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**Member of Doctors’ Health Fund: Dr Dominic Barnes**

Join in 10 minutes at doctorshealthfund.com.au or Call 1800 226 126
“Winter is Coming” is the motto of House Stark, one of the Great Houses of Westeros in the popular TV series Game of Thrones.

The meaning behind these words is one of warning and constant vigilance. The Starks, being the lords of the North, strive to always be prepared for the coming of winter.

Constant vigilance is, of course, extremely relevant to the management of our business and financial affairs, particularly if we aim to optimise the quality of our lives now and into retirement.

In this, our 20th edition of The Private Practice Magazine, the articles cover very topical themes where the ‘take home’ message is vigilance, preparedness, attention to detail, and action.

For example, we discuss in great detail, the proposed changes to superannuation and their affect on your retirement planning strategy, the ATO’s establishment of the new Tax Avoidance Taskforce and their focus on the pursuit of ‘high risk’ taxpayers. We also cover the alarming rise in cybercrime in the medical sector and the potential costs and dangers to your practice.

Of course we also address the potential economy calamity of Brexit and its likely medium to long term affect on financial markets.

Life is full of risks and the only way to avoid them is to not get out of bed in the morning – even then we face very real psychological and physical danger.

Inactivity is not an option, particularly for highly motivated, goal oriented healthcare professionals.

The only answer to navigating the complexity of running your own business and managing your own financial affairs successfully is to:

1. **Recognise that Winter is Coming** – take stock of your current circumstances and environment, beware of the risks associated with changing legislation, changing government, and healthcare trends, as well as your approaching ‘mature years’.

2. **Educate Yourself** – lift your level of knowledge of business and financial management, such that you are in the drivers’ seat, when it comes to making decisions that impact on your business and personal life.

3. **Get Advice** – good advice from un-conflicted, medico industry specialist consultants is worth their collective weight in gold. I’m talking about Accountants, Financial Advisers, Lawyers, Insurance Consultants, Management Consultants and others - some of the best in the country are regular contributors to our magazine.

4. **Review, Review, Review** – the arrangements and strategies that were right for you last year, are probably now out of date. It’s not easy keeping up to date and current BUT... it is worth it!

Being prepared for Winter is all about ‘state of mind’, it’s about a systematic approach to dealing with all that life throws at us and, it’s about having a good team around you (within and without your business) that you can rely on to ‘have your back’ and help you face the challenges ahead from a position of strength.

Signing off in the Valyrian language of Game of Thrones, *Nyke jaelagon ao rōvērie biarves isse abrar* – I wish you great fortune in life.

Steven Macarounas, Editor
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Some thoughts on BREXIT

Chris Caton is Chief Economist of BT Financial Group.
Chris Caton casts an economists eye over Britain’s exit from the EU.

“You go your way and I’ll go mine”. As everyone knows by now, Great Britain voted by referendum on 23 June 2016 to leave the European Union. The result was clearly a surprise, at least to financial markets. The arguments for leaving seem to come down to dissatisfaction with the laws “imposed” on the UK by the EU, particularly those relating to the free flow of people between EU nations. Anti-globalisation and anti-elite feelings also drove the Leave case.

What is quite clear is that to Leave is, at best, a very poor economic decision. International trade and investment in Britain will be severely disrupted. My personal view is that both sides overstated their case, so what has happened is only a major economic calamity rather than a complete disaster. But it is concern about the economic effects that caused such widespread market carnage on Friday 24 June. The pound sterling fell by an extraordinary 10%, share markets were down all over the world and commodity prices plummeted. Some markets did, of course, go up, including the US dollar, the Japanese yen (the Japanese won’t be grateful for that), long-term bond markets, gold and Bitcoin. This is why economics matters; because you ignore it at your peril.

So what happens next? Believe it or not, the British government has the power simply to ignore the result of the referendum but, given the 52-48 margin, it’s very unlikely that it would do so. The first step is to invoke Article 50 of the Lisbon Treaty, the means by which Britain informs the EU that it wishes to leave. This begins a two-year clock, during which time Great Britain and the EU negotiate the terms under which the exit is made. Paramount among these terms will be the conditions under which trade takes place. A little thought would suggest that, in this context, the EU will wish to impose on Britain many of the regulations relating to products and the free flow of labour that the Leavers were hoping to escape. Ironically, the main difference may be that the UK still has to abide by the rules but it no longer has the power to influence them! If full agreement is not achieved in two years, Britain exits anyway, although it is possible for the deadline to be extended.

Then, of course, Britain must also negotiate with “third party” countries, including the US and China, that currently have trade agreements with the EU but not with Britain per se. This entire process could well take a decade.

Meanwhile, trade will be severely disrupted, the UK financial sector will probably lose its position as the most important in Europe, and much international investment in the UK will go elsewhere since the UK will no longer serve as an easy gateway to Continental Europe. In addition, there will be negative effects on confidence, and uncertainty will curtail domestic investment.

All of this is long-term. While no-one knows, the UK Treasury and the OECD have estimated that the UK economy will be about 5% smaller 15 years from now than it would otherwise have been.

There has also been talk of a short-term recession as a result of the Leave vote. There is little reason to fear this provided that policymakers are prepared to do “whatever it takes” to ensure that markets continue to function. But the short-term effects on growth will clearly be negative. Given that the global economy is in its sixth successive year of sub-par growth, this was hardly the perfect time to inflict a negative shock.

There are other considerations, of course, that can be loosely labelled “contagion”. First, both Northern Ireland and Scotland voted to Remain (this may come as a surprise to Donald Trump!).
There is already strong support in Scotland for another referendum to separate itself from the rest of the UK. The vote to Leave may well lead to the fragmentation of Great Britain!

Of more concern, of course, is what happens to the EU. The sentiments that drove the Leave case are hardly confined to the UK. The success of the vote will give succor to anti-globalisation, anti-elite movements elsewhere. These movements can range from the relatively minor (an independent Catalonia, anyone?) to the very serious (a movement in a large country (Spain or France?) to leave the Eurozone, which would spell the end of the latter).

It is this possibility of contagion that could open up Pandora’s box. While the Eurozone has its faults, its ending would be a momentous event.

It is the fear of contagion that has led many to the belief that the EU should make life as difficult as possible for the UK, ”pour encourager les autres”. But punishing Britain would also have severe negative economic effects on the European Union, possibly increasing discontent. Better for the EU to examine itself and fix what ails it (there is no shortage here).

“Large country” contagion is not so simple in any case. The critical difference between the UK and, say, Spain, is that, while they are both members of the EU, Spain is also a member of the common-currency Eurozone. So if Spain were to leave, it would have to institute its own currency to replace the euro. This would immediately depreciate, thus increasing Spain’s debt burden. Much of the UK’s debt is denominated in sterling, so the 10% depreciation last Friday primarily affects the debt-holders (and the tennis players at Wimbledon) rather than the UK itself.

THE ECONOMIC EFFECTS ON AUSTRALIA

The direct economic effects on Australia should be relatively small, albeit clearly negative. Only about 1.5% of our goods exports go to the UK, and about 8% of our services exports, so tourism may see a larger impact than any other sector. The biggest avenue for economic effects may be via lower commodity prices, caused by lower growth in commodity demand both in the UK and elsewhere. In addition, the Australian banking sector has significant exposure to the UK and the Eurozone.

 Depending on what happens in the coming week(s), it now seems far more likely that the RBA will go ahead with the ”second shoe” and cut the cash rate again, most likely in August, but with some chance now of July.

This discussion has only scratched the surface, particularly of the political issues. It is clear that we are now in uncharted territory, and volatility in financial markets is likely to remain high as sentiment waxes and wanes.
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Protect your practice from cybercrime

Loryn Einstein is Managing Director at Medical Billing Experts.
Loryn Einstein provides an overview of the increasing incidence of cybercrime in medical practice, AND what to do about it.

Last week, a practice manager rang me in hysterics. She had opened an email that was sent to her by one of the doctors in her practice. Within moments of opening the email, the server for the entire practice was taken hostage and a ransom of several thousand dollars had been demanded. By the time she realised there was a virus in the email, it was too late.

