

10 STEPS

to integrating new high technology into your practice

As a dental CPA for the last 25 years, I am often asked this question: *What do I need to know about investing in high technology for my dental practice?* And quite frankly, when I am asked this question, I get very excited! I am impressed that the dentist wants to be proactive in delivering the highest caliber of oral health-care services with the implementation of new high technology that is available within the dental marketplace. I have tremendous respect for service providers who are willing to invest in this technology, and take the time for training and implementation. They are aware that in the long run, it will be a worthwhile investment.

If you are considering investing in high technology in the near future, listed here are 10 items to assist you with this major decision.

Think about high-tech of the past, present, and future

Reminisce about the past 20 years. Think about the technology that has been introduced and what new technology may be on the horizon. Who could have imagined lasers in dentistry? Or the ability to mill a porcelain crown in your own office and insert it within 60 to 90 minutes of the patient's appointment? How about the ability to take impressions digitally and transmit them directly to your dental lab? Or the ability to take digital images to measure the depth of the jaw bone in order to determine what dental implant has the best chance for success? With these technologies currently available — along with others too numerous to mention in this article — can you imagine what the next 20 years in dentistry has in store for us?

For more on this topic, go to www.dentaleconomics.com and search using the following key words: *dental technology, Dental CPA, investing, financing, tax laws, Allen M. Schiff, CPA, CFE.*

Identify your needs

Prior to implementing any new high technology within your dental office, I suggest you research what is available and how the new technology will improve your delivery of oral health-care services. I would also like to suggest that you include your dental team in a brainstorming session, wherein you identify new technology and discuss the pros and cons of implementation. Some suggestions for new technology include: digital radiography, CAD/CAM delivery systems, cone beam opportunities (such as the Gendex CB 500 or Kodak 9000), or an iCat. I recently spoke to Darin McCue of Phoenix Systems (a dental technology support company located in the Washington, D.C., area) and here is what he had to say: “The key is to determine the specific use of the technology. Will it be to provide better case presentation and education? Will it be used to improve efficiency throughout the practice? Or will it project to your patients that you continually stay current with the advances in dentistry? Once the specific reason is identified, then you can construct the appropriate plan of action.”

Seek professional guidance

As a dental CPA, I suggest that you meet with your professional advisors to plan the implementation of new high technology. You should determine what your annual budget is for new technology. As a rule of thumb, 5% of revenue each year needs to be set aside for such implementation.

How? Financing!

Despite the current harsh economic climate, there is still plenty of money to be lent to dentists for new high technology. The cost of capital is at an all-time low. The prime rate as of the date this article was written was 3.25%, which translates into equipment loan rates in the 6% to 7% range. Many dental lenders will allow you to repay these loans over a five-year period. Here's an example. Let's assume

you borrow \$100,000 at 6% with a repayment period of 60 months (five years). Your monthly payment will translate to \$1,933 a month. For many of you, that's the equivalent of two additional crowns per month.

Be aware of 2011 tax laws: depreciation

In addition to the low interest rates associated with the cost of acquisition, the 2011 depreciation tax laws are incredibly favorable. Are you aware of all of your options for your 2011 depreciation equipment write-offs?

In addition to the regular depreciation for most dental equipment (which is five years), you can choose from any one of the following for an "accelerated" method of depreciation:

- ▲ Section 179 depreciation
- ▲ 50% bonus depreciation
- ▲ 100% bonus depreciation

Section 179 is the immediate expensing of your dental equipment. You can pick and choose which items you would like to apply to Section 179. In 2011, Section 179 is limited to \$500,000. There are many rules associated with Section 179, so please be sure to consult with your dental CPA.

In addition to Section 179, for 2011 you have two new bonus depreciation methodologies from which to choose. You can either use the 50% bonus, which means you can elect to write off (depreciate) 50% of the cost of the new technology purchased and implemented in 2011, or you can choose the 100% bonus — which is exactly as you would understand it — a 100% write-off! One thing to keep in mind with these "bonus methodologies" is that once you elect this method on your income tax return, it must be used for all classes of assets you acquire in 2011. An example of an asset class would be "dental technology" and every piece of equipment acquired in 2011 that would come under the definition of "dental technology."

