

Business News

WITH CLINICAL INSIGHT FOR EVERYDAY PRACTICE

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Incorporate Mobility Into Your Practice

CARBON SPINAL ORTHOSIS IMPROVES MOBILITY

The flexible construction means treatment can be started at a younger age

FAMILY FIRM IMAGE CREATES COMPETITIVE ADVANTAGE

A positive family firm image can lead to better performance

O&P UP CLOSE

Oceans of Hope: Caring for Women

Protect Your Practice's Key Employees

If you suddenly lost an office manager or billing expert, what would you do?

Anyone running a successful O&P practice knows one of the top challenges is simply getting paid. With the long, tedious and complicated coding of various billing orders, and the never-ending paper trail, you may feel like a salmon trying to make it upstream fighting one obstacle after another.

You know how critical a top-notch office manager or billing specialist is to your practice; even one week off with the flu can cause havoc. Being off by even one number in billing can mean weeks of back and forth communication to correct mistakes and get paid from the backlog of account receivables. An efficient, organized office manager with excellent follow-up skills and the tenacity of a pit bull is an absolute necessity.

An asset worth insuring

What if you lost your billing specialist in an accident? What then?

If the top-notch billing specialist left on Wednesday with 30 to 40 open files, all unique in their paper trail and follow-up requirements, and he or she simply never returned on Thursday, where would that leave the owner? How quickly would the smooth operating machine come to a screeching halt? Who could pick up the pieces? Where would one start? How would one deal with all the normal activities that require attention and those left behind by the billing expert at the same time?

Key employee life insurance

This is exactly what key employee life insurance is for. The death of the key employee triggers the release of substantial tax-free cash to the O&P practice at the time it is most needed. It can provide huge peace of mind and keep the wolves at bay while the staff regroup. This key person may have been a good friend as well and emotionally

it can be hard on everyone in the office. Productivity may be down. People in your office, including you, may need a little time off.

Life insurance buys time to pay bills, keep the business in the black and it can create the needed funds to attract, hire and train a replacement.

Golden handcuffs build loyalty

An exceptional office manager is like gold and you know it. People with strong skill sets in billing and office management are a real commodity and they can be attracted or lured to what they perceive to be better opportunities elsewhere. One strategy to maintain this employee's loyalty to an O&P practice is to use a similar key person life insurance strategy, with "golden handcuffs."

With this concept, an O&P practice becomes the applicant, owner and beneficiary of a cash value life insurance policy on the life of your valued employee. This provides a number of valuable benefits with some tax advantages.

- When the valued employee dies, a death benefit is paid tax-free to the owner or the O&P practice.

- In addition to using some of the life insurance money to pay bills, buy time or hire a replacement, you can have an agreement in place that says as long as your key employee stays with you and was loyal to you, at their death – you will pay out a death benefit to their family, either in a lump sum or over time. The O&P practice will receive the death benefit tax-free, and the payment to the employee's family is a tax-deductible expense for the business. Keep in mind, because of this advantage, the premiums are not tax-deductible. But when one compares



the size of the premiums with the death benefit, it becomes clear where you would rather have the deduction.

- Besides death benefits, there are living benefits as well. If policies are designed and structured properly, a powerful technique can be used to pull tax-free income from the cash value at a future point, and be paid out to the employee at a future agreed upon time as a tax-deductible expense per the "golden handcuffs" agreement.

Because this is not a basic term life insurance policy to cover a mortgage, it is important to work with a professional versed in the business uses of life insurance, and preferably one familiar with the nuances of the O&P industry in general. If an O&P business owner has a dynamite employee who is key to the success of the practice, then he or she may want to consider protecting the business with a key person life insurance policy with "golden handcuffs."



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