



## Welcome

In the daily hustle and bustle of running a busy practice, some less obvious yet important issues relating to the running of the business can easily be overlooked. Force of habit, low-key legislative changes and simple oversight are just some of the reasons why this can happen. In this issue, we highlight a few areas that may be worth reviewing to avoid any unpleasant surprises.

I trust you find the information of value.

**Jarrod Bramble**  
PARTNER

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## Cutcher & Neale grant supports unique research

The importance of sexual function following total hip arthroplasty is an issue rarely considered by either doctors or their patients. Dr Michael Facek, Orthopaedic Registrar at the Mater Hospital, Sydney, and his research team have set out to rectify this.

At the recent AMA (NSW) Doctors in Training Ball, our firm was proud to sponsor a \$6,000 research grant awarded to Dr Facek to support his team's project *Development And Validation Of A Sexual Function Questionnaire For Patients Undergoing Total Hip Arthroplasty*.

This project is significant in exploring an area of orthopaedic medicine that has been little discussed in the literature. Components of the questionnaire look at details such as reasonable time frames for returning to sexual activity, positions that may be undesirable following arthroplasty, concurrent use of analgesia and psychosexual aspects of total hip replacement surgery. Preliminary results of the questionnaires have already revealed that patients have a great desire to know how hip arthroplasty will affect sexual function.

This is a long term research project that will run over two years. A large volume of data will be collected from approximately 200 patients, both pre- and post-operatively. The Hip Arthroplasty Sexual Function Questionnaire (ASFQ) was specifically developed to assess changes in sexual activity following modern total hip replacement surgery, and will be targeted initially at women under the age of 55.

Patients will complete a well known and validated sexual function form (FSFI) as well as the ASFQ pre- and post-

operatively. The data will be collected just prior to operation and then at six weeks post-operatively. Patients have the option of responding to the questionnaires online via their home computer or in the hospital using an iPad supplied by the research team.

The data collected will be used to validate the ASFQ and guide physicians in advising their patients what to expect post-operatively with regards sexual function, adding an important element to overall patient care.



Cutcher & Neale's Stuart Chan presents the cheque to Dr Michael Facek

...patients have a great desire to know how hip arthroplasty will affect sexual function.

## SPECIAL OFFER

**FREE Debt Review valued at over \$300**

FREEcall 1800 988 522 and ask to speak to a member of the Specialist Medical Services team or email [freedebtreview@cutcher.com.au](mailto:freedebtreview@cutcher.com.au)

**BOOK NOW.**



The real cost of bad debt can be almost double that of good debt.

# How to reduce debt faster

## “I’ve got too much debt. How do I reduce it?”

Sound familiar? It certainly does to us. In fact, this is one of the most common conversations we have with our medico clients.

Before formulating an effective debt reduction strategy, we first need to understand precisely what type of debt we’re talking about because, from a cost of servicing perspective, there’s ‘good debt’ and ‘bad debt’

**Good debt** is debt where you can claim a tax deduction for the interest. This includes loans for medical equipment and goodwill loans.

**Bad debt** is debt where you cannot claim a tax deduction for the interest cost. The primary source of bad debt is the home mortgage.

Having ascertained the type of debt, we then need to consider the real cost of that debt.

Take the example of a doctor with a home mortgage of \$1,000,000 at a 7% interest rate and who is on the top marginal rate of tax of 46.5%. This doctor needs to earn \$130,841 gross income per annum to cover \$70,000

of interest cost on the mortgage (before any capital repayments) and is *not entitled* to tax deductions for the interest. Hence, the real cost is the full \$70,000.

On the other hand, the same doctor with a \$1,000,000 business-related debt *would be entitled* to a tax deduction for the \$70,000 of interest. Hence, the after tax cost of this debt is substantially less at \$37,450.

So the real cost of bad debt can be almost double that of good debt!

The huge benefit here is that the additional cash flow created by the tax deduction on the good debt can be used to pay down your bad debt much faster, saving you a significant amount of money in the long run. However, to take full advantage of this, you must have the appropriate structure in place.

**That’s where we come in.**

**If you’d like help with debt reduction, let’s talk. It’s a conversation well worth having.**

## WealthBuilder™ seminar series

In association with AMA (NSW)

**“Structuring your practice – get it right and reap the rewards”**

Learn how to create a highly tax-efficient structure that builds your wealth and protects your assets.

**6.30 – 8.00pm, Wednesday 21st September 2011, AMA House, 69 Christie Street, St Leonards**

**BOOK NOW!** email [buildmywealth@cutcher.com.au](mailto:buildmywealth@cutcher.com.au) or Freecall 1800 988 522 and speak to Pete de Jong or Vicki Chateau.

Investment: \$47 AMA Members, \$67 non-mebers.

# Does a medical practice need its own cover?

Prepared by Kimberley Darby  
Avant Insurance

Australian law requires medical practitioners to hold appropriate medical indemnity insurance as part of their registration obligations. But what about their practice entity? Is it covered under a doctor's individual policy, or is additional 'practice' cover required? The reality is that having a financial interest in a medical practice exposes a doctor to additional risks that are in many cases not covered by their personal medical indemnity insurance.

There are a number of reasons why a separate practice policy may be needed.

Consider a scenario of XYZ Medical Centre Pty Ltd. XYZ is a GP clinic owned jointly by Dr Smith and Dr Jones. XYZ contracts a GP Registrar to work at the practice and employs a number of nursing and administration staff. The GP Registrar sees a patient. The Registrar instructs the practice nurse to administer 0.05ml of desensitising preparation. However the nurse administers 0.5ml. The patient suffers an anaphylactic reaction which requires hospitalisation.

