

# How to Deal With the Coronavirus Business Slowdown (As of March 20)

MARCH 2020

PRACTICE MANAGEMENT

GENERAL/OTHER

## **Updated March 20, 2020**

On March 16, the American Dental Association (ADA) acted to mitigate the spread of the coronavirus (COVID-19). In an unprecedented move, the ADA **recommended** that dentists nationwide postpone elective procedure for the next three weeks ending April 6. The ADA further recommended providing emergency dental care that will alleviate the burden that dental emergencies would otherwise place on hospital emergency departments, that may be overwhelmed due to the expected spike in the number of infected coronavirus patients. The ADA's announcement followed similar actions taken by several state dental associations. On March 18th, the ADA released additional guidelines defining what constitutes a dental emergency.

While the ADA's action is in the form of a recommendation, some state dental associations have strongly recommended the same action, and others may even require it. As such, we expect the majority of dental practices to comply.

## The Impact

While this action will undoubtedly help mitigate the spread of coronavirus, it will have a profound impact on your dental practice operations and related cash flow. Eliminating all routine (hygiene, progress checks, follow-up, etc.) visits and other elective procedures, and providing only emergency services will likely reduce production by 90% or more for most practices. Depending on the level of your emergency visits, your practice may be operating with just one doctor, one assistant, and one front desk staffer present. Practices with lower levels of emergencies may simply close the doors, but have the doctor and an assistant "on call" to handle emergencies as they arise.

## Staffing Issues

How should you handle your staff during this unprecedented crisis? While practice operations are severely curtailed, staff will essentially be furloughed for its duration, which is uncertain and could extend well beyond the initial 3-week period recommended by the ADA. Meanwhile, their family financial obligations continue and must be met. What to do?

It doesn't make sense to desert your staff in their time of need, especially since the situation is temporary and they are not working due to no fault of their own. In most cases, the best approach is to treat their time off as part of their remaining paid vacation days. If and when these days are exhausted, the staff should be paid for sick leave or other paid time off (PTO), depending on the personnel policies outlined in your personnel/office policy manual.

While these policies will vary from practice to practice, Congress is set to step in. A coronavirus sick leave bill (H.R. 6201 The Families First Coronavirus Response Act) has been approved by the House of Representatives and is currently being debated in the U.S. Senate. Once the bill is approved by both houses of Congress, and signed into law by the President, we will provide a detailed analysis and related recommendations.

## Reducing Practice Overhead Expenses

The expected drop in practice production of 90% or more will have a profound impact on your practice and personal cash flow. The short-term impact will be buffered somewhat by collections of patient and insurance company receivables. However, your cash flow drain will increase in severity after a month or so as these receivable collections begin to dwindle. As your practice income becomes severely limited, you must focus on controlling practice overhead expenses as follows:

- **Staff costs** – If the crisis extends beyond the period that all vacation, sick leave, and other paid time off (PTO) is exhausted, salaries and wages for the furloughed employees will stop and they may become eligible for state unemployment benefits. While state laws regarding unemployment eligibility vary, most are being amended to provide enhanced eligibility for employees that are laid off and unemployed due to the impact of the coronavirus.
- **Rent** – If you don't own your office, contact your landlord to request a rent abatement until normal practice operations resume, in exchange for an agreement to pay all rent foregone on a prorated basis over the remaining term of the lease.
- **Debt service** – Contact your bank and request that all loan repayments be converted to "interest only" until full operations resume.
- **Supply/Lab/Equipment Purchases** – Reduce new orders to the absolute minimum amount required until normal operations resume.
- **Retirement Plan Contributions** – Reduce or stop these until your practice resumes full operations.

You may be able to recoup some, or all, of your lost revenue and profits from your insurance coverage. Check your general liability insurance policy to see if your business interruption coverage extends to lost profits resulting from a pandemic, and if so, file a claim for reimbursement.

## Access to Cash for Emergencies

While these steps will limit your practice overhead expenses during the time your office is closed, or operations severely curtailed, you'll likely still encounter negative cash flow if the crisis continues for beyond a month or so. As such, you need access to cash to handle this emergency. Below are the sources you should tap for access to necessary emergency cash, which should be used in the following order:

1. Home equity line of credit
2. Practice line of credit

3. Sale of personal investments-sell bonds which have increased in value during the stock market rout (not stocks), to meet your major emergency cash needs
4. Health savings account (HSAs)
5. Roth IRAs
6. A loan from personal cash
7. A loan from your family limited partnership (FLP/LLC)
8. Loan from retirement plans – use these as a last resort since the loan amount is limited to one-half of your vested balance, up to a maximum of \$50,000. Repayment must be made in equal monthly payments of principal and interest over a 60-month period from the date of the loan. Unfortunately, if the loan goes into default, the entire loan balance will be treated as taxable income to you.

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*As new information becomes available to us, we will update this special report, a revised version of which will become the cover article in our April 2020 issue. To receive updates and 24/7 access to future news surrounding the coronavirus and its impact on dentistry, please be sure you have an active account with The McGill Advisory and have opted in from your Account Pro le to receive Email News Bulletins. For assistance, please [contact us online](#).*

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