

Chapter 12:

Bookkeeping, Taxes and Computers

You will also find good bookkeeping methods essential for working with your accountant and other advisers.

Bookkeeping

In order to monitor the financial health of the dental practice, you have to keep a record of these transactions. Today, computerized bookkeeping systems (like QuickBooks Financial Software), can track, organize, calculate and even forecast the finances of the dental practice. Some of these systems also bill patients; customize messages for patients; bill insurance companies; produce accounting reports, track patient treatment; and other tasks.

Select a bookkeeping method that is easy to understand, provides the complete and concise information you need to prepare accurate tax records, guards against theft and employee error and helps you assess your personal financial progress. You will also find good bookkeeping methods essential for working with your accountant and other advisers.

Pegboard systems

Pegboard systems, available through professional office supply companies and other sources, are very popular bookkeeping systems for dental offices. They have been perfected over many years by companies that are experts in the field of dental bookkeeping. The possibility of error is reduced because a pegboard system is a “one-write” system, in which one entry creates several copies of the record.

Elements of the pegboard income system

1. A day sheet (or log) covers the financial activity of a single day, including patient list, description of services, charges payments and balances due.
2. Patient ledger cards comprise a history of transactions within a single patient file.
3. A receipt/route slip includes a memo to be transmitted from the dental operator to the business office. It constitutes both a receipt and appointment record for the patient.

Optional additions to the pegboard income system are a bank deposit slip and business analysis summary.

The pegboard system to record practice expenses includes a business checkbook, a listing of expense categories and a check register.

Billing ledger card system

Another system utilizes billing ledger cards that itemize each patient or family account and specify date, service rendered, charge, payment and balance owed. These facilitate billing your patients monthly with statements containing the information posted on their ledger cards.

Types of ledger card systems

1. Traditional ledger card — information is handwritten or typewritten.
2. Photocopy ledger cards — used with a photocopier. If you anticipate using a photocopy system, use photocopy ledger cards now, even if your assistant must prepare the statements by hand. This way, you avoid remaking the ledger cards when you do obtain a photocopier.
3. Multicopy ledger cards — NCR (no carbon required) paper used.

Other billing tips

Use window envelopes to save the time of addressing envelopes. Enclosing a reply envelope with a statement is a courtesy that has been proven to pay its way in improved patient relations and collections.

Keep accurate expense records

1. Pay every bill by check and pay only from an invoice. This way your canceled check and invoice serve as dual records of any transaction.
2. Record both the check number and the date on the invoice. File the invoice in an A-Z accordion file labeled by payee's name. If you need to refer to a particular expense item, simply consult your alphabetical file, where your check number and date will be cross-referenced.
3. When paying wages, remember to itemize all deductions for federal income tax, social security, state/local income tax, as well as any fringe benefit categories for which your employees are charged. List these as legitimate business expenses.

4. Arrange for your bank to issue your bank statement at the *end* of each month, to simplify the monthly checkbook reconciliation.

5. On a monthly or quarterly basis, subtract the total expenses recorded in your expense (outgo) system from the total income noted in your income system. The balance is net income. This income statement will help you gauge your financial progress and estimate income tax liability.

Other Funds

Petty cash

The petty cash fund is a resource that allows the practice to meet small daily expenses. Generally, \$25 to \$50 in small denominations will be sufficient. A person authorized to spend petty cash should take an amount sufficient to buy the item, returning any change and a dated receipt equal to the amount of the purchase. At any time, the total of money and receipts in the petty cash box should equal the sum originally placed there. To replenish petty cash, write a check equal to the amount of the receipts in the box, placing the receipts in a monthly receipt envelope.

Change funds

More and more dentists encourage their patients to pay for treatment at the time it is provided. This helps save time and money in billing costs and, in the long-run, helps keep the cost of dental treatment down.

The change fund enables you to make change for those patients who choose to pay in cash. This fund, like the petty cash fund, should contain a determined amount of cash, in small and varied denominations.

Taxes

When it comes to taxes and their records, a basic rule of thumb is — save everything! Your receipts and records will be invaluable when discussing your practice with your accountant or the Internal Revenue Service. As with legal matters, no manual or guidebook can substitute for the advice of a qualified professional. However, it is

up to you to know your own responsibilities regarding state or city income tax, unemployment compensation tax, employer's head tax and other county taxes.