A short time later the practice receives a letter of demand from the patient's solicitor seeking compensation alleging:

- XYZ is vicariously liable for the nurse (who is an employee of XYZ).
- XYZ had a duty of care to the patient to ensure it had systems and protocols in place to avoid the medication error.
- XYZ is also liable for the GP Registrar's failure to adequately supervise the nurse.

In the above situation, Dr Smith and Dr Jones's individual policies would not extend to cover the claim against XYZ. Neither treated the patient and no allegations were made against them individually as a doctor.

If XYZ had an Avant Practice Medical Indemnity Policy in place, XYZ would report the claim to Avant. Avant would investigate the allegations and negotiate with the patient's solicitor. Avant would also investigate any potential contribution from other parties, including the GP Registrar.

Applications are subject to approval and insurance cover is subject to the terms and conditions of the policy. If you require further information on the benefits of our Practice Medical Indemnity Policy, please contact Kimberley Darby at **Avant** on **1800 128 268** for a confidential discussion.

IMPORTANT: The Practice Medical Indemnity Policy and other professional indemnity insurance products available from Avant Mutual Group Limited ABN 58 123 154 898 are issued by Avant Insurance Limited, ABN 82 003 707 471, AFSL 238 765. The information provided here is general advice only. You should consider the appropriateness of the advice having regard to your objectives, financial situation and needs before deciding to purchase or continuing to hold a policy with us. Please read and consider the policy wording, which is available at [avant.org.au](http://avant.org.au) or by phoning 1800 128 268. Practices need to consider other forms of insurance such as directors' and officers' liability, public and products liability, property and business interruption insurance, workers compensation etc.

Practices are recommended to review employees' professional indemnity insurance requirements via the appropriate registration boards and ensure adequate arrangements are in place. Health professional employees may ask for a copy of the practice's policy schedule as part of their registration renewal, or if audited.

## Are your staff entitled to an extra week of annual leave?

If your practice is open on weekends, it would be wise to double check the classification of staff under the new National Employment Standards (NES).

While you might think you're paying the correct rates, depending on the hours and frequency of their weekend work, staff could in fact be classified as shift workers. As defined by the NES, a shift worker is "an employee who works more than four (4) ordinary hours on ten or more weekends during the year".

By way of example, a GP practice open on Saturdays from 10.00am to 3.30 pm may employ a number of full time staff who rotate the Saturday work, with each staff member working one full Saturday per month. The practice currently pays these staff their standard rates plus appropriate loadings.

However, if they fall under the NES definition of a shift worker, they would be entitled to an additional five days of annual leave on the same terms and conditions as their standard annual leave.

So if you open the practice doors on weekends, it would pay to get appropriate advice about the implications for your staff obligations. You could very well save yourself some money.

# 8 steps to secure your cash

## September

**21** August 2011 monthly activity statements – final date for lodgment and payment

## October

**21** September 2011 monthly activity statements – final date for lodgment and payment

**21** Annual PAYG instalment notice – final date for payment and, if using the rate method or varying the instalment amount, final date for lodgment

**28** July–September 2011 activity statements – final date for lodgment and payment

**31** Individual, partnership and trust income tax returns – final date for lodgment. If not prepared by tax agent.

## Prepared by our Assurance team

Cash security is an issue that all too many practices take too lightly. However, it makes sound business sense to develop the appropriate protocols in this key area.

Assuming your practice utilises a computerised till system and accounting software, here are eight simple steps you can take to secure your cash.

### 1. Segregate of duties

Separate the role of daily receipting and the role of end of day / shift till reconciliations, daily bankings and bank reconciliations.

### 2. Separate Registers

Assign employees to a register for the duration of their shift which is then required to be reconciled at the end of the shift.

### 3. Reconcile tills

Carry out a till reconciliation at the end of the shift / day in which physical cash, cheques and EFT transactions processed through the till are matched back to the practice's patient booking system. The method of payment (e.g. cash, cheque, EFT) can be entered into the till system and brought up as part of the till reconciliation.

### 4. Perform regular Bankings

Bankings should be performed regularly by somebody independent of the daily receipting. Banking deposits slips should be marked off by the bank teller as being intact. The banking deposits slips should be checked the very next day by somebody independent of the process. You could also consider a professional cash pick up service or varying daily banking times.

### 5. Bank reconciliations

Bank reconciliations should be performed on a regular basis (weekly / fortnightly or monthly) by somebody independent of the receipting and banking process. They should then be reviewed by another party to ensure accuracy.

### 6. Security

Ensure cash is removed from the premises on a daily basis or at least stored in a secure safe. Maintain a key register and keep keys to the premises and safe in a secure location at all times.

### 7. Immediate account settlement

Stipulate that all patients must settle their accounts immediately following the consultation. A reduced use of invoicing lessens the risk of bad debts.

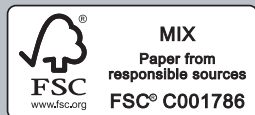
### 8. Display signs on preferred method of payment

Maintain a sign at reception that stipulates your preferred payment methods (EFTPOS/credit card) and that minimal cash is held on the premises at all times. This will reduce the amount of cash being handled in the practice. However, staff must be vigilant on credit card signatures and EFT approval / disapproval print outs.

By implementing these simple controls, you can rest assured that your cash is secure.

## Would you prefer to receive this newsletter via email?

Simply contact Vicki in our Marketing department on 1800 988 522 or [cnmail@cutcher.com.au](mailto:cnmail@cutcher.com.au) with your name and email details.



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