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Practice Management: CPA vs. Dental CPA: What's the Difference?

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Practice Management: CPA vs. Dental CPA: What's the Difference?

Cover Page Footnote

Michigan Dental Association Insurance and Financial Group has an endorsement agreement with the dental CPA firm Dental Business Specialists, who provided this article.

CPA vs. Dental CPA: What's the Difference?

By John Looby, CPA
Dental Business Specialists

As a dentist, your top priorities are caring for your patients, recruiting and retaining your staff, and meeting your financial goals. Achieving these goals can be facilitated by working with financial professionals who have in-depth knowledge of dentistry, such as a certified public accounting firm that specializes in serving dental practices.

But just as there are significant differences between and among dentists, physicians, and lawyers, there are important differences between generalist CPAs, accountants, and dental CPAs. This brief article points out some of significant advantages of working with a dental CPA.

All CPAs and many experienced accountants can produce a general income statement for you. They can classify your deposits as income. They can post your paid bills to expenses. Some CPA firms will even take your paid bills exactly as provided to them from your accounting software, or exactly the way the office manager or person authorized to issue checks has entered those bills into your accounting software. These CPAs have reduced the accounting engagement terms “preparatory” or “compilation” to their exact basic

meaning: They give you back what you gave them. In essence, you are paying them to look at your watch and tell you the time.

Difference #1: Understanding your business model

However, a CPA firm that has specialized knowledge of dentistry will provide you more than a simple in-and-out categorization of your bills. They will process the information in a manner that provides you with meaningful insights into the economic health of your practice. As you are aware, your business has very specific areas that require attention and management if your practice is to be successful.

The first and foremost of these is your production. Dental CPA firms can let you know where you stand in terms of hourly production, which can be your practice's biggest success driver. A dental CPA can provide you with the production volume of not only the owner dentist, but also the associates and hygienists. Because they work with a large population of other dental practices, a dental CPA can inform you of how your practice's production compares to other practices in your general area,

and how it compares to dental industry benchmarks.

Dental CPAs understand how dental insurance works and can help you evaluate insurance write-offs and provide you with data to make decisions about insurance network participation and other options.

A dental CPA also understands that your costs are more than simply operating expenses, and they understand how those expenses can impact your profitability.

There are many areas of concern when it comes to where your money is being spent. Some of these major areas for all practices are employment expenses, lab fees, dental supplies, and occupancy costs. A dental CPA firm will specifically track these areas for you on your income statement. They can also let you know quickly where these figures stand against overall practice benchmarking. With today's ever-changing employment market and high inflation, these figures are of the utmost importance. Having a dental CPA available to flag costs that are out of line — or expenses that you are managing well — is a great service, especially when rendered in a timely manner.

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All Certified Public Accounts are not the same. Yes, a general CPA can provide the basic accounting services all businesses need. But you'll get more knowledge, appropriate service, and better results from a dental CPA, one who really understands the business of dentistry.



Dental CPAs

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Difference #2: Accessibility in times of need

Let's look back to March 2020, when suddenly your ability to practice dentistry was suspended due to the uncertainties surrounding COVID-19 and its transmission pathways. General accountants and CPA firms had demands on their time from businesses conducting "essential services" that were able to operate during the mandatory dental practice shut down period. Meanwhile, dental CPAs were able to focus on how the federal COVID-relief initiatives applied to dentists, and could provide hands-on assistance to their clients. Clients of Dental Business Specialists and other dental CPA firms had a leg up when it came to applying for and obtaining Paycheck Protection Plan funds for rounds one and two, or

when applying for Health Resources and Services Administration funds and loan forgiveness.

Dental CPAs had the direct knowledge to help save their clients time and maximize the monetary benefits available. For example, knowing that dentists in Michigan were generally available for meetings during the second quarter of 2020, DBS was able reach out to clients and advise them of their eligibility for PPP round two and its tax-free benefits. We, as well as other dental CPAs, knew that most if not all clients would qualify for the Employee Retention Credit when the rules of qualification changed in December 2020. We are now trying to help dentists whose accountants or CPAs overlooked ERC eligibility.