As the owner of a small business, you may be responsible for filing federal and state income tax estimates quarterly; annual federal and state income tax returns; quarterly federal and state payroll tax deposits; federal and state payroll tax returns; federal and state unemployment tax returns; wage and tax statements (W-2s) annually; federal and state corporate income tax returns; federal and state corporate income tax deposits.

To one degree or another you are liable for each of these potential obligations. This list is by no means complete and you should review your obligations with your tax advisor. Due to the complexity of government regulations, it is often a good idea to arrange a payment schedule with the help of a calendar. All important payment dates should be noted, so you will not omit payment of any of your obligations. This listing should include income tax liabilities as well as your obligations to insurance companies and others to whom you make regular payments.

Tax Records

Retain your records at least until your income tax return's obligation under the statute of limitations expires. Under current law, a good rule of thumb is to retain these records for seven years from the filing or due date, or from the date the tax was paid, whichever occurs last. This includes all receipts, canceled checks, and any other evidence to prove amounts you have claimed as income and deductions.

Records of transactions relating to the basis (value) of property should be kept for as long as they are meaningful in determining the tax basis of the original or replacement property.

Note: Also keep copies of tax returns; they may help you to prepare future returns.

Retain these records for seven years from the filing or due date, or from the date the tax was paid, whichever occurs last.

It is important to understand that an information system and its components are not a one-time expense.

Information Technology in the Dental Office

Today's technology has many applications in dental practice administration. Typically, a practice management system is used for insurance information management, electronic billing, accounts receivable management, scheduling, and treatment histories. Some practices will opt for clinical modules with charting, interfaces for digital x-ray and photographic imaging, while others will use only the most basic hardware and software combinations. There are as many solutions as there are practices.

Not all new practices will have the resources for a top-shelf information system. What kind of office automation offers the best return on the initial investment? That will depend on the practice. A fee-for-service dentist or specialist who has to send supporting narratives and xrays with most claims may not find electronic billing beneficial, so scheduling, accounts receivable, charting, and possibly digital imaging would be more desirable.

Contact Vendors

Selecting the right vendor begins with contacting a number of suitable candidates based on the practice's requirements for system performance and its available resources.

The ADA has an online directory of practice management system vendors and software-related resources at:

<http://www.ada.org/prof/prac/tools/software/index.asp>

The directory contains pricing, contact information, and specifications for over two dozen systems and their vendors.

A smart customer will also investigate the size of each candidate's clientele and the financial health of each vendor. Although there are no guarantees, a financially sound vendor who will be around to support its product when problems arise is most preferable. Another indicator that is growing in relevance is the amount of experience

a particular vendor has with setting up dental practice information systems. This can work to the client's advantage with regard to configuring the system so that the transition process is as smooth as possible.

Many vendors provide a free demonstration of their products in CD-ROM format or as a download from their company website. Use these, but resist drawing any conclusions based on these presentations. The best bet is to obtain a list of clients from each vendor and try to arrange visits to clients in your region.

During the visits, pay attention to the type of practice that is using the system, its patients' demographics, the health plans that the practice bills most often, what the system looks like in action, how easy/confusing it appears, how much the system costs, what hardware is necessary to run it, how does the system handle daily tasks, and how well the system meets any special needs you may have identified. From these experiences, try to determine how well the system might fit your practice.

Be sure to ask about the frequency of hardware and software upgrades and associated costs. Before making the decision to commit to a vendor, it is important to understand that an information system and its components are not a one-time expense. The ADA believes that regular upgrades to both hardware and software are essential and should be figured into any offer sheet. If the annual expense seems too great, it may be wise to consider other options.

What are the other options? For the small practice that does not have the resources for a high-caliber practice management system, there are less expensive choices, such as entry-level practice management systems, stand-alone electronic billing applications, and generic accounting applications. Keep in mind these will need to be upgraded periodically, along with the hardware. It's generally unwise to hang on to a computer longer than about four years; support for older machines becomes harder to obtain as they become more prone to break down. This may seem like a con-

spiracy to siphon money from dentists' bank accounts, but that is simply not true.

