

ESTABLISHING A DENTAL REIMBURSEMENT PLAN FOR YOUR DENTAL TEAM

Question

I have a question regarding the article in your February 2012 newsletter, “*Is It Legal To Waive Deductibles and Copayments?*”

Our doctor gives each employee a \$500 dental benefit each year. If we have any out-of-pocket expense after our spouse’s dental insurance pays, we subtract that amount from the \$500 employee benefit. If our out-of-pocket dental costs exceed \$500 a year, then we pay the balance on our account just as if we were any other patient in the practice.

On our computer ledger the adjustments are posted as “employee annual dental benefit.” We keep copies of all treatment charges and insurance EOBs. We don’t just write off the copayments. They are deducted from our yearly savings/benefit plan.

Is this the proper way to structure an employee dental benefit? Or do we have to pay the copayment to the practice and then have the doctor write us a reimbursement check? We would hate to be audited and learn that we are not doing it right.

Answer

To comply with Internal Revenue Code Section 105, a Dental (and/or medical) Reimbursement Plan must be in writing. The process of establishing a reimbursement plan for employees is straightforward, keeping the following in mind:

- The dental reimbursement plan must be established in writing, must set an annual amount (e.g., \$500), and must identify who it covers. Only employees are eligible in a Sole Proprietorship, LLC, or an S Corporation. Employees and owners are eligible in a C Corporation. The wording of the dental reimbursement plan can be fairly simple:

“The practice of John Doe hereby establishes a Dental Reimbursement Plan in the amount of \$500 each calendar year for dental treatment only. Each full-time employee of the practice is eligible for the \$500 benefit. The employee shall submit to the employer an invoice showing the out-of-pocket expense of the employee for any treatment, at any dental office, up to the annual amount of \$500. The employer will reimburse the employee.”

- Note: the Dental Reimbursement Plan must allow the employee to go anywhere for treatment, even though employees will likely have most of their dental treatment performed in the practice where they work.
- This method should work throughout the United States. However, it is essential for dentists to have their Dental Reimbursement Plans reviewed by their accountant, CPA, and/or attorney.



Dentists may want to consider providing this fringe benefit only to full-time employees. Please also understand, if the employee incurs \$500 in out-of-pocket dental fees in January and seeks reimbursement but then quits your practice in February, the employee cannot be asked to refund any monies. With this in mind, you may want to consider stating in your plan that this fringe benefit is only available for full-time employees who are employed by the practice on the last day of its fiscal year—in most cases, this would be December 31st.

- So, with a Dental Reimbursement Plan, the employee receives dental services just like any other patient and personally pays the copayment (by check or credit card) as required by his/her dental insurance plan. If the employee is not covered by a dental insurance plan, s/he should pay the practice in full for the treatment that was performed. The employee should submit the paid invoice to the practice for reimbursement up to (in this case) a maximum amount of \$500. The end result is that the employee’s ledger looks just like any other patient’s ledger.

To reiterate, this advice is given only for information purposes. Dentists should consult their accountant, CPA, and/or attorney for professional advice to confirm that their Dental Reimbursement Plan adheres to IRS Code Section 105. 📖

About the Author

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