Advantage #3: Tax, retirement, and transition planning

A dental CPA is also a strong ally to you for tax-planning purposes. Dental CPAs generally contact their clients more often than general account-

ants or CPAs, which provides multiple opportunities to review financial information, discuss future financial plans, and develop tax-planning strategies. The general tax accountant will prepare your tax return and give you estimated quarterly tax payments so you can be penalty-proof, and then see you next year. Dental CPAs are more apt to adjust your tax estimates throughout the year resulting from quarterly meetings. Your practice's busy-ness fluctuates throughout the year; nothing stays the same. Without looking at actual earnings on a quarterly basis, you may be overpaying or underpaying on estimated taxes.

With its first-hand knowledge of the dental industry, a dental CPA can help you decide what type of business entity structure to establish, with an eye toward tax consequences and retirement savings opportunities. A dental CPA knows the need to work with a good financial planner. Choices made on wages for an S-Corporation can greatly change a dentist's ability to maximize their retirement benefits. Practice owners benefit significantly when their financial planner and dental CPA are aligned on tax benefits, retirement savings strategies, benefits, and cash flow.

Working with a dental CPA can also help you prepare to transition your practice to a new owner, whether it entails selling it to an associate or readying it for sale on the open market. Doing a proper valuation based on current and correct figures is one of these items. Consulting a dental CPA about a practice you are interested in acquiring is also wise. Your dental CPA will help to make sure you ask the appropriate questions when looking at purchasing a practice. A few of these items are active patient count, current operators in use, room for expansion, staffing requirements, insurances currently accepted, and

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Dental Business Specialists Is Endorsed by the MDA

For dental CPA services the MDA endorses Dental Business Specialists, which provides discounts to new MDA-member clients. Dental Business Specialists, with CPA John Looby of the firm Looby Baumgarten as its vice president, has acquired the accounting division of The DBS Companies. Post-acquisition, Looby Baumgarten remains closely associated with The DBS Companies, including DBS Investment Advisers, LLC, also endorsed by the MDA. Looby Baumgarten has an office within The DBS Companies' headquarters in Bay City, as well as satellite offices around Michigan.

You may contact Dental Business Specialists at 989-778-6605 for assistance with your accounting, business and/or personal tax returns as well as filing for the Employee Retention Credit. Applications for the tax credit should be filed by July 31, 2022.

The MDA receives revenue from endorsed programs. Revenue from MDA-endorsed programs and services offsets expenses and reduces member dues. For more information on all MDA Services programs visit mdaprograms.com, or contact Reva Darling at rdarling@mdaifg.com.



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The Michigan Dental Association policy recognizes that preventive, diagnostic and restorative dental treatment to promote health and eliminate disease is safe **throughout pregnancy** and is effective in improving and maintaining the oral health of the mother and her fetus.

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whether you qualify at those same reimbursement rates.

Looking into participating insurances from both the buyer's and seller's perspectives is of high importance in a proposed practice transition. A seller may want to consider whether participation in some of the insurance networks should be stopped a few years prior to selling a practice. Buyers may want to weigh whether to join networks the seller is in, but in which the buyer does not participate. These questions do need to be analyzed. Also, a practice has more value to a buyer if he or she is being paid at the same rate as the seller. It's stating the obvious, but a buyer cannot always afford to pay a seller its asking price if they can bill a large portion of the patient base only 80% of what the seller is billing. This can be frustrating to both parties, as the seller would like top dollar for a practice they've spent years building and maintaining. However, a buyer needs to be cautious about their ability to make a fair profit for themselves if they purchase the practice.

Gathering this information will allow both you and your dental CPA to

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make properly informed determinations about this major decision. That amounts to more than your general CPA asking, "What is the gross revenues and net income?"

To conclude, investing in a dental CPA relationship will deliver much more value than working with a generalist or with an accountant. There are many additional benefits than are articulated in this brief article. Whether it comes to decisions on investing in new pieces of equipment, buying and/or selling a practice, or expanding an existing practice, a dental CPA has the industry knowledge needed to help you make the most-informed decisions for you and your circumstances. ●

About the Author

John Looby, CPA, is vice president of the dental CPA firm, Dental Business Specialists. Looby entered the field when he joined his father's CPA firm of Webster, Looby & Baumgarten P.C. after graduation from Michigan State University in 1998. In October 2020 he became a managing partner of The DBS Companies and has since acquired the accounting division. He has been providing financial, consulting, and tax services to both businesses and individuals for the last 24 years as a Certified Public Accountant, working primarily with physicians and dentists. His clients range from new graduates to multiple-doctor practices with more than 30 partners.



Looby