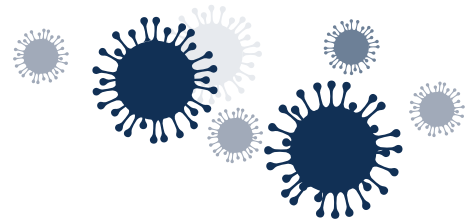


## HENRY SCHEIN DENTAL 5-STEP ROADMAP

### PRACTICE RECOVERY AFTER COVID-19



What we are experiencing is truly unprecedented. COVID-19 will significantly change the way many practice owners manage their practice and dental care in general. Throughout the COVID-19 crisis, Henry Schein has remained committed to providing you with the most relevant information.

Our attention is now focused on helping you recover from the impact of having scaled back operations or office closure due to COVID-19. Our goal is to provide practices with a 5-Step Roadmap to Practice Recovery that will facilitate reopening and scaling practices to achieve pre-pandemic levels of care or better, as rapidly and smoothly as possible. This document is not meant to provide tax, legal, or financial advice. Each practitioner or practice owner needs to consult their own personal advisor to address their unique situation.

Take time as you are getting your practice reopened to get organized. If you haven't already, prepare a list of your key contacts and important practice information so that you have it in one place in case of an emergency. You can use our complimentary template which you can download. [click here](#)

Below is an outline of the steps you need to take. The pages which follow provide more detail on each step.

Step	Action
1.	Evaluate your needs
2.	Immediate Financial Planning (Access CARES loans and other tax credits, and short-term cost reduction measures)
3.	Develop a communications plan
4.	Execute on Plan
5.	Develop a full-year plan to reopen and thrive

#### 1. Evaluate Your Needs

Every dental practice's needs are different. In preparing to reopen your practice or to scale back to pre-pandemic levels, the first assessment should be regarding your financial needs. You need to examine the impact COVID-19 has had on your practice in terms of both revenue and expenses.

##### *How much money do you need?*

The most important question will be "how much money do you need for the next six months?" The amount should be enough to take you from now (or the date that you open) through the six-months that follow. Consider your monthly expenses over the next six months:

- Rent or Mortgage payment
- Utilities (e.g., water, electricity, gas, phone, internet)
- Credit Cards
- Supplies
- Equipment financing/loans
- Personnel expenses
- Personal expenses

If there are any annual expenses or premiums (e.g., annual insurance payment), determine if they can be paid monthly. Now is a good time to re-evaluate expenses. Are there any that can be cut or deferred (e.g., a planned remodel of your waiting room; filling an open position)?

Expenses are only one half the equation. You need to similarly calculate sources of revenue and money coming in. Consider your:

- Cash on hand
- Estimated revenue as you start working again
- Estimated collections (patients and insurance) from previous work

The following is an example of a calculation for a fictitious practice.

Expenses	Per Month	# Months	Total
Mortgage	\$ 7,500	6	\$ 45,000
Utilities	\$ 1,750	6	\$ 10,500
Credit Cards <sup>†</sup>	\$ 2,000	3	\$ 6,000
Supplies <sup>††</sup>	\$ 2,167	6	\$ 13,002
Loans <sup>†††</sup>	\$ 6,500	4	\$ 26,000
Personnel Expenses	\$ 11,750	6	\$ 70,500
Personal Expenses	\$ 11,000	6	\$ 66,000
	<b>\$ 42,667</b>		<b>\$ 237,002</b>
Contingency			<b>\$ 11,850</b>
<b>Total</b>			<b>\$ 248,852</b>

Sources of Money	Per Month	# Months	Total
Bank Balance	\$ 55,000		\$ 55,000
Estimated Revenue	\$ 7,500	3	\$ 22,500
Estimated Collections			\$ 25,000
			<b>\$ 102,500</b>
<b>Practice Need</b>			<b>\$ 146,352</b>

<sup>†</sup> Only charging things during 3 months when busy

<sup>††</sup> 1 month \$0; 2 months \$500; 3 months \$4,000

<sup>†††</sup> Only 4 payments left on loan

The net of the expenses and sources of money is the net shortfall or money the practice must find to cover costs. There are several ways to address the shortfall. One way is to look to cut expenses further, the other through alternative sources of funds, such as loans.

