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Detecting and Stopping Embezzlement in Your Practice

Prevention, Detection, Recovery and the Mistakes

By Paul Edwards¹

During a recent round-robin discussion with some of my dentist friends about what employee policies they need in place to protect themselves and their practice, I was stunned when one of them told me, quite casually, that he didn't need to worry about embezzlement ever happening to him. When I inquired why he thought that, he said, "Embezzlement is something that only happens in medium- and large-sized practices with lax security. I have safeguards in place, three part-time employees and one full-time employee who does all the billing. She's my wife's sister."

As an HR professional and a small business owner myself, it made me realize that embezzlement is gravely misunderstood by many practice owners. The reality of embezzlement is that it can happen to anyone, in any setting and to a practice of any size. It happens as frequently in small, single-doctor practices as it does in larger practices.

The fact is, preventing embezzlement is often like a game of whack-a-mole with you, the mallet holder, at an eternal disadvantage. Once you make it difficult for someone to steal from you in one area, they will try to sneak off to another hole with less resistance and try their hand there. In truth, for every safeguard you put in place, there can be as many as 10 ways around it - embezzlers are very creative and motivated.

But does that mean you shouldn't bother with controls and safe guards? Of course not. As such, I've included some of the best techniques for deterring, detecting and dealing with embezzlement below.

ANATOMY OF AN EMBEZZLER

Knowing what to look for in an employee who is an embezzler is the first proactive step any employer can take. There are personality and professional traits common to nearly every embezzler, including;

- *He/she is among the most trusted employees in the office (e.g., "at-work" wife)*
- *He/she often handles other affairs (e.g., finance or accounting)*
- *He/she has been with the practice for 5 or more years (on average)*
- *Are among the most "dedicated" (e.g., they never take time off or vacations whenever the office is open)*
- *They are trusted and you would never suspect them*

In fact, it's very rare for an embezzler to turn out to be the new employee or the office trouble maker. Instead, the most successful embezzlers are those whom the doctor trusts completely and generally never cause any problems in the

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office. This often trips up most employers because, quite frankly, you are not emotionally able or prepared to consider the possibility that anyone, much less the people working for you, could be suspect.

Does this mean you should start doubting all your employees? No, it doesn't. What it does mean is that you should never trust any one employee so implicitly that you may blind yourself to their actions. And if you get nothing else from me today, and as upsetting as it can be, the worst mistake you can make is to mishandle the investigation. Keep these things in mind to help you detect if or when a problem occurs.

Get Your House in Order

The bad news about embezzlement is that you cannot 100% prevent it. The good news is that you can discourage and detect it. It really is what you DO or DON'T DO that will determine if someone will be able to embezzle from you.

DO:

- *Require unique passwords per person for all systems, including patient management software or for credit card billing*
- *Require unique passcodes per person for alarm systems*
- *Properly use activity tracking software, like Dentrax and Eaglesoft*
- *Require approval for write-offs exceeding \$XX*
- *Have a policy that removes your employee's expectation of privacy*
- *Have a policy in your handbook that requires all employees to cooperate with investigations*
- *Review the day sheets from your software consistently, on a daily or weekly basis*

DON'T:

- *Believe embezzlement can never happen to you and thus take no precautions*
- *Allow password or passcode sharing for ANY reason*
- *Allow employees to use their personal email address as their work address*
- *Allow the same person that opens your mail to post the payments to your software*

And most importantly, DON'T tip your hand if you know about or suspect embezzlement is going on! This includes changing, even slightly, how things are done or letting someone in your office know that you're investigating a problem.

NEXT STEPS:

So what do you do when you discover or suspect embezzlement is going on?

First, keep it a secret. Don't let on to anyone in your office that you know, or that you're investigating. This cannot be stressed enough. The surest way to lose any hope of recovering any of your money is to let the embezzler suspect that you're aware of what they're doing. The temptation to want to just get "them out of there" should not preempt your ability to figure out how it occurred and in what amounts.

Second, collect the evidence. With the above safeguards in place, you'll be able to track the when, the where and the how the employee tried to embezzle. Gather all the evidence together and keep it in a safe place NOT at work.

Third, double check the evidence and confirm what you think you know. Though very rare, sometimes there are logical explanations to what seems like embezzlement.