Finally, exercise care when signing any vendor service agreement. For guidance on what constitutes a fair service agreement for both dentists and vendors, please call the ADA and ask for the Division of Legal Affairs.

Shopping for Software

The most important feature of any practice management system is not as easily acquired as a powerful server, 17-inch flat monitors, network boxes and cables, or adequately designed software. It is the client's relationship with the developers and distributors of the system that make the system relatively trouble-free or a nightmare.

One of the first steps a practice should take is to assess its needs. In the case of a very small practice, a well-constructed benefits information and claims billing module with a well-made and up-to-date PC can be a very good fit. When assessing a practice's office automation needs, it is reasonable to ask questions like:

- How much time do main providers (dentists and hygienists) spend on administrative tasks that may be automated, and thus free up additional "production time"?
- Is the practice growing faster than the present administrative staff's capabilities? Is there a shortage of space for current patient and financial records?
- What is the most time-consuming task of daily office administration?
- Is the practice currently using an older system? What is good about it? What could be better?
- How technologically literate are the main providers and staff? Do they use computers at home? If yes, how old are the machines? Negative answers to the first two questions will definitely point to a need for a lot of training and handholding; this can be expensive. This is not meant to dissuade potential buyers, but to forewarn them that

implementation costs could be greater than advertised. However, the sooner the staff is accustomed to a new system and using it to full capacity, the sooner the system pays for itself, with increased time for patient care.

- How much disruption would implementing a practice management system cause? This is a difficult question to answer unless the practice has previous implementation experience. The staff's individual experiences with computers at work or at home may help to answer this question.

Dentists researching a potential new system vendor must resist being swept away by sales reps' promises. It is necessary to examine the specifications of the system itself. Most vendors make this somewhat easier by providing free demos. If at all possible, it's an excellent idea to visit a client site to see a system in operation. Many vendors will supply a list of client sites to prospective customers.

The following is a list of smart questions to ask a potential software vendor.

- *Length of time in business?* This can tell the client a little about the actual maturity of the business and its products. Working with a startup company or an established consulting firm that is just getting into the dental practice management market can be more expensive than going to a vendor who has dealt exclusively in dental systems for a number of years. What ends up happening is that the small client base of these consulting firms or startups ends up paying larger portions of the research and development costs. A larger, more established vendor can spread these costs out over several hundred or several thousand clients.

Nevertheless, some specialists and technologically adventurous general dentists will want to explore the possibility of a "customized" system. This can be an effective solution, but it does share the caveat about development costs with startups' and consultants' products. Finding and integrating

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the correct mix of components will no doubt push system costs considerably higher than a more “generic” system.

- *Type of ownership.* Is the company a subsidiary of a larger corporation that deals in dentistry? Is it a “start-up business”? Ultimately, the question is “What actions will the company take if the software is poorly engineered, supported, or marketed?” Will support for the system continue to be available should the vendor go out of business? Is the data stored in an exportable format, allowing it to be converted easily if the necessity should arise?
- *Financial health.* What is the financial health of the vendor? If they are new, are they well funded?
- *User base.* How many people have purchased the system? How many of these clients still use it? Who are they? This can reinforce information from questions 1-3 and provide the potential client with an idea of the company's practices.
- *Market orientation.* What types of users make up the majority of the system's customer base? Specialists, generalists, large multi-doctor practices, small government clinics, etc.
- *Installation base* in the client's particular specialty. How well has the vendor supported practices similar to the client's?
- *Geographic location* of installations, support, and training centers.
- *Product distribution.* How is the product distributed, supported, and trained?
- *Software packages.* What other software packages are sold and supported by the company? Are other software products necessary to operate the system? Some systems need the addition of another independently sold package (beyond an operating system) to maximize their performance. Examples might be a reporting package, or perhaps a non-standard and expensive graphics package.
- *Reporting.* It may be useful to talk to users of several different systems and find out which reports they use the most. In general, it is wise to verify any sales rep's statement about the reporting capabilities of the system with a client. This can help a practice avoid being stuck with a system that does not meet its requirements.
- *Data base management system.* Is the program built on a database management system? Which one? A relational database system is especially desirable for its ability to form the heart of a tightly integrated system and its flexibility in generating reports.
- *Endorsements.* What clinical, practice management, or computer experts have endorsed this product? Researching periodicals that have published recent articles comparing software products can provide some insight.
- *User lists.* Will the vendor provide a user list so the buyer can call someone for a customer's opinion?
- *How difficult is the installation process?* Is it a turnkey system?
- *Customer satisfaction.* Has a customer satisfaction survey ever been performed? What percentage of users responded? What were their responses?
- *Users.* How many users can it handle before major performance degradation occurs?
- *Size.* What is the typical system configuration of this product? This can help to prevent a poor fit between system and practice.
- *Remote access.* Can one access the system from a remote site? This is most convenient for working at home or another remote site, such as a file storage facility for old records.
- *Does it work over a Wide Area Network?* This would allow a multi-site practice to use the same network. Like potential remote users, a multi-site practice that wants to acquire an integrated multi-site network needs to make certain its network connections are