## 2a. Expense Reduction

When looking at your shortfall, before applying for loans you should look at other options for reducing expenses. The easiest cost reductions are those that don't impact people, involve contracts and long-term commitments.

### Negotiate

It is worth having a discussion with your creditors. Many creditors will negotiate with you. It is worth asking. For example, reach out to your:

- **Landlord** – negotiate monthly rent reduction. Henry Schein works with CIRRUS, a company that specializes in lease negotiations.

[Cirrus through Henry Schein](#)

- **Mortgage Company** – ask for a rate reduction especially if your rate is much higher the current market rate (or refinance).

- **Credit Card** – many companies will work out a payment schedule if you are having difficulty making payments. Or get a credit card with a 0% interest rate for new purchases.

[www.henryscheincreditcard.com/offer](http://www.henryscheincreditcard.com/offer)

### Delay Spending

If there were planned expenditures for the office that are not necessary in order to run a safe office or provide quality care to patients, consider putting them off.

### Employee Cost Reductions

These cost reductions are obviously more difficult, but salaries and benefits make up a large percent of your expenses.

- **Hiring freeze/pause** – one of the easier choices is to freeze filling open positions.
- **Suspending 401K matches** – While you are cutting a form of compensation, it's long-term compensation and the impact is not as immediate as a reduction in salary.
- **Delay/freeze compensation adjustments** – Either delay salary increases or freeze salaries with no increase for a period of time to preserve company funds.
- **Furloughs (Voluntary and Involuntary)** – In a furlough, an employee is relieved of their work for a defined period of time either at a reduced rate of pay, reduced hours, or no pay. Workers maintain their employment status and generally do not forfeit their length-of-service credit.
  - **Voluntary** – typically short-term, used for talent retention
  - **Involuntary** – used to achieve immediate savings while maintaining impacted employees

This guidance is for non-exempt and exempt employees. legal counsel and the Dept. of Labor Guidance are recommended.

<https://www.dol.gov/agencies/whd/fact-sheets/70-flsa-furloughs>

## 2b. Immediate Financial Planning (Access to CARES Act Loans\* and other Tax Credits) and Short-Term Cost-Reduction Measures\*

Early in the COVID-19 Pandemic, the Federal Government made federally guaranteed loans available to small businesses, including dental and medical practices, through the Small Business Administration (SBA). The goal was to help small businesses through this difficult financial period created when they were mandated to close. There are several different types of loans and tax credits available and you

should speak with your accountant or financial advisor to determine which is best for your particular situation.

The chart below summarizes the various loans and tax credits that are available and is followed by more detailed descriptions of the various programs along with the URL to apply for the program.

### Available CARES Act Loans and Tax Credits

(as of 4/20/2020. Refer to [www.henryscheindental.com/CARESAct](http://www.henryscheindental.com/CARESAct) for latest updates)