When I sent my IT specialist out to her practice, he discovered that they had not done the most recent update of their server software and had left themselves vulnerable for attack. Further investigation revealed that the email account of the doctor had been hacked—the email with the ransomware had been sent by the hacker, not by the doctor. As a result, the practice had to close until they could access their practice software and their data. The practice had no recent backups which gave them no viable alternatives. They paid the ransom and their server was released.

The concept of criminals targeting our patient data was virtually unheard of a few years ago. But the digitisation of valuable patient information along with the emergence of highly sophisticated, well-funded global criminal outfits mean healthcare is now being targeted by cybercrime more than any other sector.

A March report by Trend Micro found that attacks on the healthcare industry accounted for almost one third of all data breaches worldwide, while 81% of healthcare executives say their organisations have been subject to at least one malware, botnet, or other cyberattack during the past two years, according to KPMG.

Last year, for example, sensitive information including patient names, social security numbers, birth dates and medical identification numbers of up to 80 million employees and customers was potentially stolen following a cyberattack on Anthem, one of the largest health insurers in the US. Earlier this year, the Hollywood Presbyterian Medical Centre was forced to pay a ransom of 40 Bitcoins, or about US$17,000, to regain access to their medical files after a ransomware attack.

Australia, with its widespread uptake of technology and strong economy, is now under increasing threat. The data analytics company Veda’s 2015 Cybercrime and Fraud Report found that the Australian health sector would be squarely in the sights of cyber criminals due to the wealth of data it held and a weakness in its cyber defences. It’s already happening: there was an attack on Melbourne Health earlier this year, when a virus infected all the computers at the Royal Melbourne Hospital’s pathology department.

Private practice is not immune. In fact, small medical practices are a perfect soft target. Most have made limited investment in IT security and have not educated their staff in how to protect the practice from cyberattacks. Something as simple as a medical receptionist opening an email can now lead to the server for the entire medical practice being held for ransom. It’s that quick and easy.

**WHY HEALTHCARE?**

Medical practices hold large amounts of highly valuable personal information in their practice software. Credit card numbers, personal details and sensitive health information can be combined to enable a number of criminal activities, including identity theft, fraud, access to pharmaceuticals and access to government benefits.

The Ponemon Institute estimates that a health record is worth about $20 on the black market, compared to about $2 for a credit card record. While a credit card can be easily cancelled and monitored, there are no such controls in place for health records, with many victims not even realising their data has been breached. Given that practices hold hundreds and sometimes thousands of health records, they are highly attractive targets for criminals anywhere in the world.

Another reason for the vulnerability of healthcare organisations is that they usually cannot afford to be offline. Cybercriminals know they can command a much higher ransom when their victims will go to extraordinary lengths to prevent downtime.
Unlike banks and retail businesses, which have been quick to put counter measures in place, the healthcare sector is woefully unprepared for this cyber onslaught. A recent US report from ESET and the Ponemon Institute, *The State of Cybersecurity in Healthcare Organisations in 2016*, found healthcare agencies in the US were averaging about one cyberattack per month. Yet only half had an incident response plan in place.

**THE COSTS OF NOT BEING PREPARED**

Becoming the victim of cybercrime can be costly both in terms of financial outlay and your reputation. Imagine the reaction of your patients if you need to inform them of a cybercrime incident. How would they deal with the fact that the personal information that they entrusted to your practice has fallen into the hands of a cybercriminal?

All organisations in Australia are required under the Privacy Act to “take reasonable steps to protect the personal information they hold from misuse, interference and loss, and from unauthorised access, modification or disclosure”. This includes the preparation and implementation of a data breach policy and response plan.

If the security of your data is compromised, you may be required under the Act to notify every patient in your practice that their personal data may have been accessed by an unauthorised third party, and report this to the Office of the Australian Information Commissioner (OAIC).

At the very least, an attack will mean you will need to spend considerable resources on tracking the source of the breach and putting in place strategies to ensure it does not happen again. It is in every practice’s interests to be prepared.

**HOW TO PROTECT YOUR PRACTICE**

The data of a medical practice is only as safe as its weakest component of software, hardware or IT service provider. Many of the recent cyberattacks have been easily perpetrated due to practices not doing something as simple as updating their server software. For a hacker, this is the equivalent of leaving your key in the front door of your office.

All your hardware and software should be properly maintained, and software updates always completed in a timely manner. You need to review data security risks regularly and take steps to introduce protection strategies. These might include advanced messaging solutions to help detect phishing scams, solutions that include specific anti-crypto-ransomware technologies, top of the range Firewall and breach detection systems, and regular back-ups that mean you will be able to retrieve data faster if your system is compromised.

It is also essential you develop and maintain policies and procedures around data protection, and to ensure your staff are trained appropriately. All practice staff, including doctors and administrative staff, should err on the side of caution when opening emails containing attachments. They should also be kept aware of common phishing emails such as the recent spate of fake Australia Post and NAB emails, as well as emails purporting to have attachments regarding tax refunds from the ATO. All of the emails look legitimate on the surface and carry viruses in their attachments.

The Turnbull government recently announced a $230 million package of measures to beef up cyber security in Australia, including more powers for the Australian Corruption and Crime
Commission and Australian Federal Police, the creation of joint cyber threat centres, and the introduction of secure online sharing networks.

As part of the initiative, $15 million in grants has been made available to small businesses with less than 20 employees to have their systems tested and improved by accredited experts.

However, securing your data is not just about ensuring your own practice software and IT infrastructure is up to standard. Practices also need to conduct appropriate due diligence regarding IT security policies and practices in place for all vendors coming into contact with their practice software or patient data.

When selecting an outsourced medical transcription or medical billing company, the key questions you should be asking any third party vendor that comes into contact with your patient information are:

- Where is your vendor’s data stored? Is it in a secure data centre or a server in a less secure location such an office?
- If the vendor stores data is it in a secure data centre and is that data centre located in Australia? [Note: The Privacy Act requires that all patient information is stored on servers in Australia]
- At what intervals does the vendor perform daily backups? Note: The more frequent the backups, the less data loss the practice will experience in the case of an IT failure
- How are the backups stored? Are they in the same location as the server or in an alternate location? [Note: Storage of backups in a single location are more vulnerable to loss]
- How often is your vendor’s backup data tested for its ability to be restored? Have these tests been successful? [Note: Simply having backups is not sufficient. The backups must be able to be restored to be of any use in the case of an IT failure]
- Are the vendor’s backups encrypted to protect unauthorised access to the data?
- Does the vendor have a competent IT manager who is well versed in data security and protection?
- Is the vendor compliant with 2014 privacy legislation?
- Who is accessing your data whilst working for the vendor? Are the staff of the vendor located in Australia or is your patient information being viewed by staff in overseas locations?
- Where is the vendor’s data stored?
- How often is the vendor’s data backed up?
- Are backups encrypted?
- Is the vendor compliant with privacy legislation?
- What security measures does the vendor have in place to protect your patients’ data?
- How does the vendor educate their staff in the Privacy Act and other relevant legislation?

Small vendors, just like small medical practices, are not likely to have the requisite financial resources to purchase adequate IT infrastructure. It is essential that you conduct due diligence of all third party companies that you do business with, including outsourced billing companies and outsourced transcription companies.

Despite the ever evolving threat, most healthcare organisations aren’t making the investment they need to keep their data safe.

This is no longer an option. The best advice is to keep yourself and your practice well informed and to rely on the experts to keep you safe.

ARE YOU OUTSOURCING YOUR MEDICAL BILLING OR TRANSCRIPTION?

Screen vendors carefully to protect your practice data

- Who is accessing your data whilst working for the vendor?
- Are the vendor’s staff who are accessing the data located in Australia?
- Where is the vendor’s data stored?
- How often is the data backed up?
- Are backups encrypted?
- Is the vendor compliant with privacy legislation?
- What security measures does the vendor have in place to protect your patients’ data?
- How often is the vendor’s data tested for its ability to be restored?
EARLY PLANNING IS THE KEY

Monica Benavides explains how to avoid costly mistakes and delays when planning to re-fit or build new practice rooms.