of sufficient bandwidth to ensure a speedy and efficient network.

- *What are the hardware requirements?* Check the vendor's recommendations against the hardware recommendations. "Minimum requirements" from a vendor indicate that the hardware will work on such a system, however slowly; for best performance, follow the vendor's recommendations for optimal performance. Keep in mind that the short-term savings of using older, cheaper, slower, "minimal" hardware will be negated by the increased maintenance and administrative costs of using it, i.e., the inherent slowness, inefficiency, and frequent breakdowns of older equipment pushed beyond its capacity by up-to-date software will end up costing a practice **more** in the long term than purchasing newer, initially more expensive hardware. It will also have to be replaced sooner than newer equipment, especially if the practice wants to stay current with software upgrades.
- *Program language.* What programming language was used? Is it a modern language (e.g., Visual C++)?
- *Software capabilities.* What does the software do? (Charting, Accounts Receivables, Patient Care Management, Payroll etc.)
- *User groups.* Are user groups part of the picture? User groups can meet in person at regularly scheduled intervals or set up a newsgroup with an Internet service provider that allows them to maintain a constant exchange of ideas, pointers, comments, criticisms, warnings, etc. These groups can also be a great supplement to training.
- *Continuing Education.* Does the company sponsor Continuing Education at state or national meetings?
- *Performance.* In its most system-taxing task, how many users can access simultaneously before performance degrades 5%? This is going to be largely dependent on the hard-

ware used; most vendors will state the specifications of hardware used to generate these performance figures. It may be well to take some notes on what other clients of the system are using for their own networks, how old it is, how well it performs, and whether the clients are using the latest release, etc.

- *Upgrades.* How frequently does the vendor offer upgrades, and at what cost? Many vendors include these as part of a service agreement.
- *Guarantees.* What product and service guarantees are available?
- *Warranties.* What warranties are available? Warranties have the potential to save a practice a lot of money should some component of the system prove defective.
- *Maintenance agreements.* What is included in the maintenance agreement? What is excluded from the maintenance agreement? Most vendors include upgrades with these maintenance agreements – and it's usually intelligent to upgrade. This can reduce or eliminate the need to buy a completely new system every three to four years. The cost is spread out over time, rather than taken all at once.

Maximizing Electronic Transactions

For those practices that can benefit from using them, electronic transactions will continue to offer better and better performance. Thanks to the Health Insurance Portability and Accountability Act (HIPAA) transaction and code set rule (effective October 16, 2003), all compliant clearinghouses will have the ability to provide a full array of transaction services to all payors who accept electronic transactions. This means that a much greater percentage of claims can be billed electronically, while other health care encounter-related transactions can be automated.

To maximize the benefits of electronic transactions, a practice should select a software vendor/clearinghouse combination that provides the following electronic transaction services:

The short-term savings of using older, cheaper, slower, "minimal" hardware will be negated by the increased maintenance and administrative costs of using it.

If a practice uses electronic transactions for claims exclusively, it is not maximizing the potential of electronic transactions to increase productivity, reduce operating expenses, and improve cash flow.

- Eligibility inquiry and response
- Dental claims
- Claims status inquiry and response
- Referral and authorization
- Payment and remittance advice
- Coordination of Benefits

If a practice uses electronic transactions for claims exclusively, it is not maximizing the potential of electronic transactions to increase productivity, reduce operating expenses, and improve cash flow.

