Atlanta, GA

For information on a class near you and early registration discounts: Call **800-635-4040** or Email [dhurley@drsmgmt.com](mailto:dhurley@drsmgmt.com)

## MEDICAL SUPPLY PURCHASING... THE DOCTORSMANAGEMENT VIEW

by Michael Lawson  
National Account Manager  
PowerBuying Program



Economies of scale. We have all heard that expression, but what does it mean, and more specifically, how does it relate to “buying supplies” for the medical practice? Let’s look at it this way. When you purchase potatoes at the local grocery, you buy them by the pound. Let’s say \$1.49 per pound. You do this because you only need a few potatoes per week. The fast food restaurant, on the other hand, pays on the order of \$0.30 per pound because of the huge need generated by thousands of daily customers. This makes for a significant difference between the small consumer purchase and the large restaurant purchase. The same is true for medical supplies, cotton balls, table paper, needles and syringes, injectibles, etc. The hospital pays considerably less than you do because of purchase quantity or economies of scale. Generally speaking, the more you buy of something the cheaper it is. We can apply this principle to a host of items. Gasoline may be the exception however.

We are proud that DoctorsManagement has partnered with the largest health care group purchasing organizations to offer our clinical practices the buying power of the largest health care providers. When you become a member of the PowerBuying Program, we go to work in every area where you purchase. In most cases, we will keep your purchasing processes the same just to keep things running smoothly.

Customers are always amazed at the ways that we have found to save them money beyond the traditional medical supplies and office supplies. We can provide cellular telephone plan discounts of up to 24% for everyone in the practice, Yellow Page advertising

savings of up to 20% (this alone can be hundreds of dollars in savings every month), reduced credit card processing fees, computers for the back-to-school son or daughter and lower supply cost on the network printers and money-pit ink jet printers.

A question potential customers ask is this: “When can I start saving?” The answer is that the practice will realize immediate savings on most items. Your cellular discount can take up to two billing cycles to appear, but you don’t have to sign a new plan to get it... you just save money! You won’t need us forever although we want you to keep us forever. By working closely with us on a frequent basis, sharing your practice needs, and taking advantage of available contracts, your practice will gain the ability to sustain an efficient cost savings program.

Increasing your “economies of scale,” the PowerBuying Program delivers cost savings generally beyond the reach of typical distribution systems such as clinical or clerical distributors, local suppliers, and even Internet sources.

The PowerBuying Program of DoctorsManagement consistently delivers pricing stability, cost savings, improved bottom line cost containment, product selection, service, and value. We eliminate price shopping and price fluctuation while freeing your time to tend to other important issues.

Will Rogers said, “I never met a man I didn’t like. “At DoctorsManagement we like to say, “We have never met a practice we cannot help.”

### Lower Your Supply Costs The DoctorsManagement Way

- Clinical Supplies
- Pharmaceuticals
- Office Supplies
- Transcription Services
- Computers
- Copiers & Printers
- Office Printing Solutions

- Furniture
- Credit Card Services
- Lab Equipment
- Medical Equipment
- Cellular Services: Cingular/Nextel/Sprint
- Directory Advertising Specialist (Yellow Pages)



# DOCTORS MANAGEMENT

Leave the business of medicine to us

10401 Kingston Pike  
Knoxville, TN 37922  
(800) 635-4040  
(865) 531-0176  
(865) 531-0722 Fax

2631-A NW 41st Street  
Gainesville, FL 32606  
(800) 388-9140  
(352) 373-9140  
(352) 371-6216 Fax

205 Executive Park  
Asheville, NC 28801  
(800) 635-4040  
(828) 255-8825  
(828) 255-9774 Fax

PO Box 111450  
Nashville, TN 37222  
(800) 635-4040  
(615) 833-5864  
(615) 833-8958 Fax

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We welcome questions, comments, and suggestions.

## MANAGEMENT CONSULTANTS

Paul King, President  
Bob Fraim, Founder  
Dale Rothenberg, CHBC, Partner  
Bill Bristow, Partner  
Bill King, CPA, CFP, CHBC, Partner  
David Keller, CHBC, CFP (Asheville, NC), Partner  
Doug Driver (Nashville, TN), Partner  
Phil Evans, CFP, CHBC (Gainesville, FL), Partner  
Sam Thomas, Partner  
Ray King  
John Temple  
George Lane  
David Shropshire (Lexington, KY)  
Alan Sharp (Celina, TN)

## HUMAN RESOURCE MANAGEMENT

Philip Dickey, MPH, PHR, COO

## POWERBUYING PROGRAM

Wayne Walters  
Michael Lawson  
Craig King  
Walter Cook  
Robert Keeton  
Kim Gehrke  
Mike Masters\*  
Tommy Bryant\*

## BUSINESS DEVELOPMENT

Debbe Childress

## DM MEDICAL PRACTICE MANAGERS

Sherry Jernigan (Waycross, GA)  
Larry Reed (Kingsport, TN)  
Beverly Ramsey, CMA, CPC, CHCC, CHBC (Asheville, NC)

## ACCOUNTING SERVICES

Ruth O'Connell, CPA, CHBC (Gainesville, FL)  
Heath Hammett, CPA  
Blake King, CPA  
Cason Love  
Melissa Rutherford  
Julie Shropshire  
Laura Twilley  
Jacquie Fagan  
Laura Johnson\*  
Felicia Cash (Blackshear, GA)\*  
Cassie Pittman (Asheville, NC)  
Kevin Kendall (Asheville, NC)  
Micheal Farlow, CHBC, EA (Asheville, NC)  
Nancy Choba (Gainesville, FL)  
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Nancy Ruth (Gainesville, FL)  
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Chuck Frampton (Gainesville, FL)  
Sherry O'Steen (Gainesville, FL)  
Georgette Ayers (Gainesville, FL)  
Chris McVety (Gainesville, FL)\*  
Gene Good (Gainesville, FL)\*

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Bill Hall

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Psyche Wimberly (Asheville, NC)  
Shirley Howell

## ENROLLMENT

Abigail Rockwell (Asheville, NC)

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Debra Lutrell  
Mary Blount, MT (ASCP)  
Virginia Brown  
Chery Kendrick\*  
Joyce Kantner (Granger, IN)\*  
Michelle Hill (Memphis, TN)  
Carol Fowler (Cookeville, TN)\*

## CODING/BILLING/COLLECTIONS

Shannon Smith, CRTT, CPC, CMSCS  
Donna Hurley  
Barbara Pross, CPC\*  
Kelly Redwine\*  
Theresa Powers, LPN, CPC\*  
Denise Butler, CPC (Louisville, TN)\*

## ADMINISTRATIVE

Jo White, Partner  
Anita Sharp  
Dawne Tunkel  
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Barbara Crouse  
Jane Cumpston  
Linda Lesh  
Tammi Revis (Asheville, NC)  
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Steve Faison, (Gainesville, FL)  
Wanda Martin, (Gainesville, FL)  
Sharon Spencer (Savannah, GA)

## CLINICAL TRIALS MANAGEMENT

Shirley Trainor-Thomas\*

\* Independent Contractor

Employees located in our corporate office in Knoxville, TN, unless otherwise noted.