Setting up your own practice can be an overwhelming process due to the unknown factors that need to be considered, apart from the obvious practice development. The success of your practice setup and long term feasibility is based on ticking the right boxes from the start. Making sure you have the correct permits from the initial phase as well as selecting the property to suit your requirements, are important key factors to minimise risk in the future.

Early planning is the key, as it will save you money down the track but also assist you to avoid very costly mistakes that may lead you to an unusable property for your practice, for instance a practice in a residential zoning may not get approved for a commercial venture.

KEY FACTORS TO CONSIDER ARE:

GET EARLY ADVICE

Getting the right professionals involved at a very early stage is priceless. Even if you think that you are too early to start discussing your project, getting upfront advice is essential.

Selecting the right property is a combination of many factors, such as compliance with permits, customer traffic and exposure, building conditions, disabled access, minimum amount of car spaces, zoning and provision of base building services are among many other conditions. It is recommended to get professional advice before you start looking for a property.

The professional’s you may want to approach at the initial planning stage include:

Leasing agents vs tenant representatives

Leasing agents work with property owners to find suitable tenants for their buildings. As they act on behalf of landlords they will show you the properties that are currently available and may favour the property owner’s preferences over the tenant’s. You need to ensure you look for a leasing agent that can find the right property for you.

Tenant representatives act as your intermediary and structure a lease that works specifically for you. They offer neutral advice and will try to look for the best property for you without favouring a particular agency. The representatives are consistently active in the property markets and may know information that isn’t available in the market yet. They will also make all negotiations with the landlord on your behalf and ensure you receive the property in good working condition.

Town planner

A town planner and some specialised design and fitout companies, will offer advice on the feasibility of the short listed properties you propose. A town planner will also provide clarity before you commit to buy or sign a lease with a small fee. It is a worthwhile investment considering the repercussions you may have by selecting the wrong property or signing a lease on an unusable site.

The town planner will provide visibility on the legal use of the property, potential to develop the site, probable issues with
...avoid very costly mistakes that may lead you to an unusable property for your practice, for instance a practice in a residential zoning may not get approved for a commercial venture
neighbours and car parking compliance. They can also advise on alternative ways to achieve permits with heritage listed sites, accessibility issues or shortage of car spaces.

**Designers and fitout developers**

Once you have three of four shortlisted properties it is advisable to get your designer to provide a preliminary test fit plan (space plan) to see if the site is feasible for your requirements. It is important your contracted design and fitout company conducts site visits with you to determine the conditions of the site. Only a few design and fitout companies provide early advice before you commit to your lease. Getting them to offer various options will provide you with the necessary tools to make the right decision.

**You need to consider:**

- **The best fit for your space**
  
  Getting a preliminary test fit plan completed will illustrate the best functionality on the spaces and your preferred layout within the property. Spaces with too many columns, a low ceiling height or restrictions on the building development, could dramatically affect your usage of the space. By getting a comparison between the different properties you will be able to select the most suitable site that provides you with the best use of space.

- **Base building services**
  
  Some properties demand a big investment to be approved as a healthcare clinic. The building should be able to provide the minimum services to accommodate your practice. Getting advice on how to get your hydraulic services fitted such as adequate plumbing for all your sinks, equipment and staff rooms is very important as this can drastically impact on your budget.

  Mechanical services (air conditioning) as well as fire services (sprinklers) are factors that may be required to be upgraded to suit your new design, which can make a massive difference in costs. Remember that the budget is largely made up of the base building services more than the fitout itself.

- **Accessibility**
  
  Compliance with the disability code is a very important factor to consider. Your clinic needs to provide disabled access to your patients and staff; and if you are acquiring a new property it is very likely you will need to upgrade services to comply with the code. When selecting the site, it is important to check that the property is already compliant, or that it will not take a big part of your budget to ensure it complies to the current standards for disability access.

- **Preliminary budget**
  
  An early indication of your budget is based on your preferred layout and design properties that will provide you with the right visibility to decide clearly on selecting the property. It will also give you the basis to organise your funding. Some of the specialised design and fitout companies, will be able to organise the preliminary budget for you with close accuracy to the final budget.

- **Program**
  
  A preliminary design and construction program can provide a close indication of timing for design, permits, fitout development and equipment installation. With this in mind, you can start planning in advance the marketing material, procurement of equipment, staff recruitment, closure periods (if required) and all necessary factors to get your practice up and running. By receiving this program early, you can use time to make sure you get all other aspects of your practice set up and on time.
By using a design and fitout company you will be able to receive early advice by qualified professionals that have experience in your industry and the capability to deliver the projects from beginning to completion. They have their own network of consultants that will offer a turnkey solution to guarantee a smooth process and also ensure your risks are diminished from an early stage. Few companies provide advice on the compliance of the property, make the early investigation for you and deliver the project on your behalf.

Take advantage of the industry you are in and get planning early before you commit to your property. There are many factors to consider, make sure you take the time to do your research and involve the experts from day one.
Nathan Marris is Relationship Manager at Medfin Finance.
Investing in a new medical practice

A new medical practice can be designed to reflect your vision and may also cost less than an established business. Nathan Marris, Relationship Manager at Medfin Finance, shares his tips for success, and practice owner Dr Prema Joseph discusses why she chose to start from scratch.

Some general practitioners (GPs) are keen to build their practice from the ground up.

“When you start from scratch you can control every detail, from the way the practice looks to its culture,” says Nathan Marris, Relationship Manager at Medfin Finance.

A new practice can also be a cheaper option than buying into an existing practice though the cost will vary according to personal preferences and location. It’s estimated that in regional Australia, for example, you could pay as little as $30,000 for a fit-out but $100,000 is probably a more realistic ballpark figure. In metropolitan areas, the ballpark is closer to $200,000 rising to as much as $500,000.

However, since you don’t have an established patient base, you could experience cash flow problems while you’re building the business.

“Bringing other GPs into the practice can help with the expenses,” says Marris. “Contracting doctors pay about 30% of their income to the practice owner to cover administration, staffing, and other costs. Clearly, it would make economic sense to have four or five other doctors working with you, but it can take time to find GPs that fit the culture of your practice. On the other hand, if your premises only have space for one or two doctors, you’re putting a limit on your future income. Finding the right balance can be a challenge.”

Some medical finance providers will tailor monthly loan repayments, so they start low and then rise in line with increasing cash flow.

“This is where a deep understanding of the industry comes into play and why it can be helpful to consult a specialist,” says Marris.

**AN OPTION TO PURCHASE**

The loan will usually cover the total cost of turning the premises into a medical practice, including technology and medical equipment. If the practice is located in a commercial property, there may also be an option of 100% finance to purchase the premises, either immediately or at an agreed point in the future.

“If you buy the property in your name your company can pay rent, and this will help pay off the mortgage,” says Marris. “If possible, you should have a clause written into the premises lease agreement allowing you the first right of refusal on the property in, say, three or five years time.”

**MEETING LOCAL DEMAND**

Dr Prema Joseph studied medicine at the University of Malaya in Kuala Lumpur then completed further training and attained her fellowship of General Practice in Australia. She had been practicing in Sydney’s Hills District for 22 years when, in 2013, she decided to open a medical practice in the area.

“It was never a particular ambition, but I did have a vision of the kind of practice I’d like to run and, as it would also be a sound investment, I decided to go ahead,” she says. “I wanted somewhere local with easy access throughout the day, and I also wanted room to expand.”

Unable to find an existing practice that met her criteria, she purchased a two-storey premises in an industrial area of Castle Hill and opened the Premier Medical Practice.

“I was confident that the people who work here would appreciate having a medical practice close by,”
she says. “As I’d done a lot of research I felt comfortable about taking on the loan.”

Joseph’s sister, Preeti Nair, who handles the business side of the practice, confirmed that the premises had the necessary approvals then, once Medfin had approved finance, arranged for the fit-out.