Program	Features	Loan Size/ Term	Other
<b>Economic Injury Disaster Loan (EIDL)*</b>	<ul style="list-style-type: none"> <li>• Advance of \$10K (no pay back)</li> <li>• Up to \$2M loan</li> <li>• Cover payroll, rent or mortgage, other expenses</li> </ul>	<ul style="list-style-type: none"> <li>• Up to 30 year terms</li> <li>• 3.75%</li> <li>• Up to \$2M</li> </ul>	
<b>Paycheck Protection Program (PPP)*</b> (Subject to funds availability)	<ul style="list-style-type: none"> <li>• Business &lt; 500 employees; includes self-employed and independent contractors</li> <li>• 8 weeks. Payroll &amp; benefits. Maximum 2.5x average mo. payroll &lt; \$10M</li> <li>• Covers rent, mortgage, interest on debt (pre-2/15/20), and other business expenses</li> <li>• May be fully forgiven depending on timing and use of funds (75% must be for payroll and must retain employees)</li> </ul>	<ul style="list-style-type: none"> <li>• 2-year term, no prepayment penalty</li> <li>• 1.0%</li> </ul>	<ul style="list-style-type: none"> <li>• Good faith certification impacted by COVID-19</li> <li>• Expenses between 2/15/20–6/30/20</li> <li>• Maximum one loan per person</li> <li>• Excludes Payroll over 100k /yr., Fed Tax, withholding, non-resident</li> <li>• &lt;25% of forgiven \$ may be for non-payroll costs.</li> <li>• Documentation—wages, time off, withholding, 1099, health premiums, retirement plan funding</li> <li>• Forgiveness for full-time headcount, salaries, wages</li> <li>• You have until 6/30/2020 to restore full-time employees and salary changes made 2/15/20–4/26/20</li> <li>• Certify employee retention and how to spend \$</li> </ul>
<b>Deferred Social Security Tax*</b>	<ul style="list-style-type: none"> <li>• Defers employer share of payroll tax (Soc. Sec. tax) until 12/31/20.</li> <li>• Pay deferred tax over two years: half by 12/31/21; half by 12/31/22. N/A if loan forgiven under PPP.</li> </ul>		<ul style="list-style-type: none"> <li>• Either/or to SBA loan. Cannot take both deferral and SBA loan (e.g., PPP or EIDL)</li> <li>• Employer typically pays 6.2% of Social Security tax</li> <li>• Speak to your accountant</li> </ul>
<b>Employee Retention Credit*</b>	<ul style="list-style-type: none"> <li>• Payroll tax credit for 50% of \$5K credit per employee</li> <li>• Can get refund if paid taxes</li> </ul>		<ul style="list-style-type: none"> <li>• For wages paid 3/13/20 – 12/31/20</li> <li>• Not available if took PPP loan</li> <li>• For businesses impacted by COVID-19 (Gov. shut-down, large. receipt decline)</li> </ul>
<b>Existing SBA Loan Relief*</b>	<ul style="list-style-type: none"> <li>• For existing SBA borrowers</li> <li>• SBA will cover loan payments including principal, interest, and fees for six months</li> </ul>		<ul style="list-style-type: none"> <li>• Need to retain employees and payroll levels</li> </ul>

If need to take out a loan (or loans) you should review your options and determine which loan, tax credits, or combination will get you to where you need to be.

### **Economic Injury Disaster Loans (EIDL)\***

Eligible entities have been expanded to include sole proprietorships. Working Capital Loans up to \$2M to offset temporary loss of revenue.

- May request \$10K advance
- Loan advance in 3 days
- Up to \$2M
- Funds for payroll, rent/mortgage, fixed debt, accounts payable, or business expenses
- Loan advance (up to \$10K) doesn't need to be paid back
- 3.75% interest rate
- Up to 30-year repayment term

To apply: <https://covid19relief.sba.gov>

### **Paycheck Protection Program (PPP)\***

Businesses with 500 or fewer employees are eligible. Self-employed individuals and independent contractors are eligible as well. Must sign a good-faith certification that business has been impacted by COVID-19.

- Expenses must be incurred between 2/15/20 and 6/30/20
- Maximum of 2.5x average monthly payroll up to \$10M
- For purposes of calculating the loan, payroll costs capped at a salary cost of \$100k (on an annualized basis) per employee
- 6-month deferral of payments, 2-year term, no prepayment penalty
- 1% interest
- Loans fully forgiven if used for payroll, mortgage interest, rent, and utilities. Goal to retain workers (Not more than 25% for non-payroll costs)
- Requires a substantial amount of documentation on wages, time-off, withholding, 1099, health premiums, and retirement plan funding to support

[www.henryscheindental.com/caresact](http://www.henryscheindental.com/caresact)

### **Deferred Social Security Taxes\***

Allows employers and self-employed individuals the ability to defer payment of the employer share of the Social Security tax that they are otherwise responsible for paying to the federal government. It is an alternative to the SBA loan.

- Employer is generally responsible for 6.3% of Social Security taxes
- Deferred payment is to be repaid over 2.5 years; half by 12/31/21 and remaining half by 12/31/22
- Alternative if practice does NOT plan on taking government SBA loan
- Payroll taxes may not be deferred if entity has a loan forgiven under the Paycheck Protection Program

Talk to your Accountant or Tax Advisor if leveraging this approach.

