Navigating Your Practice Through COVID-19

The impact of COVID-19 is leaving many professionals with questions about what to do with their practice. This situation is dynamic, and it’s important to stay up-to-date with any tax or benefit program changes that may be applicable to your office / practice. For information about the federal tax response to COVID-19, read our tax alert.

Here’s a series of recommendations for next steps for your practice from our business advisors.

Office insurance considerations:
1. Contact your office / practice insurance providers to see what the business interruption insurance provisions are in your insurance policies and whether the measures recommended by your professional association / governing body for closing the office would qualify under the policy.
2. Contact your Professional Office Overhead insurance providers to see if there is any coverage. Most policies have an extensive waiting period, so they may not offer any payment since they are designed for longer shutdowns, and typically due to an issue with the practicing dentist (as opposed to an external disruption like COVID-19).

Bank loans and practice cashflow considerations:
1. Look at the expenses of the practice to see what your true costs of the practice are while you are not able to practice. Determine what your monthly / weekly cash outflow is expected to be while you are shutdown:
   a. Fixed expenses / costs are those you have to pay even if the office is not open such as bank loan interest and principal payments, rent, telephone / internet, property tax, utilities, bank account charges (excluding credit card processing fees), professional membership fees, insurances, professional memberships
   b. Typically, variable expenses are the largest part of your practice’s expenses and would stop while the office is shut down. Variable expenses include medical / dental / other supplies, staff, lab fees, office expenses, associate fees, some advertising (if not contract), repairs and maintenance, travel / auto, meals and entertainment, etc.
2. Consider the available room on your line of credit (LOC) or for cash in your bank account to see how long you can carry the fixed costs of the practice until you will have financial challenges.
   a. Consider your need for personal cashflow as well for your personal fixed expenses such as mortgage, living expenses, etc. as you will need to draw these as a fixed cost from the practice to you.
3. Contact your bank if you are worried your LOC, current cash or other loan facilities available to you will not be enough to endure a shutdown or cause significant issues with cashflow after a shutdown.
   a. The bank may be willing to extend the LOC, change to a period of interest only for bank loans or delay certain principal payments on term loans.
   b. For bank term loans, consider also asking to have their repayment period extended across a longer timeframe. For example, if you had six years left at $100,000 per year of principal repayments, maybe the bank could accept re-amortizing to a 10-year period with $60,000 per year of repayments. This would save $40,000 per year of cashflow for the practice.
   c. If your current bank is not accommodating then you may consider approaching other banks to see if you can obtain refinancing or extended repayment terms from them. Keep in mind that changing banks / lenders is a very involved process and most banks have very similar loan features and interest rates. We typically advise you work with your current bank as much as possible to limit any disruption to your day to day banking.
Employee considerations:

For staff / employees, there is no easy answer on what to do during the shut-down. However, you must be careful of any legal or legislative implications of your actions. Consider the following factors in determining how you respond to this disruption:

1. Consult with your lawyer or human resources provider about what steps you can or can not implement.

2. What do your employment contracts say? Can you have the employees go on layoff with short notice, or are you required to pay them for a minimum amount of time?

3. Part of the consideration is your financial ability to pay the employees. Professional offices with loans, less profitability, etc. will have a harder time paying employees as it could put the whole office in financial distress.

4. There is goodwill factor with the employees. Will the employee remember or be hurt by your laying them off immediately?
   a. It may be prudent to pay the employees for two weeks but clearly let them know if the shut down last longer than two weeks then you are going to have to lay them off and they will have to apply for employment insurance (EI).
   b. Employees who are slighted by being off may have more reason to leave the practice and find another position. For dental offices, this is in particular for dental assistants who are in high demand right now.

5. If the employees are on EI, then the practice generally cannot top them up while they are on claim or after the fact if payment is tied to the period the employee was claiming EI.
   a. Top-ups reduce an employee's EI benefits unless for allowed reasons which are extremely limited and include parental leave or disability payments.
   b. We do not believe any of the current exemptions will apply to professional practices; however, changes to EI amounts and other benefit programs may be made by the government as part of their response to COVID-19.