“The practice is continuing to expand,” says Nair. “Upstairs we have a psychologist, pathology collection centre and a dietitian. We are also looking to add additional GPs and are in search of good doctors who are a good fit for our culture – people who are interested in building a relationship with our patients and committed to providing high-quality care.”

MEDFIN’S TIPS FOR SETTING UP A NEW MEDICAL PRACTICE

1. Make sure the premises are approved for use as a medical practice.
2. For the fit-out, choose a specialist who knows what a practice needs and will provide a comprehensive design and quote.
3. Choose a building with easy access, such as a bus stop outside and a council car park nearby. Remember the importance of ‘location, location, location’.
4. Develop a business plan. This will provide a roadmap for your practice and allow you to benchmark your success.
5. Ensure you have adequate income protection, accident and life insurances. As a GP, you are the business asset – if you can’t work, you have no income.
6. Invest in a specialist, independent accountant or legal adviser who can ensure the right structures and processes are in place from the start.

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SCIENCE OF MINDFULNESS

Managing the ‘overwhelm’

Dr Avnesh Ratnanesan is CEO at Energesse.
Dr Avnesh Ratnanesan explains how to eliminate overwhelm and frustration when you’re a busy CEO.

Having spent 20 years across various ‘busy’ roles from being a medical doctor, senior corporate executive at Pfizer, technology entrepreneur and eventually in the Chief Executive Officer (CEO) role of my third successive company, I’ve engaged with many fellow CEOs and studied their behaviours in life and work. I found that the successful ones had some common traits and the ‘unsuccessful’ ones had some common traits too.

Success is defined by an individual, but for CEOs or Political leaders this is also defined by their boss, shareholders, employees, customers or constituents. Nonetheless, CEOs are constantly under pressure to meet targets, deal with crisis, fulfil multiple obligations and still be expected to lead a ‘healthy and normal’ personal and family life. As CEOs understand their own ‘BS’ more deeply, they become more self-aware that their very own behaviours can exacerbate their current ‘crisis’.

A CEO can be his or her own worst enemy. Since I began coaching CEOs over 8 years ago, I have learnt and taught several techniques to help them continue to pursue their careers at higher levels, whilst managing their responsibilities in their personal life. Often they even have difficulty connecting the relationship between the two worlds, which forms part of the problem.

QUIT

This is a perfectly legitimate option. For some CEOs the pressure of the workload and circumstances surrounding their personal life require more time to be focused on the latter or risk causing irreparable damage to their health or family relationships. In such situations, quitting may appear to be the only option. However, in some cases, this may also be a ‘get out clause’, used as an excuse for being unwilling to acknowledge one’s own mistakes or recognize how their own behaviours have contributed to their current negative circumstances. In these situations, the vicious cycle of frustration is likely to repeat in future roles.

BE MORE PRESENT

There is an accepted philosophy that ‘anxiety comes from living too much in the future’ and ‘depression comes from thinking too much about the past’. Busy CEOs tend to be focused on the next thing even before the current task or interpersonal interaction has ended.

The focus is more on the clock, than on the person in-front of them. This gives an illusion of efficiency and speed, only to find later that subordinates haven’t really understood their instructions and made mistakes that need rework.
The actual reason was because they weren’t communicated to in a patient and appropriate manner by their CEO.

The science of mindfulness has now perpetuated the mainstream corporate and healthcare arena with companies like Google implementing programs for its ‘hypertalented, hyperactive’ employees, both young and old. The program has been such a great success that other Fortune 500 companies have adopted similar mindfulness practices with their own CEOs and executives.

CHANGE YOUR EXPECTATIONS, ALLOW ANOTHER REALITY

Many CEOs are consummate achievers that have high expectations of themselves and therefore others. Frustration is an emotion that arises when those expectations are not met. For example, when you expect your Chief Financial Officer (CFO) to complete the budget in 24 hours, but they can’t get it done on time. Or you expect to meet your annual company goals, but you fall short. Or perhaps you expect your password to work on your company computer and it doesn’t – all these situations give rise to frustrations.

A relief is felt when you change your expectations. I don’t mean lower them, I mean change them. Perhaps your CFO was being more thorough, and would deliver a more robust budget tomorrow. Perhaps falling short of your annual company goals provides you with a better business case to hire more talented staff. Perhaps your password error means your IT security has just been upgraded and you’ve just averted a major cyber-attack on your servers. Once CEOs change their expectations and allow new realities to emerge, they can come out mentally stronger.

MEDITATE

There are now hundreds of thousands of forms of meditations from a multitude of cultures. The benefits are espoused in traditional literature as well as modern science, and can help CEOs manage overwhelm and stress over the long term.

The body of evidence on medicine has exploded in recent years and MRI scans now even reveal denser grey matter in the brains of frequent meditators. Personally, I have found the practice life-changing and allowed me to tap into greater creative thinking and problem-solving ability, as well as more focus and concentration. My initial time investment started at five minutes a day (on trains, planes and other ‘dead’ times) and I’ve worked upwards from there, to great effect.

FIND YOUR IKIGAI

The Japanese believe that every human being has a purpose or a higher calling, which they called their *Ikigai*. The French call it the ‘*raison d’etre*’ i.e reason to be. Regardless of race, religion, work status or nationality, having a clear purpose in life and connecting with the meaning of your work allows you to see beyond short term frustrations and bad days, and understand how they actually contribute to your personal growth, vision and mission.

CEOs that connect with their *Ikigai* in an authentic manner don’t have to fake liking their job; they love their job and it shows. It shows to their employees, it shows to their customers and it shows to their shareholders. It allows them to tap into a deeper sense of fulfilment and commitment, that sees them through their business challenges and personal hardships.
The truth is that there are quick and easy solutions for CEOs to minimise overwhelm and frustration in the short term (days to weeks). However, in order to achieve a higher level of performance in the long term (weeks to months to years), I often advise my clients that behavior change is an active process that requires more effort, but yields much greater, more satisfying rewards in life, career and legacy.

FINDING YOUR IKIGAI
1. What do you love doing?
2. What does the world need?
   (problem to solve)
3. What can I get paid for?
   (how to monetize)
4. What am I good at?
   (True Strengths) processes are in place from the start.

IKIGAI = PURPOSE

The Private Practice Winter 2016
BUSINESS BEWARE
WINTER IS COMING
The rise of the tax audit
Murray Howlett encourages us to be prepared for the ATO’s ramped up vigilance.

This year’s Federal Budget attracted a lot of attention. It was the first budget in a number of years with many proposed changes. Add an election to the mix and the media had a lot to talk about.

However cutting through the news clutter can sometimes be hard to find out what may actually impact you as an individual or business.

One aspect of the budget that really stood out to us was the announcement of the establishment of a new Tax Avoidance Taskforce. This taskforce’s sole focus will be the pursuit of tax avoidance by ‘high risk’ taxpayers in the following sectors:

• High net worth individuals;
• Large public and private groups; and
• Multinationals.

The government has proposed a 55% increase in audit funding over the next four years. Their goal is to generate $3.7 billion in gross revenue.

As noted in the diagram below, tax audit activity will make up nearly 25% of the major new sources of revenue for the federal government.

**WHY NOW?**

The Australian Tax Office (ATO) has access to a lot of data. Although this is not a new fact, they have historically never effectively managed the information provided in that data.

Over the past few years they have focussed their efforts on expanding sources, quantity and quality of the data they collect.

The ATO accesses data from a myriad of sources. These include state revenue offices, State Titles Offices, other Commonwealth agencies (such as Medicare and Centrelink), banks and insurers. They also have information that you report to them on all tax-related forms.

Over the past few years, we have witnessed the ATO becoming more agile and better at deciphering all this information. They are comparing the data and spotting discrepancies. Once they identify a (potential) discrepancy, it’s more than likely they will come knocking.

Previously, if the ATO was investigating an individual or business they would follow a specific process. This being:

1. Issue identified
2. Commence investigation
3. Seek more information from outside sources to confirm the issue.

This is no longer the case. Now, there are multiple and continuous streams of data being provided to the ATO. With all this information their various programs can automatically identify issues.

