

Business Expense Deductions:

Pre-Production Deductions - On average end up being paid about 75% by usage physician and 25% as shared overhead

Expenses tied directly to the provision of healthcare services to patients
Physician requested advertising (with the intent of increasing business)

Post-Production Deductions - Paid 100% by physician

a. Business "pre-tax" subcategory - examples.

Aquariums
Cell Phone (personal business portion)
Extra computers (including wiring) for physician offices
Flowers for patients
Medical Meeting costs (beyond CME allowance, and except 50% of meals)
Personal disability insurance (pre or post tax – physician's request)
Physician books and magazines
Physician office furniture
Physician printers and toner
Physician requested advertising (sports program ads, school banners, t-shirt sponsors, etc)
Physician requested forms
Physician requested office supplies
Physician requested treats (lollipops, tokens, etc.)
Physician retirement funding (pre-tax if traditional, post-tax if Roth 401k)
Reimbursement for vehicle mileage (pre-tax if qualified for business use)
Society membership dues
Reminder - Office gifts cannot exceed \$75 value and are allowed just a few times per year for specific reasons
(birthday, MA day, Christmas, etc)

Can exhaust CME allowance with business expenses before doing payroll deduction

Must submit receipt with authorized signature to show detail in order for expense to be paid/reimbursed

b. Personal "post-tax" subcategory - examples.

Cell Phone (family portion)
Personal meds bought from Pharmacy
Physician Interest Expense (advances)
Purchase of MBL units
Spouse portion of medical meeting costs and 50% of your meals while at medical meetings

Must submit receipt with authorized signature to show detail in order for expense to be paid/reimbursed

Cost Accounting Policy

There are two general categories used for cost accounting, Pre-Production deductions and Post-Production deductions.

Pre-Production Deductions

Deductions in this category are usually tied directly to the cost of providing healthcare services. One exception to this is the deduction for professional liability insurance. Deductions in this category include costs of supplies that are reimbursed through billed services. Also included in this deduction category are the costs for various "cost centers" within the clinic (Laboratory, Imaging, Clinic Ultrasound, Sleep Center). In these "cost centers," the

total of all expenses are deducted as a percentage of the net billed amount for that category. This occurs in the DHS calculation on the production document. Another cost center is the "Other DHS" category. This category includes injections, immunizations, ortho braces, IUD's, etc. The costs for "Other DHS" are deducted each quarter. Other expenses in this category include nursing hours and benefits (over 40). Equipment expenses that are significant and have a breakeven of more than two years are included in this category.

Post-Production Deductions (can be either pre-tax "business" expenses or post-tax "personal" expenses)

Items in the business-related pre-tax category are usually items requested by a physician, but are not necessary components to the practice of medicine (aquariums, flowers, office decorations), or they may be necessary for the practice of medicine but the use of the product may vary significantly from physician to physician (cell phone).

Items in the personal expense post-tax category are not related at all to the practice of medicine but are expenses that have been run through the clinic (family cell phone, spouse travel costs, personal meds, MBL unit purchases, etc)