ADA Business Enterprises, Inc. (ADABEI) presently endorses EMDEON, for all dental transactions. To enquire with EMDEON regarding its electronic transaction services for dentists, call **1-888-545-6127**.

HIPAA and Dental Information Technology

Prior to the October 16, 2003 deadline for the HIPAA Transactions and Code Sets rule, and the April 14, 2003 deadline for the HIPAA Privacy Rule, many wildly inaccurate rumors circulated about these regulations. While the ADA is pleased to report that the most implausible of them are not true, these rules do exist and merit serious attention.

HIPAA directly applies only to covered entities. A health care provider becomes a covered entity by conducting HIPAA standard transactions electronically and/or by having someone do so on the provider's behalf. The transaction that would most likely render a dentist a covered entity is electronic claims submission. For more information, call the HIPAA Hotline at the ADA's toll free number, extension 2899. More HIPAA information is also available in chapter 5 concerning dental records.

If you choose to send electronic dental claims, be sure that your billing system can support the most current version of the ADA procedure codes. Presently these are published as *CDT-2007/2008*. These procedure codes are updated

on a regular basis and it is a requirement by HIPAA regulation that the updated code set is used for all electronic transactions. These codes may be obtained through either your software vendor or the *ADA Catalog* by calling 1-800-947-4746.

If you plan to use electronic dental claims or other HIPAA-regulated electronic transactions, you will have to comply with all of HIPAA including but not limited to, the HIPAA Privacy Rule and the HIPAA Security rule. The ADA has produced a "Privacy Kit", consisting of a 145 page manual and CD-ROM, to assist members with their compliance efforts. The kit provides detailed instructions and seven legal forms; the CD-ROM contains electronic versions of the forms in multiple formats. These can be modified to suit an individual practice's needs.

The HIPAA Privacy Kit may be ordered from the *ADA Catalog* by calling 1-800-947-4746.

Other HIPAA Rules

HIPAA Security standards went into effect on April 21, 2005. This regulation requires that each covered dentist provide safeguards to protect electronic protected health information. The ADA has prepared a HIPAA Security kit to help each dentist assess existing office procedures and to help each dentist create office security policy.

HIPAA Enforcement Rule: The Department of Health and Human Services (HHS) published the final rule on HIPAA administrative simplification enforcement February 16, 2006. The rule lays out a series of guidelines for the Department of Health and Human Services to follow if complaints are filed against those who must comply with the Health Insurance Portability and Accountability Act of 1996. It also supplies detailed information about what a violation is, as well as appeal rights for covered entities. HIPAA regulations only apply to dental practices that submit or receive electronic transactions, for which HHS has established a standard, either directly or through a vendor or clearinghouse. Three regulations are already in effect: electronic transactions and code sets, privacy and security.

Included in the enforcement rule is that HHS will “to the extent practicable” seek cooperation from covered entities in reaching compliance. HHS plans to encourage and promote voluntary compliance with the HIPAA rules, by making various guidance and technical assistance materials available to all covered entities. Only if HHS’s attempts to informally resolve a covered entity’s noncompliance are unsuccessful will HHS pursue imposition of civil monetary penalties for violations. The enforcement rule sets out the procedures that would be used in such a case. HHS has not imposed civil monetary penalties on any covered entities to date.

The enforcement rule says HHS has the right to conduct compliance reviews to determine whether covered entities are meeting the requirements of the HIPAA regulations. Although compliance reviews have been complaint-driven until now, it is possible that HHS might on its own initiative endeavor to determine if a covered entity is in compliance, according to HHS. Compliance reviews are applicable to all HIPAA regulations, under the enforcement rule.

The enforcement regulations reinforce that covered entities must keep records to document their compliance with the HIPAA regulations. It also holds them liable and subject to civil fines for the actions of staff members acting within the scope of their responsibilities.

National Provider Identifier (NPI): HIPAA mandated that the Secretary of Health and Human Services adopt a standard unique health identifier for health care providers. On January 23, 2004, the Secretary published a Final Rule that adopted the NPI as this identifier.