Finally, decide how to proceed. This can include the suspension or termination of the employee pending your investigation, turning the evidence over to the police or insurance companies, or having them arrested .

More than making sure the embezzler is punished, your main focus should be in the recovery of the money (from the banks and the person who stole it) and correcting any insurance fraud. The way to do this is to practice good diligence and collect quality evidence to use against the embezzler in court and to show the insurance companies.

If it is not possible to recover the funds for any reason, either for a lack of evidence or because you cannot collect from the embezzler, you have at least plugged the hole and can move forward without losing any more funds .

THE FORMULA FOR DEALING WITH EMBEZZLEMENT:

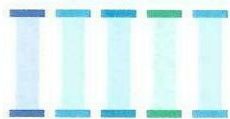
So, in summary, the best formula for dealing with embezzlement is as follows:

- 1/10 - *Preventative Measures*
- 2/10 - *Diligence and Monitoring*
- 6/10 - *Good Policies and Procedures that allow you to take action once you detect*
- 1/10 - *Good Bourbon to wash it all down (ha-ha!)*

All kidding aside, in the end detecting and preventing embezzlement is all about how you handle it. Having the right safeguards in place and practicing good diligence in monitoring the ongoings of your practice will deter all but the most determined. And if it should occur in your office, your safeguards will also give you the evidence you need to use against the embezzler.

If and when embezzlement happens, you want to be fully empowered. There are three very important policies that you must address properly and include in your employee handbook in order to gain the greatest amount of protection.

Paul Edwards is the CEO and Co-Founder of CEDR HR Solutions (www.cedr-solutions.com), which provides individually customized employee handbooks and HR solutions to dental offices of all sizes across the United States. He has over 20 years' experience as a manager and owner and specializes in helping dental offices solve employee issues.



THE 10 PILLARS OF THE SUPER GENERAL DENTAL PRACTICE

By Dr. Mike Avramath

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What is this “super general dental practice”? You may already know, if not, email me and let me send you an article that lays out the four threats to dentistry as we know it and what will ensure your survival in the coming dental civil war. This article will go further into the actual segments or systems that will be required to build this new dental strategy and actually implement the initial changes to your current circumstances. This is the beginning of creating the practice of the future with unlimited growth and sustainable improvement despite any challenge that threatens dentistry.

1. BECOME “LEAN AND MEAN.” I loved the Rick Kushner seminars back in the early 80s. All meat and no vegetables. A real black and white, get it done and do it profitability strategy. Dr. Kushner, who owns hundreds of dental practices now, still maintains the same tight ship he did in his very first practice. Around 2,000 square feet, six operatories, which epitomizes an efficient, optimized space. The practices of the future will expand their hours like corporate practices while maintaining the relational aspect of the traditional practice of yesterday. We recommend about 325 sq. ft./op or about 1,900-2,100 sq. ft. for a 6 op office. Operating “lean” is being cognizant of a benchmarked overhead. We find that a well-run office can easily lower overhead below 60% while still producing at about \$20,000/employee/month and about \$25-30,000/op/month. Results are the benchmark of a “lean and mean” strategy.

2. EMBRACE CONSUMERISM. I have written volumes on what consumerism is but suffice it to say that we need to give patients what they want, at a time they would like it and at a price that fits their budget. It is not enough to understand that patients or consumers have a choice, but we need to become that choice. Inspiring them, exceeding their expectations, becoming experts of budgeting the treatment they need, while being sensitive that time and trust will be the final deciders of whether or not they choose you.

3. MARKETING IS EVERYTHING YOU DO. Understanding that marketing is a necessity that requires a well thought out budget dedicated to a year-long consistent marketing plan that embraces both internal and external outreach. It embraces consumerism through demographics and a myriad of forms of marketing. It is no longer possible to reach the public through just one media or outlet.

Consistency means “dripping” on potential patients with print, audio, video and digital marketing. Layered with that is embracing the consumerism of convenient hours, location and reliable systems. Think like this: What would a corporate practice do? Once you figure this out, then see what on that list you could do and do better. Consider that you are competing against a well-funded practice with better hours, more marketing, better location and systems to buy supplies cheaper and train the staff better. What will you do to mitigate this advantage? Buying another piece of technology will not do it. Think of something else.