The need for them to seek additional information from outside resources is now redundant.
Below are several examples of the different sources of data the ATO is collecting and what it’s being used for:

<table>
<thead>
<tr>
<th>Data:</th>
<th>Used for identifying:</th>
</tr>
</thead>
</table>
| Property transfers dating back to 1985     | 1. Capital Gains Tax events that have not been reported  
                                          | 2. Entities with a pattern of trading in property (potentially developers)          |
| International money transfers from AUSTRAC | Unreported foreign income                                                            |
| Changes to company shareholdings from ASIC | Capital Gains Tax on the sales of shares                                             |
| Motor vehicles registered in the name of non-individuals | Private use giving rise to Fringe Benefits Tax or deemed dividends |
| Industry benchmarking                      | Individuals and businesses that might be reporting less income or claiming more expenses than normal in their industry |
| Insurance held over boats, artwork, race horses and other luxury items | 1. Assets that might have been used privately  
                                          | 2. Undeclared income supporting a more expensive lifestyle than expected          |
| Private school fees                        | Undeclared income supporting a more expensive lifestyle than expected               |
Murray Howlett leads the tax practice at Pilot Partners, a full service accounting firm based in Brisbane. His strength is in providing practical and innovative taxation strategies that addresses a client’s business, personal wealth, succession, retirement and estate planning needs.

**OUR RECOMMENDATIONS**

1. **Invest in audit insurance**
   If you don’t have audit insurance, now is the time to invest in the right policy.

2. **Review existing insurance policies**
   Now is the time to look at what your audit insurance covers. Questions for consideration include:
   - Does it cover the business as well as individuals?
   - Does it cover all entities within the business?
   - Does the policy also include payroll tax or SMSF audits?
   - What terminology does your policy use? Does it say ‘audit’ or does it only note ‘reviews’ and ‘enquiries.’

3. **Know where your bodies are buried**
   Know the risks within your group. This means identifying problems before the authorities do.
   One way individuals and businesses can get caught out is the mismanagement of reconciliations between various amounts reported to the ATO. A simple example of this is salary and wages. Businesses routinely report this information to the ATO. Salary and wages information is noted on your income tax returns, quarterly or monthly Activity Statements and annual Pay As You Go Payment Summaries. If there are any discrepancies in the information provided, it will automatically raise a red flag and the ATO will know that you have issues in your systems. If you are aware of any differing information being reported then be prepared.
   As noted in the table above, the ATO is looking closely at the private use of motor vehicles and investigating potential Fringe Benefit Tax (FBT) liabilities. The ATO has an unlimited amendment period for each year where no return has been lodged. Given this, the FBT liability can quickly add up. We were recently involved in an audit where the FBT bill for the private use of cars for ten years came to nearly $1 million. After penalties and interest, the client owed the ATO over $2 million.
   Should the ATO come knocking, understand the consequences and costs should those bodies be uncovered. An expert can complete a risk analysis and advise as to how best to structure your business and affairs accordingly.

4. **Don’t try to be a hero!**
   If you are contacted, don’t speak to the ATO before speaking to an expert. Your first response will set the tone with the ATO throughout the entire process.
   An expert has the experience and know-how to manage and guide the ATO accordingly. This will most likely minimise the pain and cost to you in the long-term.

**FINAL THOUGHTS**

As of today, the ATO is actively looking to bank $1 billion per year. This amount can only be reached by widening the net and taking a closer look at the data they have on file about you and your practice.

Winter is coming… don’t lose your head.
Owning your own private practice means you are not only a doctor, but also a small business owner. It’s important to understand the various business implications and best practices in order for your practice to be successful.

Practice owners need to make a number of decisions in relation to the business structure, cash flow management, legal documentation, asset protection and more. For each of these areas, there are some key considerations to keep in mind when making the best decision for your practice.

DECIDING ON YOUR PRACTICE STRUCTURE

One of the most important decisions you will have to make is deciding on a business structure for your practice. The structure you choose will have implications for your business registration and tax treatment, and you should take your long term goals and lifestyle into account when making the decision.
It’s important to understand each structure and how it is organised in terms of income, expenses and the role of each entity. Four of the most common options for structuring your medical business are:

- Sole trader
- Medical company
- Discretionary trust
- Service business

**SOLE TRADER**

Setting up your practice as a sole trader is one of the most straightforward structures available to doctors. In essence, you see patients and earn income, setting up the business in your own name. You are personally responsible for paying tax on this income, after lodgement of ITR and/or BAS. This is added as a business item in your tax return.

Other than being simple to set up, this structure is easy to manage and cost effective. There is also the added benefit of being able to use loans for business expenses.

**MEDICAL COMPANY**

Under this structure, the company receives patient fees and pays business related expenses, the remaining profit is paid to the doctor as a wage or superannuation (noting the requirement of meeting the 9.5% superannuation guarantee). The company is required to register and pay workers compensation, as well as paying a monthly PAYG to the ATO on the doctor’s wage.

It is worth noting that incorporating your medical practice carries no protection against patient litigation and that no profit can be retained in the company. There are additional costs in running this type of structure and it may attract additional payroll tax, as opposed to a sole trader.

**DISCRETIONARY TRUST**

In this case the trust receives patient income and pays business expenses, and all profit is paid to the doctor as a wage or a trust distribution. Similar to a company, the trust is required to pay monthly PAYG to the ATO on doctor wage, plus 9.5% superannuation guarantee on wages.

Within this structure, there is no ability to split income to non-doctor spouses and no protection against litigation. It also may incur additional costs to run and attract payroll tax.

**SERVICE BUSINESS**

A service business is a type of structure that provides administrative support to the medical practice. The service entity owns all equipment, employs non-medical staff and incurs business expenses. The business charges a fee for this service, which is calculated under ATO guidelines, and generally makes a profit that can be distributed to family members.

Generally, the medical practice will receive patient fee income and pay expenses including doctors’ wages, superannuation, PI insurance, memberships and registrations and work related travel, while the service business will receive a service fee and pay expenses including practice costs, lease costs, equipment and all other wages.

The key benefit of using a service business is that it is flexible and provides asset protection. A common structure is to set this up as a discretionary trust with a corporate trustee. Larger groups might use a unit trust, a company or a partnership of trusts.

**Cash Flow Management**

Careful cash flow management is crucial to a successful medical practice. Private practice income is not taxed at the source, therefore as you commence your practice you will begin to pay income tax instalments to the ATO. Generally there is a time lag between the earning of significant income and the payment of the income tax, meaning careful cash flow management and tax planning is important. Best practice is to prepare a 3-5 year cash flow projection, monitor and update as the years roll over.

**Legal Documentation**

Medical practices may need to enter into a number of agreements, such as partnership agreements with other doctors, leasing agreements, finance agreements, contracting agreements or service and agency agreements. You should seek legal advice to ensure the documents cover all issues relevant to your circumstances.

Without properly written legal documents, your practice could be at risk in the event of a breach.

**Asset Protection**

Greater risk means that you need to be careful of your accumulating assets. It’s essential to review your current asset holdings and consider how you go about investing in the future. Seek advice before acting to ensure your assets are protected, which could include purchasing investments in other or newly established entities.

**Other Issues**

There are a myriad of other potential issues that go along with running a business. Other issues to consider may include setting a budget, setting up a cashflow, acquiring finance, ensuring adequate insurances and estate planning. Treat your practice as a small business and use experienced advisers to assist you with establishing the right business processes. If you get these issues right from the start, it will save you time and money (and your sanity!) in the long road.
Six ways to make your medical website a conversion tool

Our society has become highly dependent upon technology, says Jason Borody. Most people utilise the internet, often exclusively, as their primary source of information. In fact, 90% of prospective patients will visit your website before contacting you.
Therefore, it is vital that medical practices seeking to reach their target community have a patient-orientated cyber presence. It is also important to adopt targeted marketing strategies that prompt action on the prospective patient’s (or referral source’s) behalf. If you want to increase patient bookings through your website read through the below list and consider how well your website is performing.

