



# Your Healthy Practice

## Don't wait for year-end to implement tax plan

**W**ith the hectic pace of the last 45 to 60 days of the year, don't wait until then to start thinking about steps to take before Dec. 31 to lessen your 2015 tax burden.

"We do find a lot of clients scramble at the end of the year to minimize their tax liability," said Erin Beatty, CPA, CHBC, with CPAmerica member firm Cowan, Gunteski & Co. "Clients always should touch base with their accountants because there are changes to tax provisions that could affect them."

She noted, for example, that some provisions that have expired or are set to expire are often extended by Congress toward the end of the year.

One provision that could change is Section 179, which allows

businesses to deduct in a single year the cost of qualifying equipment purchased up to a certain dollar amount. The \$500,000 maximum allowed in 2014 expired last Dec. 31. This year the maximum deduction is \$25,000 unless Congress acts to extend the higher amount.

Rep. Paul Ryan, R-Wis., chairman of the House Ways and Means Committee, has indicated plans to push for an extension of expiring provisions early this fall and make some of them permanent. Therefore, practices contemplating a large purchase should seek advice from an accountant before making any decisions.

"We do not recommend buying just for the sake of getting a tax break," Beatty said.

Other tax-saving steps to consider include:

- **Take a capital loss to offset capital gains.** This enables investors to cash in on winning investments while cutting their losses on investments that are not performing well. Be aware, however, that short- and long-term capital gains are taxed at different rates, so Beatty suggests physicians speak with their financial adviser before taking big investment gains.
- **Make a charitable contribution.** Many people use the end of the year to make charitable contributions, which can be deducted on Schedule A of their personal income

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2016

A financial and management bulletin to physicians and medical practices from:

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## Year-end tax plan *continued from front*

tax form. However, high-earning physicians can bump up against the so-called Pease limitation, which reduces all itemized deductions by 3 percent of excess income over an adjusted gross income (AGI) threshold.

For 2015 the AGI threshold is \$258,250 for single filers and \$309,900 for married filing jointly. In this case, if a physician's deductions will be limited, it may be wise to hold off on large charitable contributions that would not be deductible. Other deductions affected by Pease include home mortgages and state and local income taxes.

- **Maximize 401(k) and IRA contributions.** Maxing out a tax-deferred retirement plan is a great way to save for retirement while reducing your taxable income. For this year, you can contribute up to \$18,000 to a 401(k) and an additional \$6,000 if you are age 50 or older by Dec. 31. IRA contributions are limited to \$5,500 – or \$6,500 for people 50 and older.

However, there are income limitations on the deductibility of IRA contributions. Additionally, the contributions are not deductible if you or your spouse is covered by a workplace retirement plan, depending on your adjusted gross income.

- **Set up a defined benefit plan.**

Physicians who own their practices and do not have a defined benefit plan may want to consult with their tax adviser about setting up one before the end of the year. Defined benefit plans can be adopted even if a practice has a 401(k) or profit-sharing plan. They provide a fixed, pre-established benefit for employees at retirement and allow for larger contributions than defined contribution plans like 401(k)s.

However, defined benefit plans are often more complex and, thus, more costly to establish and maintain than other types of plans.

“It has been very beneficial for some of our clients,” Beatty said. “But it is not the right fit for everybody.” These plans may be advantageous to older physicians who want to sock away retirement money and slash their tax bills.



**Y**our tax adviser can discuss steps and strategies to take now so that you may pay less come April 2016.

- **Apply the de minimis safe harbor election.** The IRS requires businesses to capitalize the costs of acquiring, producing and improving tangible property, regardless of the size or the cost incurred. The de minimis safe harbor provision simplifies the decision as to whether expenditures related to tangible property are currently deductible business expenses or nondeductible capital expenditures. By use of the safe harbor, a practice can deduct amounts up to \$500 per item or invoice rather than requiring these small amounts to be capitalized.

Many physicians are subject to the alternative minimum tax (AMT). Your tax adviser can help to determine whether you will be hit by the AMT, which disallows many deductions.



“While it is hard to avoid it,” Beatty notes, “there are recommendations we make for those individuals.” Some strategies include not prepaying certain expenses like real estate taxes or the estimated fourth quarter state income tax that is not due until Jan. 15.

Your tax adviser can discuss these and other steps and strategies to take now so that you may pay less come April 2016. ■

Our thanks to *Irene E. Lombardo* for her editorial contributions to this publication.



# Staying in Tune

## Doctors and practice managers should be a team

In the operating room, every member of the team brings a particular knowledge and skill needed to ensure that surgery is performed well and the patient is safe.

So, too, a well-run medical practice requires a finely honed team to operate efficiently and profitably. A research study published in *Family Practice Management* some years ago noted that a key contributor to a practice's success is the presence of functional work relationships.