All HIPAA covered healthcare providers, whether they are individuals or organizations, must obtain an NPI for use to identify themselves in HIPAA standard transactions. Once enumerated, a provider’s NPI will not change. The NPI remains with the provider regardless of job or location changes. Dentists and other health care providers that are covered by HIPAA could apply for an NPI after May 23, 2005 and

must start using their NPI by May 23, 2007. (Now extended to May 23, 2008). Dentists that are not covered by HIPAA are not required to get an NPI, but third party payers may require an NPI from participating providers for both paper and electronic claims.

A final regulation was published in the Federal Register on January 23, 2004 adopting the NPI as the standard unique identifier for health care providers. There are three ways to apply for an NPI:

- Over the web at <https://nppes.cms.hhs.gov>
- Paper application available at 800-465-3203 and mail it to the NPI Enumerator , P.O. Box 6059, Fargo, ND 58108-6059
- An organization might ask if you want them to apply for an NPI on your behalf through electronic file interchange (EFI) in the late spring

When applying for an NPI, HHS urges providers to include their legacy or current identifiers for all payers. If reporting a Medicaid number, the associated State name should also be included. This information is critical for payers in the development of crosswalks to aid in the transition to the NPI.

What is EFI? The electronic file interchange process allows HHS-approved organizations to submit NPI application information on behalf of health care providers who are associated with them and who have agreed to have these organizations submit this information for them. Once they are approved by HHS, these organizations will be known as Electronic File Interchange Organizations (EFIOs). The EFI process for “bulk enumeration” of health care providers will allow each EFIO to submit NPI application information for hundreds or even thousands of health care providers all at one time in a single electronic file or in a series of electronic files. The health care providers would not need to apply for their NPIs themselves. HHS expects EFI to be operational in late spring 2006.

All HIPAA covered healthcare providers, whether they are individuals or organizations, must obtain an NPI for use to identify themselves in HIPAA standard transactions.

Dentists who use paper claims, or whose patients file paper claims for direct reimbursement are not required under HIPAA to obtain an NPI.

Who assigns NPIs and how is it done? All applications (web, paper, EFI) go to the National Plan and Provider Enumeration System (NPPES) for processing. Data on the applications are used to ensure uniqueness of providers or subparts of facilities such as hospitals. The NPPES was developed under contract with the Government. It sets up and maintains a record for every enumerated health care provider and subpart and also creates reports and outputs files. The NPPES will enumerate health plans in the future when a health plan identifier standard is adopted.

How do providers change their NPPES data? There are three ways to change data:

- Over the web <https://nppes.cms.hhs.gov>
- Fill out a paper application/update form and mail it to the enumerator (800-465-3203)
- Through an EFI as previously mentioned.

Questions about NPI applications may be directed to:

- Phone - (800) 465-3203
- E-mail – customerservice@npienumerator.com
- Mail – NPI Enumerator, P.O. Box 6059, Fargo, ND 58108-6059

As mentioned previously, dentists who use paper claims, or whose patients file paper claims for direct reimbursement are not required under HIPAA to obtain an NPI. However, some dental plans may require an NPI on paper claim forms. Some state legislatures are considering laws requiring all health care providers in their jurisdiction obtain an NPI; one state, Minnesota, has passed such a law already. Therefore, dentists are strongly urged to obtain NPIs and prepare to use them.

Dentists who already have NPIs are urged to identify key partners who will need their NPI information, work with these partners to identify specific information requirements, and share that

required information well in advance of May 23, 2008.

“Key partners” for a typical dental practice may include but are not limited to: dental plans, clearinghouses, system vendors, billing services, and fellow health care providers. Laboratories and Pharmacists should be included in the “fellow health care provider” category as well. In essence, any business that needs an NPI from a dentist or dental practice to facilitate payment of benefits and/or delivery of health care should be part of this process.

In addition the ADA Dental Claim Form and completion instructions were revised to accommodate use of NPIs. Samples of this NPI-compatible claim form are available at www.ADA.org/goto/claimform, while the completion instructions are published in chapter 4 of *CDT 2007-2008*. Contact *ADA catalog* by calling 800 947-4746 or at www.adacatalog.org to order copies of the new form. Dentists should also contact their practice management system vendors for enhancements that permit the generation of NPI-compatible dental claim forms as needed.

