

HHS Quarterly Calculation Example

One Doctor Orthodontic Practice

	31-Mar-19			31-Mar-20		
	Annual	Percent of Collections	6-Month Average	Annual	Percent of Collections	6-Month Average
Income						
Net Collections	\$480,000	100%	\$80,000	\$480,000	100%	\$80,000
Direct Costs						
Staff Salaries	94,500	19.69%	15,750	94,500	19.69%	15,750
Payroll Taxes	7,600	1.58%	1,267	7,600	1.58%	1,267
Lab	28,800	6.00%	4,800	28,800	6.00%	4,800
Dental Supplies	48,000	10.00%	8,000	48,000	10.00%	8,000
Depreciation	8,000	1.67%	1,333	8,000	1.67%	1,333
Interest Expense	1,000	0.21%	167	1,000	0.21%	167
Total Direct Costs	187,900	39%	31,317	187,900	39%	31,317
Net Profit	\$292,100	61%	\$48,683	\$292,100	61%	\$48,683

	30-Jun-19			30-Jun-20		
	Annual	Percent of Collections	6-Month Average	Annual	Percent of Collections	6-Month Average
Income						
Net Collections	\$480,000	100%	\$80,000	\$380,000	100%	\$63,333
Direct Costs						
Staff Salaries	94,500	19.69%	15,750	57,500	15.13%	9,583
Payroll Taxes	7,600	1.58%	1,267	4,500	1.18%	750
Lab	28,800	6.00%	4,800	22,800	6.00%	3,800
Dental Supplies	48,000	10.00%	8,000	38,000	10.00%	6,333
Depreciation	8,000	1.67%	1,333	8,000	2.11%	1,333
Interest Expense	1,000	0.21%	167	1,000	0.26%	167
Total Direct Costs	187,900	39%	31,317	131,800	35%	21,966
Net Profit	\$292,100	61%	\$48,683	\$248,200	65%	\$41,367

CWA Observations:

This example illustrates an average scenario based on CWA observations of a one-doctor orthodontic practice in a quarterly comparison of 2020 vs. 2019.

Most practices were experiencing growth in January and February and then began their shutdown in mid-March with collections beginning to trail off at the end of March due to a reduction in starts. Collections in Q2 began to decrease with no starts, and collections being solely based on outstanding contracts. Depending on your average down payment, this led to most practices collecting between 50% to 65% their average in April, 75% to 85% in May and full recovery in June. The expenses in Q1 were the same as 2019 since most practices were experiencing growth in January and February. Direct cost decreases were mostly impacted by less staff, creating salaries at 25% to 30% of normal levels in April. As offices reopened in mid-May, employees returned and salaries were about 50% of normal in May and then back to 100% in June.

The net profit for this example practice was nearly the same for Q1 but for Q2 was down by about \$45,000. In many cases, a practice like this would have received about \$100,000 in PPP loans and \$40,000 in Phase 2 HHS stimulus, for a total of \$140,000.

When these amounts are considered, the net profit in 2020 increases to greater than 2019. For orthodontic practices similar to this example, CWA believes it will be difficult to qualify for additional HHS stimulus funding based on net profit, as HHS is requiring the applicant to report revenue and certain expenses. HHS has stated that eligible businesses yet to receive 2% will receive the payment first. Only then will any remaining amount be divided by applicants based on an unknown formula, likely to require a decrease in net profit, taking into consideration other government assistance.