### **Existing SBA Loan Relief\***

For existing SBA borrowers, SBA will cover all loan payments on these loans, including principal, interest, and fees for six months. You need to retain your employees and payroll levels.

- Relief for SBA loans that were incurred before 2/15/2020
- Available on a prorated basis based on layoffs or reduction in wages in excess of 25%
- Conditional upon retaining at least 75% of employees and payroll levels
- Only helps if you have an existing SBA loan

Speak to your account/tax advisor. Contact your current SBA loan provider for information.

### **Employee Retention Credit\***

Payroll tax credit for 50% of wages by employers to employees capped at \$10k, resulting in a maximum credit of \$5k per employee. Refundable tax credit so you can get a refund regardless of whether you have paid taxes.

- Qualified wages and health plan expenses paid or incurred by the employer for health coverage up to \$10,000 x 50% (i.e., maximum of \$5,000 per employee)
- For wages paid 3/13/20 to 12/31/20
- Eligibility based on shut-down due to COVID-19 (government order), gross receipt decline by 50% or more quarter vs. quarter in '19 until exceeding 80% relative to same quarter prior year or 12/31/20
- For employers with 100+ employees, wages limited to those paid to employees not providing services due to COVID-19. If <= 100, wages paid to all employees
- Credit not available if getting PPP loan

## Other Sources of Funds

### Henry Schein Financial Services (HSFS)

Henry Schein Financial Services offers a range of flexible loans\*\* and financial products that can be helpful during this difficult time. We can match you to the right product and lender for your situation. We offer: Working Capital Loans, Equipment and Technology financing and leasing, Merchandise financing with discounts for Thrive Members, Cash-Out Refinancing, and the Henry Schein MasterCard\*\*\* with a \$250 statement credit<sup>1</sup> when you make your first purchase in the first three billing cycles (must apply by July 31, 2020) and 0% interest<sup>2</sup> for the first 6 billing cycles. Speak with your Field Sales Consultant or call 1-800-853-9493 for information.

### Other Assistance for Staff Members

If you have had to layoff staff or cut back hours, your staff may be eligible for government assistance.

### Temporary Federal Pandemic Unemployment\*

This program expands unemployment insurance benefits to include self-employed and part-time workers who cannot work because of COVID-19. Base unemployment per state plus an extra \$600 per week with no first-week waiting period. 13 extra weeks of unemployment through December 31, 2020. Establishes a new short-term compensation plan where employers can reduce hours instead of doing layoffs and employees can receive prorated unemployment benefits.

- Fully federal government funded additional \$600/week from April 5, 2020 until July 31, 2020 in addition to state benefits
- Eliminates one-week waiting period
- Covers part-time workers
- Employees who quit for Coronavirus related reasons can qualify for benefits
- Covers those who contract the virus or must leave the job to care for family members and those who are furloughed

### Retirement Plan Provisions\*

Waives early withdrawal penalties on distributions up to \$100k from qualified retirement accounts (e.g., 401K) in addition to tax relief for such distributions.

- Flexibility on loans from qualified plans
- Waives minimum distribution rules
- Modifies deduction limits for charitable contributions

## Student Loan Support\*

Suspension of all payments of student loans until September 30, 2020 without interest accrual. Suspends involuntary collection activity and suspended payments are treated as regular payments for reporting.

- Only federal student loans
- Excludes employer student loan repayment from taxable income up to \$5,250

\*\*\* Subject to credit approval and not all will qualify.

### Henry Schein Credit Card Terms and Conditions

Please see the [Summary of Credit Terms](#) for important information on rates, fees, costs, conditions and limitations. Minimum monthly payments are required.

**You must pay your entire statement balance (including all promotional purchase and balance transfer balances) by the due date each month to avoid being charged interest on new purchases from the date those purchases are made, unless your new purchases are subject to a 0% interest rate.**

### IMPORTANT INFORMATION

<sup>1</sup> For additional information about Annual Percentage Rates (APRs), fees and other costs, see [Summary of Credit Terms](#)

<sup>2</sup> See the Rewards Terms and Conditions in the [Summary of Credit Terms](#) for details, including earning, redemption, expiration or forfeiture. Your % back rewards are earned as points. Cash back applies to points redeemed for an ACH deposit to savings/checking account, a statement credit or a check.

