

# Ask the Broker

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# Q

I am thinking of hiring an associate. What is the best structure of remuneration?

## First of all, anything I opine on

must be verified with your attorney. A bill passed in California last year puts the "Independent Contractor" status for dentists in the "deep freeze". It was always stretching the IRS rules to classify associate dentists as independent contractors, but this last law pretty much puts associate doctors squarely in the employee category.

The next debate is about paying an associate on production or collection. I was sole proprietor/owner and had associates. I firmly believe that paying on NET PRODUCTION is the only way to go. Of course some owner's CPA's will insist on collections, but here are my reasons below:

1) Associates have no say in the front desk operations, have no control over the collections so. therefore it is unreasonable to base their pay on what they have no control over.

2) How does the associate know he was paid properly after termination? Is the associate really supposed to "trust" that the employer will be diligent on separating all future payments to properly credit all collections and then send check to associate? Should there be language in the agreement that allows the associate to continuously inspect the owner's books, including 90 days after termination to make sure they get paid?

I understand the issues well and it is BEST for both parties to work out a proper percentage of NET PRODUCTION. That way, both parties know where they stand at the end of each day worked and termination paychecks are not disputed. The accounting work is infinitely easier for the owner this way.

Let's say that the proper percentage to pay an associate in an office which collects 100% of production is 30%. If the office is a PPO office that adjusts the production after collections and ends up collecting only about 80% of production, then a fair compensation to an associate might be 24% of production. This refers to the term "net production". Net production takes into account discounts and fee schedule adjustments. A PPO office with Trojan software can update all PPO fee schedules everyday to eliminate this UCR vs PPO fee schedule discrepancy.

Paying on COLLECTION in a contract always implies that an associate needs to wait until the money trickles in before they get paid. NET PRODUCTION is **NOT** the same as COLLECTIONS. Net production means the business owner makes the adjustment at the time of service on what he expects to get paid. The collection process then becomes his responsibility, as it should be!

Questions? E-mail [wps@succeed.net](mailto:wps@succeed.net)

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