Calculate your return on investment

In order to determine your return on investment (ROI), you need to consider the following:

- ◆ Cost of capital
- ◆ Depreciation methodology
- ◆ Training and implementation
- ◆ Downtime in the office
- ◆ Marketing
- ◆ Facility and space considerations

Let's assume you decide to invest \$30,000 in your facility for the implementation and conversion of your automatic processor to digital radiography. In order to measure the ROI on this investment, you would need to take into consideration the cost of the equipment, along with the training and implementation costs, less the savings from the

supplies that were once used for the automatic processor. You would then measure these costs against the additional revenue generated from the oral health-care services that are produced from these new technologies. In my opinion, this high technology should be used for increasing the "dental IQ" of the patients you are now serving.

Here is a formula you can use to measure the return on investment for the next level of technology you wish to introduce within your practice:

Return on Investment = Addition Annual Revenues Generated *minus* Technology Implementation *divided by* Annual Cost of Equipment & Implementation

Let's once again assume you have incurred the cost of implementation of the new digital radiology at \$30,000, and you are able to measure an additional \$100,000 in revenue that would not have been generated within the practice without this implementation. Therefore, your ROI on this investment would be 30%.

Market your new services and technology to patients

Another consideration for the implementation of the new high technology within your dental practice would be how you can use it to your advantage by marketing it to your patients. This should create a "buzz" within your community, while also staying ahead of your local competition. I remember seven years ago, we had a dental client implement the first CAD/CAM dental technology system in his small-town dental practice. We were so excited by the "buzz" and "wow factor" it created within his community!

Implement a transition strategy

Practice transition planning is another important consideration for implementation. Many dental schools have new high technology within their programs. It is important for you to consider this prior to transition in order to preserve the value of your practice. In the marketplace today, many of the recent dental school graduates cannot practice in the mature dental practices that have not kept up with technology. Many of the young buyers are asking the mature sellers to reduce their listing prices on their practices to take into consideration the cost of implementing new high technologies.

Enlist the help of a dental CPA

Please consider using your dental CPA's skills to help you develop your technology plan. As you can see, there are many financial considerations that have to be addressed prior to implementation — such as budgeting, access to capital, cost of capital, depreciation, and financing, just to name a few. Darin McCue also suggests that you put a line item in your budget for continued maintenance and

support: “Technology is a piece of your practice that will need constant care. Performance of a network is directly related to the care it receives.” Your dental CPA can help you decide what level of care best fits the economics of your practice.

Imagine the next 20 years: robots?

Can you imagine what the next 20 years will look like from a dental technology point of view? Will computer technology take over for some of the procedures that you are currently performing manually? Did you know that CAD/CAM and cone beam technologies will be integrated shortly? The FDA has approved this technology, according to John DeMark, director of CAD/CAM and digital restorations at Henry Schein, who recently presented at the 2011 annual meeting of the Academy of Dental CPAs (www.adcpa.org).

DeMark explains, “CAD/CAM offers ‘same-day dentistry’ today ... providing the doctor with more control, improved profitability, and patient convenience. As technology continues to develop, dentistry is seizing those opportunities. Combining intraoral scans and cone beam DICOM data will help to improve predictable outcomes in restorative and implant dentistry.”

Below, I have listed some of the future high technologies that are just around the corner. Many are available right now!

- ✪ Apple applications — using your iPad
- ✪ CLOUD/hybrid technologies — accessing data through the Internet
- ✪ Mobile smartphones — access data on the fly
- ✪ Multitouch — iPad technology
- ✪ Gesture base technology — like the Xbox technology
- ✪ Virtual Business Services — task outsourcing and appointment confirmations

So you can see the delivery of oral care services is changing right before our eyes! It is my feeling that those dental practices willing to invest now in their technology plan will be best suited for the delivery of oral care services in the near future. Implementing new high technology, along with maintaining their current intrinsic values within their own practices, will create a greater return on investment in the long term! **DE**

Allen M. Schiff, CPA, CFE, is a founding member of the Academy of Dental CPAs (www.adcpa.org). This group of very knowledgeable CPA firms across the nation specializes in practice management services to the dental industry. Schiff serves on the ADCPA Executive Committee and is the chairperson of the ADCPA Marketing Committee.



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