#1. Personalise your website
What language does your website use to communicate with your audience? Seek to understand your audience and tailor your website to use language that will speak to them directly. By engaging with prospective patients on a personal level you demonstrate that you are willing to partner with them in a more meaningful way to best deal with their health-related challenges and concerns. Promoting this kind of doctor-patient partnership builds rapport with your audience that will aid in converting them into loyal patients.

#2. Promote action consistently
How often do you encourage website visitors to take action? Your website’s goal is to grow the sales funnel of qualified patient candidates and create opportunities to nurture prospects into becoming patients. Don’t shy away from promoting multiple call-to-action opportunities on every webpage. For example, “Sign up for a health seminar”, “Subscribe to our newsletter”, “Book an appointment online” or “View our information video”. The chance of a prospect-to-patient conversion is increased when they are given different ways to take the next step in becoming a patient.

#3. Provide online services
What services can your patients access online? In addition to online call-to-action opportunities, online services are convenient and add value to your website. For instance, provide opportunities to ask questions online, access to online forms and online payment services. Additionally supplying helpful medical information about recent developments in your specific health field (for example, in the form of a blog) demonstrates your expertise and builds reputation by implying to your audience that you are up-to-date in your profession. Subsequently, this gives people another reason to differentiate your practice from competitors.

#4. Prioritise clear and easy navigation
How easy is it to navigate and use your website? Treat every website page as your homepage by giving your audience a clear indication of where they are on the site and how to learn more about your services. A clear path in helping someone find what they’re looking for and what they may want to learn more about will encourage them to choose you over your competitors. Furthermore, ensure you build your website to be mobile-friendly to increase conversion of prospective patients.

#5. Promote discovery of your website using Search Engine Optimisation (SEO)
Prospective patients viewing your site are seeking solutions to their health care needs. Thus, make sure your site has a high chance of discovery using search engines by building it with SEO in mind. The more visitors you have, the greater your chances of achieving a conversion.

#6. Present your practice professionally
In conjunction with the content of your website, presentation will additionally affect a person’s conversion from prospect to patient. People are more likely to trust service-based businesses that present themselves in a professional manner - this is even more pertinent when a person’s needs involve health-related issues. Thus, invest in a website design that will appropriately represent the professional standard your practice upholds. For example, avoid template designs and over-used stock imagery.

At Vividus, we seek to achieve this for our clients through designing marketing strategies that are suited to your specific needs. If you would like to further explore or inquire about what solutions we offer to meet your marketing needs, please contact us on info@vividus.com.au or 07 3482 4262.
Andrew Sinclair addresses the legal issues of succession.

Medical practices, like any other business, ought to have agreements in place to provide for the transfer of ownership on death or total permanent disability. These are frequently referred to as “buy/sell agreements”. The funding mechanism is via insurance.

Such agreements will provide an ability for the medical clinic to continue notwithstanding the death or total permanent disability of a key practitioner.

Unfortunately we see far too often that the appropriate owner of equity in the clinic has not executed the relevant buy/sell agreement.

That is, the buy/sell agreement contemplates the sale and purchase of equity in the clinic. Therefore it is necessary to accurately understand the practice structure to ensure the correct entities enter into that agreement. Private asset ownership and structuring a Will is no different. Frequently in this age we have individuals who control assets but don’t necessarily personally own them. In such circumstances we need to accurately ascertain the ownership of assets in order to correctly pass the control of those assets pursuant to a Will.

For example, family trust assets often form a large component of the wealth of a particular family. The control of those family trust assets needs to be ascertained as to how that can be passed, and what role an individual’s Will has to play.

Again we regrettfully see too frequently Wills that have been structured on the basis that the testator owns specific assets when in fact those assets are actually owned by a family trust, perhaps even via a corporate trustee.

The outcome of this is Will succession and business succession are not always straightforward. Providing accurate instructions to the solicitor will make the process easier and less costly. Much time is often taken up just ascertaining the current facts. Once those facts are determined, it is then the solicitor, together with the accountant who can provide appropriate advice as to the mechanism to achieve the desired goals of the controlling practitioners.

So the message is, provide accurate instructions of what is the current factual situation that will then reduce the time required by the advisor and then enable them to provide accurate advice as to the alternatives available.

Andrew Sinclair is a partner in Cowell Clarke’s Tax & Revenue practice group.
TAX ISSUES WITH SUCCESSION

The tax ramifications need to be considered with any passing of assets, whether pursuant to a Will or in relation to business assets under a buy/sell agreement. I want to address the consequences in a Will.

It needs to be remembered that Capital Gains Tax (“CGT”) was introduced on 19 September 1985. Here we are in 2016, and there are still assets held by individuals acquired by them prior to 20 September 1985. Such assets are referred to as pre-CGT.

If a person owns two assets with the same current market value, there may be very different tax consequences on leaving those assets to different people. For example:

Fred, a father aged 64 with no spouse, has two assets each of current market value $1,000,000, being:

- land and building acquired in 1980 for $100,000, at all times since acquisition rented to arm’s length tenants (“Land A”); and
- land and building acquired in 1990 for $100,000, at all times since acquisition rented to arm’s length tenants (“Land B”);

Both Land A and Land B are currently worth $1,000,000, so total market value is $2,000,000.

Fred has two adult children, John and Julie. Fred has indicated he wants to leave Land A to John and Land B to Julie.

On the face of it, this is an even distribution since they will each acquire an asset worth $1,000,000. The tax ramifications and after tax positions are however very different.

As Land A was acquired by Fred in 1980, being pre CGT, John as beneficiary of Land A will receive that with a tax cost base of its market value at the date of Fred’s death. In other words, if Fred were to immediately die, John will receive Land A with a tax cost base of $1,000,000. This means if John were to immediately sell Land A for $1,000,000, John retains $1,000,000 as there is no taxable gain.

By contrast, Land B was acquired by Fred post-CGT for $100,000. In broad terms, if Julie receives Land B from the estate of Fred, Julie receives Land B with the same tax cost base as applied to Fred (i.e. $100,000). If Julie were to immediately sell Land B, there is a capital gain derived by Julie of $900,000 (i.e. $1,000,000 market value less $100,000 cost base). That $900,000 capital gain can access the general 50% CGT discount, thereby reducing the taxable capital gain from $900,000 to $450,000. However, Julie would have to include a taxable capital gain of $450,000 as taxable income, paying tax on that amount. Assuming a top marginal rate, then broadly tax payable on $450,000 would be near enough to $225,000.

In other words, Julie receiving Land B inherits that land with a latent tax liability. If Julie sells Land B, she receives $1,000,000 however must pay tax of $225,000, leaving her with $775,000 after tax. This is $225,000 less than her brother John. Was that the intention of Fred as between John and Julie?

This example demonstrates that whilst two assets may have the same value, the after tax amount to each beneficiary can be considerably different.

In succession planning, it is vital to accurately and fully understand asset ownership and tax attributes attached to assets. In that way Fred, or any individual for that matter, may be fully informed of the consequences of what they are endeavouring to achieve. Before finalising your business or personal asset strategy, ensure you have accurately instructed your adviser as to the ownership and tax costs.
EMPLOYEE OR INDEPENDENT PRACTITIONER?

Chris Mariani is Director at Medical and General Risk Solutions.
The above situation was faced by a medical practice who engaged us to help them after their insurer had (incorrectly) declined their claim for legal assistance at the Fair Work hearing. We managed to change the insurer’s decision when we clarified the client was seeking cover for legal expenses over the status of a contract (which was covered by the policy). Originally the claim was notified as "I am being sued for wages". On realising the communication error, the insurer immediately refunded the client’s legal costs (which amounted to over $40,000), however the client was still exposed to paying employee entitlements with no insurance.

Lessons learnt:
1. If there’s no written agreement in place – then they will probably be deemed an employee.
2. Sometimes insurers take your words on face value and do not look deeper. Having an expert on your side advocating for you can make all the difference.

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The above are some of the risks we have seen in incorrect or non-existent contracts. If you are interested in a risk review of your contracts or need advice on your risks and insurances, please contact Chris Mariani on (02) 9905 7005, 0419 017 011 or chris@mgrs.com.au for an obligation free discussion.