6. Cyber Security and Fraud:
   a. Remain vigilant in managing your cyber security and financial affairs.
      i. Ensure your employees are monitoring for suspicious requests, emails, texts, etc. being sure not to disclose critical or sensitive information, authorize payments without confirmation from an appropriate authority or click on potential ransomware links. Uncertain times, such as now, increase both your vulnerability to and the likelihood of cyber attacks.
      ii. Financial pressures can motivate employees to identify opportunities for additional resources. In a similar vein, ensure you regularly review expenditures for accuracy and authenticity to ensure that only valid transactions are processed and complete billings and deposits are made.

For other office considerations, think about how you can make improvements to the office while patients are not in the office. What things do you not have time to deal with in a regular week that would help improve the practice? Consider having some / all of your employees involved in the below as a “make work” project that will still benefit the practice. They may see different improvements / repairs needed than you which will be helpful.

Other considerations:

1. Look into online training courses you can take to improve your practice. Look at continuing education, office management, software use / training, etc.

2. Look at the office critically (though a patients’ eyes) and see if there is anything you can improve, such as:
   a. Improve layout of furniture, equipment, operatory supplies, etc.
   b. Reorganize the admin area to declutter it.
   c. Replace / repair any damaged equipment and instruments.
   d. Upgrade computer peripherals such as printers, keyboards, etc. that have caused problems.
   e. Make repairs for paint damage, etc. that you can do yourself, such as scuffs / missing paint on baseboards, trim, corners, etc.
   f. Have the office thoroughly cleaned for every surface. Promote this to your patients when you are back working.
   g. Go through supply cabinets, inventory, instruments, etc. and dispose of any items that are taking up space but will never be used or have expired.
   h. Consider having some or all of your employees involved in this as they may see different improvements / repairs needed than you.

3. Go through patient charts to:
   a. Archive patients who have not attended the practice in a long period of time.
   b. Make a list of patients to reconnect with who have not been in in the last 12 – 36 months.
   c. Make a list of patients who have not been contacted or do not have treatments booked to ensure they are contacted when the office reopens or consider having your staff contact them now.
   d. Have staff contact patients who have been affected by the closure and rebook them in the future to make sure they are not lost in the shuffle.
   e. Look at patient’s treatment plans to see who should be contacted for treatments that might have been put off (i.e. take a second / critical look at treatment planning that you have not had time to look at in depth in the past).
4. Review contracts with suppliers to see if there are any that need to be reviewed / negotiated / renewed for current year:
   a. Telecom providers where you have time to be on hold with them to renegotiate your rates.
   b. Medical / dental / other suppliers to see their prices and revise your ordering procedures if a supplier has better rates or look into new suppliers.
   c. Lease agreements for photocopiers or equipment.
   d. Practice management software upgrades / licence agreements for appropriate number of users.
   e. Landscaping and other maintenance contracts.

5. Review the practices’, internal policy manuals and documentation to see if need to update for dates, policies, etc.:
   a. HR manuals.
   b. Radiation certifications and policies.
   c. Employee contracts.
   d. Insurance contracts for office.

6. Employee training / other considerations:
   a. Are there any changes you would like to make with them for office procedures or duties?
   b. Training / coaching employees on patient care, follow-up, etc.
   c. Are there online courses you want your employees to take?
   d. Do employee reviews early or do interim review to see how things are going.

7. Catch-up on year-end recordkeeping and bookkeeping, for practice.
   a. Archive older receipts, bank statements and credit card statements that you have been putting off boxing up. Keep in mind CRA’s 7 year retention policy for tax records, receipts and other supporting documentation.
   b. Enter all current year information in your accounting software.
   c. Organize current year record to provide to your bookkeeper or accountant, etc.

While not a complete list of things for you to consider for your practice or office, this list will hopefully give you some ideas you can implement. The key is thinking about what you could do if you had more time to fix, address, improve and implement those plans while your office is closed.

We are here to help you navigate these uncertain times. If you have any questions or concerns about what to do next, please reach out to your local business advisor or visit MNP.ca.

For more information about COVID-19, visit:

Public Health Agency of Canada (PHAC):
https://www.canada.ca/coronavirus

Centers for Disease Control (CDC):
https://www.cdc.gov/coronavirus

World Health Organization (WHO):
https://www.who.int