

Helping our clients

SURVIVE, RECOVER, GROW THROUGH COVID-19

Medical practices are at the forefront of containing the coronavirus pandemic. However, being forced into bulk-billed telehealth is having a significant impact on cashflow. A quick examination of income and cashflow identifies that doing nothing is not an option. There are 3 areas to be considered; **survive now, plan for recovery and be ready for growth.**

SURVIVAL ACTION ITEMS

1. ATO Administrative Concessions

Defer all ATO payments, access credits faster

- Key ATO administrative concessions for businesses impacted by COVID-19 include:
 - Deferring by up to four months the payment date of amounts due through
 - Business Activity Statement (including PAYG Instalments)
 - Income Tax assessments
 - Fringe Benefits Tax (FBT) assessments
 - Excise
- Allow businesses on a quarterly reporting cycle to opt into monthly GST reporting in order to get quicker access to GST refunds they may be entitled to.
 - Changing your GST reporting cycle does not mean you have to change your PAYG Withholding reporting cycle.
 - However, once you choose to report and pay GST monthly you must keep reporting monthly for 12 months before you can elect to revert to quarterly reporting.
- Allowing businesses to vary Pay-As-You-Go (PAYG) Instalment amounts to zero for the March 2020 quarter.
 - Businesses that vary their PAYG Instalment to an amount that reflects the new reality can also claim a refund for any excess instalments paid for the September 2019 and December 2019 quarters.
- Remitting any interest and penalties, incurred on or after 23 January 2020, that have applied to tax liabilities.
- Please note employers will still need to meet their ongoing super guarantee obligations for their employees.

2. Coronavirus SME Guarantee Scheme

Securing extra funds just in case

- This Scheme is designed to provide working capital support to SMEs (businesses with a turnover of less than \$50 million) to get through the impact of the coronavirus.
- Under the Scheme, the Federal government will guarantee 50% of new SME unsecured loans issued by eligible lenders up to the value of \$250,000. This effectively represents a guarantee of \$125,000.
- The government will encourage lenders to provide facilities to SMEs that only have to be drawn if needed by the SME, and will remain available into the future, with interest only on the funds that are drawn down.
- The Scheme will commence in April 2020 and loans will be made available by participating lenders until 30 September 2020.
- The loans will be made under a term of three years with an initial six-month repayment holiday.
- No assets will be required as security for these loans. These conditions apply only to new loans, not refinanced loans. No fees will be payable on the establishment of the loans.

3. Boosting cash flow for employers

Providing up to \$100,000 to eligible SMEs, and not-for-profits (including charities) that employ people, with a minimum payment of \$20,000

- Cash Boost Payment (made March to June) Maximum payment: \$50,000, Minimum payment: \$10,000 per quarter.
 - Eligible employers will receive a refundable credit of up to \$50,000 (minimum of \$10,000) for the following activity statement periods: March, April, May and June 2020.
 - The amount of \$50,000 is the maximum credit payment in total over this period and will be applied as a credit to the employers' integrated client account with the Australian Taxation Office (ATO).
 - The credit is broadly calculated as 100% of the PAYG withholding tax liability amount for the relevant activity statement period (or 300% of the March 2020 PAYG withholding tax liability for monthly lodgers).
 - Additional Payment (made July to October 2020) Maximum payment: \$50,000, Minimum payment: \$10,000.
 - Eligible employers will receive additional payments equal to the total of all Cash Boost Payments they have received up to a maximum of \$50,000.

4. Review and negotiate fixed costs

- Talk to your landlord to negotiate rent.
 - If you are in a shopping centre, you will be heavily impacted by COVID-19. Talk to your landlord to negotiate monthly payment or agree on increased rent to recoup payments when things go back to normal.
- Talk to your bank to negotiate or stop loan repayments.
 - Don't make changes unless you absolutely need to. This is done either by extending your loan for 6 months or capitalising interest.

5. JobKeeper payments to remain engaged with your employees

The JobKeeper payment will provide cashflow relief to assist employers to retain their employees and financial support to individuals who have been stood down since 1 March 2020.