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FEDERAL BUDGET UPDATE:
Super & Medicare

Trent Antonio is Supervisor of Business Advisory at William Buck.

Alex Popovski is Manager of Business Advisory at William Buck.
Alex Popovski and Trent Antonio break down the recent Federal Budget.

Major Changes are proposed for Superannuation

Significant changes to the superannuation (super) system were announced in the 2016-17 Federal Budget on 3 May 2016. The Government’s proposed changes to super will impact high-income earners the most and restrict opportunities to utilise the system. Currently, super is one of the most tax-effective investment vehicles available to Australians and the only safe ‘tax arrangement’ available to medical practitioners.

The changes announced in the budget include; a lifetime limit on non-concessional contributions, a limit on the amount of money that can be transferred into a tax-free pension and the watering down of transition to retirement arrangements. These changes will force wealthier individuals to seek alternative ways to structure their finances.

LIFETIME LIMIT ON NON-CONCESSIONAL CONTRIBUTIONS

Non-concessional contributions are contributions for which no tax deduction is claimed. Prior to budget night these contributions were limited to $180,000 per year or $540,000 every three years for individuals aged under 65 using the ‘bring forward’ rule.

Effective from 7.30pm (AEST) on 3 May 2016, a lifetime limit on non-concessional contributions of $500,000 was introduced. To ensure maximum effectiveness, this limit takes into account all non-concessional contributions made on or after 1 July 2007.

The SMSF Association estimates that between 150,000 and 200,000 people have already reached the $500,000 lifetime limit.

And the impacts are already being seen. We have a situation where an investor has recently signed a contract to buy a property through a self-managed super fund. The individual had intended to make a large after-tax contribution to his fund to purchase the property, but is now unable to do so because he has already reached the $500,000 lifetime limit. The investor may have no choice but to proceed with the transaction and deal with the consequences of breaching the super contribution rules.

PENSIONS – $1.6 MILLION TRANSFER BALANCE CAP

Currently, income earned by a super fund in pension phase is tax-free which makes it a very attractive investment vehicle for wealthy retirees. From 1 July 2017 a cap
FEDERAL BUDGET

of $1.6 million on the total amount of accumulated super an individual can transfer into the tax-free pension phase will be introduced. Subsequent earnings on these balances will not be restricted. This cap will affect individuals in the following ways:

- Where an individual accumulates amounts in excess of $1.6 million, they will be able to maintain the excess amount in an accumulation phase account (where earnings will be taxed at the concessional rate of 15%).

- Members already in the pension phase with balances above $1.6m will be required to reduce their pension balance to $1.6 million by 1 July 2017 with the excess being held in an accumulation phase account.

A tax on amounts that are transferred in excess of the $1.6 million cap (including earnings on these excess transferred amounts) will be applied, similar to the tax treatment that applies to excess non-concessional contributions.

The SMSF Association estimates that by 1 July 2017 more than 100,000 retirees may be forced to transfer amounts in excess of $1.6 million from their account-based pension to an accumulation account.

The Treasurer, in his Budget speech, said: “A balance of $1.6 million can support an income stream in retirement around four times the level of the single Age Pension. The transfer balance cap will be applied to both current retirees and to individuals yet to enter their retirement phase”.

Retirees who have to transfer money back into accumulation phase from an account-based pension will need to consider carefully which assets to transfer. Once inside a pension account, assets are allowed to grow so, it may be wise to leave high-growth investments such as shares. On the other hand, retirees will need to abide by the drawdown rules, so the pension account will need to retain sufficient liquid assets to allow this.

CONCESSIONAL CONTRIBUTIONS – LIMITS

Contributions to super that are tax deductible up to certain limits are known as “concessional contributions”. Currently the annual limits are $30,000 for those aged less than 50 and $35,000 for those aged 50 and over.

From 1 July 2017 the annual concessional super contributions cap will be reduced to $25,000, regardless of an individual’s age.

CONSTITUTIONALLY PROTECTED FUNDS

Members of constitutionally protected funds (e.g. GESB West State) have higher limits on contributions and greater lifetime limits.

The current concession available to salary sacrifice above the concessional limit may no longer be available from 1 July 2017 per the announced changes in the Budget.

From 1 July 2017, the Government will include notional (estimated) and actual employer contributions in the concessional contributions cap for members of unfunded defined benefit schemes and constitutionally protected funds. Members of these funds will have opportunities to salary sacrifice super contributions, commensurate with members of accumulation funds. For individuals who...
were members of a funded defined benefit scheme as at 12 May 2009, the existing grandfathering arrangements will continue.

We shall address the benefits of constitutionally protected funds, the impact of the proposed change and strategies to implement before the change takes effect on 1 July 2017 in our next article.

CATCH-UP CONCESIONAL CONTRIBUTIONS
On the upside, from 1 July 2017 those individuals with super balances of less than $500,000 will be allowed to make additional concessional contributions, if they have not exhausted their concessional contributions cap in previous years.

Only unused amounts accrued from 1 July 2017 can be carried forward, and can only be carried forward on a rolling basis for a period of five consecutive years.

Allowing people to carry forward their unused concessional cap provides them with the opportunity to ‘catch-up’ if they have the capacity and choose to do so.

CHANGES TO THE ‘HIGH INCOME CONTRIBUTION RULES’ (DIVISION 293)
Currently, Division 293 imposes an additional tax of 15% on concessional contributions where an individual’s total ‘income’ (basically, ‘income for surcharge purposes’ less reportable superannuation contributions) plus ‘concessional contributions’ for an income year exceed $300,000. Concessional contributions subject to tax under Division 293 are effectively taxed at 30%.

From 1 July 2017, the Government will lower the Division 293 threshold (i.e. the point at which high income earners pay additional contributions tax of 15%) from $300,000 to $250,000.

This change will only affect around 1% of super members. Yet it will affect the majority of medical practitioners.

TAX DEDUCTIONS FOR PERSONAL SUPER CONTRIBUTIONS
Currently the rules for people with employment income to claim tax deductions for personal super contributions are very restrictive, for example they must satisfy the “10% test”.

From 1 July 2017, the Government will improve flexibility and choice in super by allowing all individuals under age 75 to claim an income tax deduction for personal super contributions.

This effectively allows all individuals, regardless of their employment circumstances, to make concessional super contributions up to the concessional cap.

Individuals who are partially self-employed, partially wage and salary earners, and individuals whose employers do not offer salary sacrifice arrangements will benefit from these proposed arrangements.

HARMONISING CONTRIBUTIONS RULES FOR OLDER AUSTRALIANS
To assist older Australians to prepare for their retirement by boosting their super balances, the Government is lifting restrictions on their ability to contribute.

Currently for individuals aged between 65 and 74 to be eligible to make personal contributions or to receive additional employer contributions (including those made under a salary sacrifice arrangement) a work test must be satisfied. This requires the person to be gainfully employed on a full or part-time basis for at least 40 hours in 30 consecutive days in the financial year.

From 1 July 2017, they will no longer have to satisfy the work test in respect of their own contributions or contributions from their spouse.

These changes will provide better incentives and more flexibility to all Australians to make super contributions appropriate to their circumstances.

WHAT’S NEXT?
To help you understand the proposed changes to super and how they will affect your personal circumstances, we strongly recommend that you seek professional advice from your financial adviser or accountant.
In the 2016-2017 Federal Budget, the Government has announced a continuation of the freeze on the indexation of the Medicare Benefits Schedule (MBS) fees until 2020. This indexation freeze originally commenced in July 2015 and was scheduled to end in July 2018.

The Royal Australian College of General Practitioners (RACGP) has estimated that by 2020 practitioners would receive almost $6 more for a standard consult (Level B - item 23) if the MBS had not been frozen.

We expect the continuation of this freeze to hit GP practices the hardest, particularly those practices where a large portion of services are bulk billed. With around 84% of all GP consultations being bulk billed (according to IBIS World research), many practices may need to consider introducing or increasing co-payments from their patients.

The freeze of course isn’t just limited to GP’s however, and will also impact specialist services, medical procedures, and pathology and imaging (where the freeze on rebates for those services have been in place for far longer!)