In addition to the above, you will earn a \$250 statement credit after the first purchase is posted to the Account within the first 3 consecutive Billing Cycles after the Account is opened and in good standing. Please allow 6-8 weeks after you qualify for this statement credit for the statement credit to be applied to your credit card account. "Billing Cycle" is the interval between the days or dates of your regular Account billing statement whether or not you receive an Account billing statement. Your entity can only earn one bonus, regardless of the number of cards or card users.

Cards are issued by First Bankcard®, a division of First National Bank of Omaha, pursuant to a license from Mastercard International Incorporated. Mastercard is a registered trademark, and the circles design is a trademark of Mastercard International Incorporated.



### 3. Develop Your Communications Plan

Communication is very important and hopefully, you've been communicating with your employees and patients since the COVID-19 pandemic began. If you haven't been it's not too late. You should develop a plan as soon as possible.

If you have furloughed any employees, then you need to communicate with this group separately from the employees who you have retained. Their communication

needs are different. For each group you need a separate plan, effective their information needs which will drive:

- **Why** you are communicating (e.g., reduce fears)
- **What** to communicate to them (e.g., reopening office with hours)
- **When** to communicate (e.g., monthly, before reopening)
- **How** you will communicate (e.g., email, phone, direct mail, text)

Below you will see the three groups along with messages that each will need to have addressed.

Retained Employees
<ul style="list-style-type: none"> <li>• When will the office reopen?</li> <li>• Emergency coverage</li> <li>• Steps being taken for employee safety</li> <li>• Office operational changes</li> <li>• Job security</li> </ul>

Impacted Employees
<ul style="list-style-type: none"> <li>• Why let go/furloughed? Effective date?</li> <li>• Severance, if any? Benefits? Support?</li> <li>• Referrals</li> <li>• Inquire about COVID-related issues employee is going through and provide guidance</li> </ul>

Patients
<ul style="list-style-type: none"> <li>• When will the office reopen?</li> <li>• Status of pending procedures?</li> <li>• Steps being taken to ensure safety and health during and after crisis</li> <li>• Emergency support after crisis?</li> <li>• Scheduling emergency? After crisis?</li> </ul>

Your first step should be to create a communication plan outlining your objectives for each group along with the key messages, the frequency of communication and the channels that you plan to use. Regardless of the plan you establish, as new information becomes available, the plan may evolve and change.

You can also use this as an opportunity to reactivate patients who have not been to you for a check-up in a while. Send them an email highlighting your new protocols for health and safety and include an offer to increase the likelihood they will reengage.

### Practice Recovery Communication Plan

	Retained Employees	Impacted Employees	Patients
Communication Objectives:			
Message(s):			
Frequency/Trigger(s):			
Channel(s):			

## 4. Execute on Your Plan

### *New Safety Protocols*

Preparing to reopen must include developing new protocols to ensure the health and safety of your staff and patients. Patients may be fearful of venturing into your practice unless they feel that you have taken adequate steps to ensure their safety.

- Develop and implement new health and safety protocols for your practice(s). Refer to: <https://www.henryschein.com/COVID19ResourceCenter>
- Train your staff on the new protocols
- Communicate new protocols to patients via email
- Post the new protocols on your website

You should also create and communicate patient pre-visit guidelines for them to follow. When patients see that there are new guidelines in place, they will feel more secure and comfortable coming back to your practice. (i.e., “if you are experiencing any symptoms such as cough, fever, shortness of breath, please contact our office before coming”).

### *Consider other changes*

Based on lost practice hours and to make your practice more accessible, you may consider extending your hours or opening the practice on alternate Saturdays. This will help patients who cannot leave work, potentially attract new patients, and allow you to put more time between appointments so that patients feel safer.

### *Practice Start-up Checklist*

If your practice has been shutdown completely due to either a planned or unexpected closure, you need to follow guidelines regarding how to bring your practice back on line in a way that is safe and efficient. By following suggested protocol, you ensure that your equipment will be operating correctly and when you are ready to see your first patient everything will run smoothly.