NPI applicants’ data is collected by the National Plan and Provider Enumeration System (NPPES), which also distributes NPIs to applicants. Staffing, technical expertise, and information systems for NPPES are provided by a contractor working for the Department of Health and Human Services. NPPES began accepting applications on May 23, 2005.

Applying for an NPI is free and relatively easy: Visit <https://nppes.cms.hhs.gov>, read the instructions carefully, complete the questionnaire, and submit your application. This takes about 20–30 minutes. For help with the process see <https://nppes.cms.hhs.gov/NPPES/Help.do>, email customerservice@npienumerator.com, or call 1-800-465-3203 (TTY 1-800-692-2326).

Be sure to include any and all “legacy identifiers” in your data to help payors who obtain your NPI data from NPPES through its data dissemination efforts. Dentists should include: plan-specific

identifiers, license numbers, state Medicaid provider IDs, UPIN (for those few dentists who provide Medicare-funded services), and DEA#. Individual dentists will be asked to submit their Social Security Numbers, while group practices and other dental provider organizations will be asked for their taxpayer identification numbers. It is best to have all this information available before signing in to the NPPES site.

After confirmation of your data's receipt, you should receive your NPI via e-mail in one to five

A downloadable application form with completion and mailing instructions is also available from the same site. Processing of paper applications takes about 20 business days.

Some important things to keep in mind about NPIs:

- One NPI will be issued per individual person (this includes sole proprietorship);
- The compliance date for the NPI was scheduled for May 23, 2007, but recently, CMS decided to delay full implementation and enforcement of NPI standards until May 23, 2008.
- The NPPES will make *some* NPI data available to health plans via a process called Data Dissemination. Dentists are urged to make sure that their NPPES data is up-to-date. For information about what data is available through data dissemination, visit www.cms.hhs.gov/NationalProvIdentStand.
- The NPI must be used to identify providers on all electronic HIPAA standard transactions and some plans may require NPIs on paper claim forms;
- Providers must disclose their NPI when requested for identification purposes on standard transactions;
- One ID number for *all plans* eliminates an obstacle to claim acceptance;

- Electronic transactions should function more efficiently as a result of enhanced standardization in transaction formatting. Establishing transactions partnerships quickly and inexpensively becomes easier when standardization is widespread.
- The NPI **does not** replace the tax ID when a tax ID is necessary to identify a taxpayer or taxpaying entity. Remember, an NPI identifies a health care provider as a health care provider **ONLY**; it does not identify the provider as a taxpayer.
- Does not replace the DEA number when it is needed for prescribing controlled substances or other DEA-regulated activities.
- Does not replace state-issued licenses and certifications verifying a provider's licensing or qualifications.

Dentists should begin to develop an implementation plan to prepare for the NPI including:

- Internal education;
- Identification of affected trading partners and business associates; these will include:
 - System vendors
 - Clearinghouses
 - Dental Plans
 - Laboratories
 - Pharmacies
 - Referring doctors or specialists
- Review contracts;
- Determine a testing strategy with each trading partner;
- Determine transition strategies such as implementation date vs. compliance date;
- Determine "dual use" strategy with trading partners – simultaneous use of the old legacy identifiers and the NPI on transactions and paper claims forms, at least temporarily;

The NPI does not replace the tax ID when a tax ID is necessary to identify a taxpayer or taxpaying entity.

- Other considerations:
 - Multiple practice locations/need for sub-part NPIs
 - Group practice relationships;
 - Hospital affiliations;
 - Health/dental plan affiliations;
 - Organizational relationships;
 - Subpart relationships;

Immediate application for an NPI and its subsequent receipt will position most dentists to begin disseminating their NPI(s) to patients' plans, to clearinghouses, and to fellow health care providers who may need them.

Questions, comments or concerns may be directed to **NPI@ada.org**.

Visit **www.ada.org/goto/hipaa**, call 800-621-8099 x2899, or email **HIPAA@ada.org** for up-to-date information about HIPAA. In addition, monitor ADA print media, such as *ADA News*, *Journal of the American Dental Association (JADA)*, and *ADA Legal Advisor* for articles on HIPAA.