In light of the extended freeze, all practices should be looking to undertake a review of the following:

• Your patient demographics
• The profile of your practice (i.e. your marketing material and collateral)
• Your billing policy
• The current mix of consultations vs procedural work (for specialists)
• Your strategic/business plan
• The practice’s budgeting

**PATIENT DEMOGRAPHICS**

The demographics of your patients will have a significant influence on how your practice can combat the freeze. For example, a GP practice may have trouble introducing/increasing co-payment where they have a higher than average portion of pension age patients or are located in a lower socio-economic area.

**PRACTICE PROFILE**

You should review your marketing material and collateral to determine the strength of your practice profile. A strong practice profile will differentiate you from your competitors and will help you attract and retain patients regardless if you charge slightly more for your services.

**BILLING POLICY**

After a review of the above, you should consider whether the fees for service charged by your practice are appropriate. For a GP practice, this includes reviewing the criteria for services that are bulk billed or charged a co-payment.

**CONSULTATIONS VS PROCEDURAL WORK**

The revenue of a specialist doctor can vary significantly depending on the mix of consultations versus procedural work, so it is important to get it right and review it regularly. For a cardiothoracic surgeon, for example, this would involve scheduling an appropriate number of surgeries to ensure they have enough time for follow up consultations around future surgeries.
STRATEGIC PLAN

Strategic and business planning is something we at William Buck are very passionate about, but this enthusiasm is not often shared by our clients! Often strategic planning is either something done for a bank to get finance or created by a new practice only for it to be filed away and never to be opened again. A strategic plan can take many forms and is essentially a written document of all that you have considered above. Your strategic plan sets direction and purpose for your practice. It should be regularly reviewed against actual performance and updated regularly.

BUDGETING

A thorough review of your budgets will ensure revenue estimates are appropriate given the extended freeze (and your newly formed business plan!) Expenses are easier to estimate and are usually based on last year, however is this best practice? A better way to compare expenses is against 3rd party benchmarking data from your industry. This will allow you to compare your practice against other practices in your industry to give you a truer indication of how your practice is performing.
The ADHA 2016 Conference’s theme “Change through Collaboration” will focus on the collaborative approach that ADHA has taken to reflect the views of the membership and strengthen relationships that will enhance positive outcomes for the day hospital sector.

The program tackles many of the current issues confronting day hospitals such as: future funding models, compliance with AS4187, Private Health Insurnace Act Review, Negotiation techniques and Growth in Medical treatment in the day hospital sector to name but a few.

Michael Klug a recognised expert on negotiation, returns to the ADHA Conference providing a stimulating two hour workshop style presentation titled “Negotiation Techniques for dealing with roadblocks: How to break the impasse”.

The Keynote speaker, Bernard Salt from KPMG has over 25 years experience in providing demographic analysis and social commentary. He is a recognised expert in local, national and global demographic trends and is known to the Australian business community for his commentary in the media on the implications of demographic and social change. Bernard will focus on the demographic trends that may impact the day hospital sector in the future.

This year we are pleased to have four major health funds confirmed for the session titled “Working Together on Future Funding of the Day Hospital Sector”. We are delighted to welcome Trevor Jackson as the chair of this Panel discussion. Trevor has extensive media experience spanning more than 30 years encompassing a wide range of roles including, broadcaster, journalist, television reporter, media trainer, voice over artist, event host, freelance writer, music director and content director. This promises to be an appealing and thought provoking session.

The Hon. Sussan Ley MP, Minister for Health, Aged Care, Sport has been invited to open the Welcome Reception on Sunday evening.

Follow the [Link](https://www.theprivatepractice.com.au) to go to the website to register and to view the full program for the Conference.
One less thing on your to-do list

Specialist risk and insurance solutions for medical practitioners and healthcare businesses.

Prevention is far better than cure. This applies equally to our health, as it does to managing the complex and varied risks faced in running a healthcare business. The issue for healthcare businesses is often the unknown risks....

"There are known knowns. These are things we know that we know.

There are known unknowns. That is to say, there are things that we know we don’t know.

But there are also unknown unknowns. There are things we don’t know we don’t know."

- Donald Rumsfeld

For an obligation free discussion and initial consultation, contact Chris Mariani, from our Sydney office.

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**SOURCE INTERNATIONALS**

**BARIATRIC CHAIRS FOR A LARGER POPULATION**

Source International has created a range of chairs specifically designed for an ever-growing population. Approximately 30% wider and 23% stronger, its bariatric chairs can accommodate people of all shapes and sizes.

Two out of three Australian adults are considered overweight and that number is expected to increase to three out of four within the next five years. And as the population grows heavier, it requires wider and sturdier chairs. This need to accommodate a larger population is increasingly vital in healthcare environments, and becoming more and more necessary in such public and private settings as waiting rooms, conference centres, classrooms, cafeterias, schools and hospitals.

Source’s Cache collection offers contemporary and ergonomic chairs available in three widths. The Cache 17.5, Cache 19 and Cache 26 (Bariatric chair) have been tested and certified by the Australasian Furnishing Research and Development Institute (AFRDI) to withstand a static load of 330 kilograms, with the widest version able to endure up to 407 kilograms. Chairs have an upholstered seat and back and steel legs in chrome, soft chrome, black or gunmetal. They are available with or without arms and in two back shapes – Cache In or Cache Out.

The Font RX collection consists of a chair and bariatric chair in mid back and high back versions, as well as tandem double, tandem triple and tandem combinations. Seats and backs are upholstered, and steel legs are available in chrome, soft chrome, black and gunmetal. An ottoman, side table and coffee table are designed to match.

All chairs are 100% recyclable and come with a lifetime structural warranty and GREENGUARD certification.
LOTTUS CHAIR BY ENEA  
– CHAIRS DESIGNED FOR HEALTH, NOT BACTERIA

The Lottus Plus Collection by ENEA is designed to be as fresh as it looks. Not only is the collection elegant, comfortable and supremely versatile, but the Lottus also has antibacterial properties that make it an ideal seating choice for healthcare environments.

Everyday furniture used in healthcare settings can act as a transmitter of healthcare-associated infections spread through contact. ENEA has created the Lottus Plus to prevent that transmission, contributing to a more hygienic environment and ultimately healthier people. With the addition of the chemical agent Vibatan PP/M Bacteriostatic 02518 to the polypropylene shell, the Lottus chair actually inhibits the reproduction of bacteria.

Soft on people and tough on bacteria, the Lottus chairs have a single shell, crisp frame and minimal recesses that also make them easier to wipe and dust.

The Lottus Plus shell is available in black, white, pebble grey, signal grey and anthracite with a choice of sled base, four legs in steel or wood (stacking), or as bench seating.

Its ergonomic design is comfortable and durable over an extended period of time and thus highly suitable for healthcare, aged care and commercial environments.

KEZU is a distributor of contract furniture, featuring some of the world’s most respected companies and designers. For more than two decades KEZU has been the go-to destination for those in the health care industry seeking a better seating solution for their patients.
PCPA The Private Practice ‘Comprehensive’ and Growth Strategies Workshop
Friday 29 April – 1 May 2016
Sheraton on the Park, 161 Elizabeth Street, Sydney
Advanced Wealth Planning Workshop
Saturday 28 – Sunday 29 May 2016
The Grace Hotel, Sydney, 77 York Street, Sydney
EVENTS

Advanced Wealth Planning Workshop
Saturday 28 – Sunday 29 May 2016
Pullman On The Park, 192 Wellington Parade, Melbourne
The Private Practice ‘Comprehensive’ and Growth Strategies Workshop
Friday 3 – Sunday 5 June 2016
Marriott Hotel, Brisbane
EVENTS

Transition to Retirement and Succession Planning Workshop
Saturday 18 – Sunday 19 June 2016
The Grace Hotel, 77 York Street, Sydney
Introducing CACHE by Terrance Hunt

Cache has been certified to the Australian AFRDI Rated Load 151 standard for chairs that intend to be used in a public space by people heavier than 100 kilograms.

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