- The JobKeeper payment of \$1,500 per fortnight per eligible employee will be paid to eligible employers for up to six months.
 - The payment will be made in respect of employees who were on the books at 1 March 2020, have been retained and continue to be engaged by the employer.
 - Full time and part-time employees, including stood down employees will be eligible to receive the JobKeeper payment. A casual employee that has been with their employer for at least the previous 12 months will also be eligible.

- Eligible employers are those with an annual turnover of less than \$1 bn who have had a 30% or more reduction in revenue from 1 March 2020. If you're newly opened there are special rules for you.
- Reduction in revenue will be tested over a minimum one-month period post 1 March 2020 and will be relative to a comparative period a year ago.
- Eligible employers include companies, partnerships, trusts, sole traders and not for profit entities including charities.
- The JobKeeper payment will be made to eligible employers even where their business is in hibernation.
- Every eligible employee must receive at least \$1,500 per fortnight from this business before tax.
- Eligible employees include Australian residents, New Zealand citizens in Australia who hold a subclass 444 special category visa and migrants who are eligible for JobSeeker Payment or Youth Allowance (Cth).
- JobKeeper payments will be delivered to employers through the ATO. Payments to employees are likely to be processed through single touch payroll. Monthly updates will be required to be provided to the ATO.
- Businesses are not required to pay the superannuation guarantee on any additional wage paid because of JobKeeper payments, although they may so choose.

6. Make decisions fast

It is not going away, you need to act now. The longer you ignore, the bigger problems you will face.

- If it is not viable to stay open, perhaps you need to seriously consider closing for a while.
- If you chose to close remember your obligations under any employment awards.
- It is a perfect time to be more innovative, think outside of the box. Many hospitality businesses quickly changed their business model and started providing new services.
 - Explore different options to provide online script services or using virtual assistance for taking your clinical notes.
 - The temporary telehealth number may disappear after 30 September 2020, but improving patient care offerings and internal processes will improve overall operation efficiency.



RECOVERY ACTION ITEMS

1. Prepare and monitor your cashflow forecasting

All payments have been deferred but you need to pay it in the future.

- Review (and re-review) current trading budgets.
 - Budgets and forecasts will quickly become out of date in the current environment. Re-forecast regularly, taking account of supply chain constraints, revenue impacts, exchange rates, and headcount.
- Prepare an assumption driven, integrated three-way financial model.
 - Carefully review and test all assumptions and undertake extensive scenario analysis focused on downside exposures. Integrated models can easily be updated on changing assumptions, making them ideal tools for uncertain times.
- Review cost base
 - Understand fixed and variable costs and model scenarios to test flexibility.
- Employee obligations
 - Model staff costs in detail to identify any flexibility in employment costs. Factor in the JobKeeper payments.
- Assess forecast cash flow on a daily basis.
 - Carefully monitor daily cash receipts and payments and reforecast accordingly.

2. Utilise increasing instant asset write off to minimise tax in 2020.

Eligible businesses will be able to immediately deduct the cost of eligible assets costing less than \$150,000 on assets installed before 30 June 2020.

- Access to this concession is available for businesses with a turnover of less than \$500m.
- The concession will apply to new and second-hand assets, but not all assets will qualify.

3. Utilise business incentives to minimise tax in 2020 and 2021.

As well as the above, businesses will be allowed accelerated 50% depreciation in addition to existing depreciation.

- This applies only to new assets acquired after 12 March 2020 and installed before 30 June 2021. This is only available to businesses with an aggregated turnover of less than \$500m.

4. Review the top 3 challenges during COVID-19 crisis and turn it into opportunities.

COVID-19 highlighted areas that need improvement. Once addressed, these become your strength which will lead you to opportunities to grow.

- COVID-19 telehealth has highlighted the importance of MBS. Take time to learn it to bill better. When things go back to normal, you will still enjoy the benefits of knowing MBS.
 - Work with your healthcare professional network. COVID-19 doesn't stop your role in better health outcomes for patients.
 - It is more important than ever as more people will be suffering from mental health. Reach out to them, let them know you are available to provide the services that your patients need.