4. EXPAND YOUR SERVICES. I have always had the goal of continuing to learn every year I practice. In that are additional services that would expand the productivity and range of patients you could attract. Corporate practices’ outreach is centered on one stop for every service possible. You need to emulate this by vowing to add perhaps braces, sedation, kid’s dentistry, TMJ or sleep dentistry to your armamentarium. Most times you will find that with these new areas of expertise, you will find new technology that compliments its application. Technology that pays for itself is a great investment when you consider how it affects overhead and debt.

5. BECOME AN EXPERT AT HELPING PATIENTS AFFORD WHAT THEY NEED. The Super General Practice must have staff that is expert in finding the correct financing solutions for various types of patients. It is no

longer good enough to just print the fact that you offer financing options, you have to make them work for each patient. It is and will be a challenge, but the practices of the future will do well at this.

6. EMBRACE YOUR PATIENT’S NEEDS CONCERNING THEIR INSURANCE. With 57% of the population having some form of dental coverage, you can no longer afford to create barriers to treatment by assuming that they will continue to come to you as an out of network provider. Insurance, like so many other things (not being open the right hours, not cleaning teeth on the first appointment, or not offering services patients’ desire) creates a barrier to entry into your practice. Take the threshold test and determine how your current policies and systems are preventing patients from saying yes. We need to begin studying in earnest every insurance plan and learn how to maximize the patients’ benefits while optimizing reimbursements through proper coding. Our offices have found that Insurance Solutions Newsletter and Charles Blair’s coding manual are indispensable in maximizing and streamlining the insurance and financial areas of our practice.

7. DELEGATE AND UTILIZE TECHNOLOGY TO BECOME MORE EFFICIENT AND EFFECTIVE IN DELIVERING OUR SERVICES. With certain areas of the country underserved and others overly competitive, the utilization of technology and delegation can lower your overhead while increasing productivity with more predictable clinical results.

8. EMBRACE CHANGE AND ADD PROVIDERS SO THAT YOU NEVER PLATEAU YOUR GROWTH. One of the best wealth building strategies in dentistry has been, and will continue to be, central to unlimited growth and profitability in the fight against corporate practices and insurance companies. Adding associates leading to partnership while continuing to have 100% control is the way to grow while expanding hours. It allows you to remove the equity in your practice when you are able to invest it and allow it to compound. In addition, your partner creates a buy-in/buy-out strategy that ensures security for you and your family.

9. STOP THE STRESS THAT CAUSES HIGH STAFF TURNOVER AND SYSTEMS COLLAPSE. Practices of the future will invest in coaching and mentors along with continuing education to streamline systems and ensure great results. Training regimes are foundational to maintaining the quality of staff and systems. Paramount to this is embracing the fact that you have to elevate your game to become a great leader. You need to clearly define and lay out your vision of what you want and why you do what you do.

10. THE LAST BUT MAYBE THE MOST IMPORTANT PILLAR OF THE SUPER GENERAL DENTAL PRACTICE IS A DEDICATION TO BEING PROACTIVE ABOUT CHANGE. We have to continue to stay ahead of the curve by embracing the changes we need to make in order to get the results that are necessary to grow a business. This attitude signifies the type of doctor that will always be a survivor. Without this trait you will always wake up each day knowing that you could do more and be more.

The willingness to embrace the uncertainty of tomorrow while planning for the future ensures that you, your staff and your practice will be the benchmark that others measure their success against. The Super General Dental practice is the answer to the challenges you face.

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Exciting News! Endo Inc. Root Canal Specialists Receives 2024 Best of Newburyport Award for the Second Year in a Row

We are thrilled to announce that Endo Inc. Root Canal Specialists has been selected for the 2024 Best of Newburyport Award by the Newburyport Award Program. This marks the second consecutive year we have received this honor, and we are incredibly grateful for the recognition.

Each year, the Newburyport Award Program identifies outstanding businesses that positively impact the Newburyport area by providing excellent service and fostering a sense of community. We are proud to be part of a vibrant and supportive business community that helps make Newburyport a fantastic place to call home, pursue a career and have fun.

We look forward to continuing to serve the residents of Newburyport and the surrounding areas, and we extend our heartfelt thanks to our loyal customers and partners for their ongoing support. Here's to another year of growth and community togetherness!

Thank you, Newburyport!