**Practice Start-up Checklist After an Unplanned Extended Closure** [click here](#)

**Practice Start-up Checklist After a Planned Extended Closure** [click here](#)

If the practice was not shutdown while you were away for an extended period of time, you should still run some diagnostics to protect your investment in equipment and technology. Please refer to the

**While You Were Out check list** [click here](#)

### *Send Mass Email Communication*

Announce that you are open again receiving non-emergency patients. If you are modifying your hours that's more good news to announce, as is information about disinfecting your practice by ADA and OSHA guidelines and new safety procedures that have been put into place to ensure their safety and well-being. Make sure that your patients know this information so that they will feel comfortable coming back.

### *Optimize Your Appointment Schedule*

Based on the recent disruption that was created by the COVID-19 isolation it will be important for your practice to take all the necessary steps to effectively reschedule canceled appointments and get your patients back into the practice.

1. Rebook all appointments that were canceled as a result of the shutdown
2. Reach out to all patients on your “short notice” list to fill opening in the schedule
3. Identify all patients that are in the middle of treatment and make these patients a priority (e.g., patients that may have a temporary crown, ortho patients that may need wire changes or new aligners). Make building your schedule a priority and part of your daily routine. Especially prior to opening to patients, have your staff make calls to patients to set up appointments and build their (and your) schedule. Start to call upcoming appointments that were made pre-COVID-19 to let them know you are open and to remind them of their appointment. Let them know about the changes you have made to ensure their safety. If they cannot make the appointment, reschedule them and fill that time slot.

## 5. Reopening Plan

You are now prepared to reopen your practice which is a major milestone. But in order to regain lost ground, recover revenue and create momentum, increase profitability and continue practice growth, there are several critical steps that must take place. Henry Schein Field Sales Consultants will work with you to develop customized goals and strategies, as well as to create a full-year plan to build your practice.

**1. Set goals** – identify targets that you need to achieve in set periods of time (e.g., revenue, expenses, new patients each by month or quarter) so that you can get the practice back to where it was in a set amount of time.

**2. Develop a strategy** – Once you have set your goals, you need to devise a strategy for achieving them. For example, if the goal is to achieve a specific level of revenue, there are multiple ways of reaching it. You need to identify whether it will be a certain mix of procedures or bringing in more new patients.

**3. Prepare a full-year plan** – This is where you need to get to the specific details as to how you are going to achieve your goals. The plan should identify what actions you are going to take and when. What marketing activity will you invest in? How much will you invest and when? What is the expected return in terms of new patients? What supplies do you need to order and when will you pay for them? The plan needs to indicate both revenue coming in and expenses being paid.

The plan needs to serve as a guide for you and your staff so that you can track how you are doing compared to the plan. If you are behind, you will need to make adjustments by either reducing expenses or increasing revenue as the year progresses.

### Recovery Tools

There are a number of tools and resources available to help you assess where you are, set your goals, develop strategies, and to rebuild your practice. Your Henry Schein Field Sales Consultant can assist you. These are just some of the products and services that we offer.

- **Henry Schein Practice Analysis (HSPA)**

The Henry Schein Practice Analysis enables you to identify opportunities within your practice to improve production and increase revenue. With your Henry Schein Field Service Consultant, you then set and prioritize production goals and business solutions to meet those

goals. Practices that use the HSPA uncover an average of \$90,000 in additional production growth opportunity. And the Practice Analysis review is complimentary.

- **Discount and Recovery Programs**

Henry Schein is offering a number of special discounts and other programs to help restart practices and to help you recover from COVID-19 related issues and loss of revenue. Your Henry Schein Field Sales Consultant has access to these programs, tools, and discounts. Your Consultant can help you put a plan in place to meet your specific needs.

\* The information contained herein is intended to be informative in nature, and is not intended to be a substitute for professional advice. The information was obtained from sources we believe to be reliable, but is not guaranteed. This situation is dynamic and continuing to change daily. Henry Schein does not undertake any obligation to update or revise any statements contained herein, or correct inaccuracies whether as a result of new information, future events, or otherwise. Dental and Medical Professionals must make their own business decisions and may wish to seek professional advice before acting with regard to the subjects mentioned herein. Nothing contained herein should be treated as legal, business, accounting, international, insurance, tax, financial or other professional advice.

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