GROWTH ACTION ITEMS

1. Assess practice capability

There are 6 core principles in the Practice Management Framework based on Australian Association of Practice Management. [Surviving through COVID-19 will help to clarify your starting point to improve your practice operation.](#)

Strategy, Vision, and Goals

We recommend concluding the project with a workshop to achieve maximum benefit after completing practice capability assessment. Our experience shows that inviting independent consultants can create a non-necessary discomfort and conflicts in a practice environment if the purpose and results of the project are not communicated.

We can design the workshop, in 3 different levels; owner only, practice management, and admin and clinicians. During this workshop, you will be guided to set key performance targets for your practice and each team to track your progress. Following the workshop your team will be provided with a written report summarising the strategic objectives, measures and action items with priority to monitor success of your progress.

Depending on your needs, we continue to provide and facilitate on-going support to implement required changes to achieve the desired outcome.

Operational Efficiency & Information Technology

Investing in innovation and technology can attribute to minimising wastage of human resources and error. Implementing suitable technology can streamline internal admin process to allow more staff time to be utilised for better patient care. This also enables maintaining regulatory standards for reporting, compliance and risk control.

The RSM health team can conduct a comprehensive review of current systems with written recommendations on:

- Digital review
- Implementation plan
- Review data security measures and policies
- Recommendations on cyber insurance options to consider

Human Resources

Having high-quality team leadership and management is crucial. This includes having well-established HR functions including internal communication, on-boarding & off-boarding procedure, contracts, job descriptions, performance review, and development program. This ensures the capability of your team to deliver high-quality patient care for a loyal patient base without requiring supervision and control.

The RSM health team can review your current HR systems & processes including:

- Review employment contracts including share debt recovery
- Review wages costs including annual and overtime
- Review job descriptions for admin and clinicians
- On-boarding and off-boarding process
- KPIs and Performance management
- Recruitment process

Culture & Patient Care

Your team creates your practice culture which has a direct impact on patient care. Having a healthy and positive culture encourages staff wellbeing, teamwork, initiative, innovation, strong ethics and resulted in high-quality patient-centred care. Improving interactions between practice nurses, admin staff and receptionists has a significant impact on the quality of patient journey and experience.

We conduct staff utilisation analysis to uncover areas for improvements. This will provide guidance for practice leadership and management to enable the capability of your team to deliver high-quality patient care for the patient base without requiring supervision and control.

We also conduct patient data analysis to facilitate preventive patient health care by utilising practice nurses and allied health professionals, such as pathologists, physiotherapists, other specialists. This not only increases quality of patient care but also assist practice to be proactive in managing appointments, staff allocation, and billings.

Accountability and Risk

Having well-established relationships and procedures within the practice and allied health professionals will enhance the quality of personalised care for patients and minimises medical risk. It also enables the provision of effective and efficient team care for both practitioners and patients, maintaining WHS standard and risk control.

The RSM health team can conduct accountability and risk assessment including:

- Governance and management process
- Policy and procedure reviews
- MBS Compliance

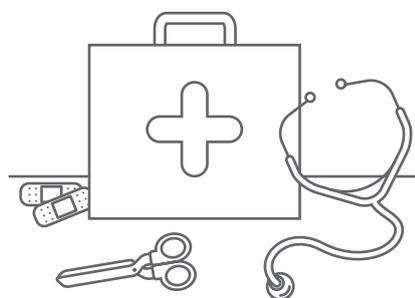
2. Expand your capability to service more patients.

Unfortunately not all of medicals will survive through this tough time.

- Practices that survive through COVID-19 will need to pick up patients left behind from practices that didn't get through the tunnel.
- Work on short-term goals to achieve long-term goals.
 - Address high priority urgent action items first, work with your team and advisers to monitor progress and complete them.
- This is the time to plan and prepare for growth.



For enquiries on this topic, contact Peter Nicol, National Director of Medical and Health Services, on peter.nicol@rsm.com.au



Are you struggling to calculate cashflow assistance for your business?



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