Members in a medical office must work as a collective unit with a common goal to provide the best care and service to the patient. The office manager is like a conductor who ensures every member of the orchestra is on the same page and in tune.

Nevertheless, the practice manager's work often is viewed in a silo separate from clinicians. In an increasingly complex healthcare system, however, a practice manager is a key figure in various aspects affecting patient care.

The practice manager:

- Determines what the best electronic health record for a practice is or whether it's time to replace one
- Ensures processes are in place to meet meaningful use requirements, which impact patient care and practice finances
- Identifies trends in patient complaints and spearheads resolutions

What's more, the practice manager oversees finances, human resources and risk management, and ensures that the practice meets myriad federal and state regulations. The person who fills this position can be instrumental in growing a practice.

### Harmonizing

Successful teams share certain characteristics. They communicate well, respect each other's expertise, encourage diverse opinions, and understand how their tasks and responsibilities fit into the whole.

Additionally, in reviewing existing evidence of effective healthcare teams, the Canadian Health Services Research Foundation found that "members of effective teams have faith in their ability to solve problems, are positive about their activities and trust each other. They can determine areas for improvement and reallocate resources to do so."

### Putting teamwork into practice

Physicians and the practice manager must work together to foster an atmosphere of cooperation. Recommendations found in research literature include:

- **Communicate effectively.** This means listening as well as speaking. Meet regularly with a prepared agenda and action items to discuss important issues, like work flow, staffing, barriers to effective patient care, new requirements, etc.
- **Set goals.** It is critical for both physicians and the practice manager to understand the difficulties encountered daily if those issues are to be resolved.

Goals should be mutually agreed upon, and each member's responsibility toward that goal should be clearly understood.

- **Be respectful.** Some physicians may need to check their egos. Mutual respect is essential for successful teamwork. This includes valuing each other's opinions, being considerate of one another and tactfully providing honest feedback. When an issue emerges, it is important not to be confrontational – especially in front of other staff – and to use constructive criticism to deal with the problem.



- **Trust one another's knowledge.** Physicians should avoid micromanaging. Practice managers reported the lowest amount of control in their jobs was related to their interactions with physicians, according to a study on perceptions of stress, control and satisfaction. The high-performing practice manager has a finger on the pulse of the practice and can provide proper solutions to everyday issues. However, to do so, the manager must have the resources needed to resolve issues and the confidence of the practice's owner.
- **Avoid finger pointing.** When problems arise, feedback should be blame-free and should focus on remedying the problem.
- **Lead by example.** "Setting an example is not the main means of influencing others, it is the only means," to quote Albert Einstein. Establish a good working relationship by being a model team player.

By developing the characteristics of good teamwork between physicians and the practice manager, a medical practice can improve its use of timely information, as well as the skills and resources available to it, while improving patient care and service. ■

## Healthcare providers have trust issues with insurers

**A**lmost all of the major health insurers suffered a decline in trust levels by healthcare providers since last year, according to two 2015 surveys.

The providers' perception is that insurers, or payers, take advantage of them and do not honor commitments, although providers' trust in insurers actually decreased only slightly from the previous year in athenahealth's PayerView Report and ReviveHealth's 2015 National Payor Survey and Trust Index.

Athenahealth, a cloud-based health IT company, and ReviveHealth, a healthcare marketing communications company, combined their findings in 2015 to present a "complete picture of the payor-provider interface."

"Across the board, major payors are seen as poor at balancing their interest against those of the providers," the ReviveHealth survey said. "This is further evidence of a festering disconnect between payors and providers."

It isn't surprising that the survey found the factor ranking highest in importance among providers is payment rates, followed by good-faith negotiations.

Both providers and payers have been challenged by Affordable Care Act taxes and fees and a growing number of recently covered patients resulting from Medicaid expansion

and health insurance exchanges, PayerView reported. But the highest-rated payers dealt effectively with these risks, performing well in the areas of days in accounts receivable, first-pass resolution rate and denial rate.

Insurers didn't do as well in benefit reliability. Health insurance exchange payers scored 87 percent in this area, and non-exchange payers scored 78 percent.

These percentages bear out the findings that health plans in insurance exchanges generally performed better than non-exchange health plans.

However, health insurance exchange payers need improvement in the number of days in accounts receivable and eligibility accuracy to continue to perform better than the non-exchange payers. The average number of days in accounts receivable for exchange payers was 27 in the PayerView Report.

On the other hand, non-exchange payers must improve benefit reliability if they don't want to fall even further behind the exchange payers.

Interestingly, 50 percent of the 2015 Top 10 insurers changed from those in last year's report. This year, there was also a 5 percent overall improvement in benefit reliability. ■

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### *Your Healthy Practice*

The technical information in this newsletter is necessarily brief. No final conclusion on these topics should be drawn without further review and consultation.