

TROJAN TODAY

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Salary vs. Hourly Which is Best?

by Rebecca Boartfield

Which should you pay employees – an hourly wage or a salary? There are pros and cons to both approaches, with advocates on both sides. Even industry consultants differ in their recommendations.

Who is right? That depends on your specific circumstances. There is no one right method for compensating employees as long as the rules are followed. Each employer should make a determination based on his/her own business needs and management philosophy. Regardless of which way you choose to compensate your employees, it is important to adhere to applicable wage and hour requirements.

Before discussing the relative pros and cons of each method, let's define terms that are important in understanding the issues.



Hourly Compensation

This is as straightforward as it gets. This method simply pays employees for each hour, or portion thereof, worked. This is easy to understand and administer.



Salary Compensation

Payment on a salary basis means an employee receives a predetermined amount of compensation on a regular basis, such as weekly, bi-weekly, or monthly. This is usually regardless of the number of hours worked by the employee each pay period.

Employee Classifications

Under the Fair Labor Standards Act (FLSA), employees fall into one of two categories: exempt or non-exempt.

Methods of compensation, such as salary or hourly, do not determine a legal classification of employee.

Exempt Classification

Exempt employees do not receive overtime pay; they are **exempt** from overtime pay requirements and calculations. Don't you wish you could arbitrarily make every employee exempt? Not possible. This classification applies to executive, managerial, supervisory, and administrative positions, or government-defined professional positions that typically require special licensure. To qualify, there are specific rules that must be met regarding the amount of time spent in managing/supervising/administrating; the numbers of people managed/supervised/administered; and the type and authority of managerial/supervisory/administrative duties. Most employees do not qualify for the exempt classification because of the strict rules.

Non-Exempt Classification

Non-exempt employees receive overtime pay at all times when it is worked, regardless of their method of compensation; they are **not exempt** from overtime pay requirements and calculations. This classification applies, by default, to any and all employees who do not meet the guidelines or definition of exempt, as outlined by the FLSA and/or state laws – and thus applies to almost all employees.

NOTE: The FLSA's requirements for exempt status are extensive, specific, and stringent and cannot be covered here in detail. Suffice it to say that at least 95 percent of all dental staff is non-exempt. For specific questions about the criteria for one of your employees, call our office.

Overtime Triggers

On a federal level, the overtime trigger is 40 hours in a week. Anything over 40 hours in a week must be compensated at time-and-one-half. Some states, like California, have daily overtime triggers in addition to the federal weekly requirement. Be sure you are in compliance with both, if applicable.

Many employers fall prey to the myth that if they pay someone a salary, they don't have to pay overtime. This couldn't be more false. The method of compensation has no bearing on overtime requirements. Simply paying an employee a salary does not exclude you from having to pay overtime. **"Salaried" is not a category for overtime purposes.**

The determining factor for overtime is employee classification as mentioned above. Exempt employees are excluded from having to be paid overtime, while non-exempt employees, regardless of the method of compensation, must be paid overtime.

Exempt Employees

An important detail for exempt employees is they generally must receive their compensation in the form of salary. There are provisions that dictate what the minimum salary must be, which may significantly increase in the coming months. Generally, exempt employees must be paid for the full day even if they've only worked part of a day. Full day deductions are strictly limited with rules that must be followed before doing so.

Non-Exempt Employees

There is no rule that says non-exempt employees have to be paid a certain way. They can be paid a salary whether daily, weekly, or monthly. They can also receive compensation in the form of a daily rate, an hourly wage, piece rate, or commission. So long as you are paying a non-exempt employee at least minimum wage, you may compensate at a rate and method of your choosing. Non-exempt employees must only be paid for time actually worked. This means when employees are late, have to leave early, or take time off during the day, whether a half or a full day, it is not required they be paid.

Unlike exempt employees who all have to be paid the same based on their classification, non-exempt employees need not all be compensated in the same manner. You can have some employees paid hourly, some daily, and some a salary depending on what will be best for your practice.

While exempt employees are protected from a variety of salary reductions for work not performed, non-exempt employees are not. If a salaried, non-exempt employee fails to work the full schedule required, his/her salary can be reduced by the appropriate number of non-work hours. In order to avoid confusion and arguments, be sure you have clearly established policies, in writing, explaining you will avail yourself of this right.

So...Salary or Hourly?

As you can see, this question only applies to non-exempt employees. For this classification of employee, we do recommend hourly pay because it is simple, straightforward, and easy to understand and administer.

On the other hand, paying a non-exempt employee a salary often does have a psychological value for the employee, and it can be administratively easy if there aren't overtime or time-off deductions.

If you decide to pay your non-exempt employees a salary, be clear how many hours per week the salary is based upon. It can be any number up to 40 hours. As mentioned, you can dock the employee's pay. Make clear how you're going to handle this when the employee works less than the defined schedule. In other words, what will you do if you define the salary as 34 hours per week and the employee works only 28? Similarly, if the employee works more than the defined schedule, you must increase their pay. In other words, a salary based on 34 hours must be increased if the employee works 38 hours. And don't forget that any hours over applicable daily and/or weekly overtime limits must be paid at time-and-one-half. All of which you should have in writing to ensure everyone is on the same page.

Conclusion

As you can see, there are many misconceptions and misunderstandings about paying employees on a salary basis, especially as it relates to non-exempt employees and overtime. It is not as simple as "just pay everyone a salary." In fact, when you get right down to it, the cons can outweigh the pros depending on your circumstances.

Be sure you know the rules:

1. Classify your employees correctly.
2. Follow wage, hour, and overtime requirements.
3. Have any and all exceptions clearly defined in writing to avoid liability and misunderstandings.



Rebecca Boartfield is an HR Compliance Consultant for Bent Ericksen & Associates. For more than thirty years, the company has been a leading authority in human resources and personnel issues, helping dentists successfully deal with the ever-changing and complex labor laws.

To receive a complimentary copy of the company's quarterly newsletter or to learn more: (800) 679-2760 or www.bentericksen.com.



Coordination Information

This month we will take a look at two issues pertaining to coordination of benefits. The first is the **Order of Benefit Determination**. Then we will show you how to **determine the payment of the secondary carrier**. As always, the Trojan database is the best source of information when dealing with dual coverage.

Order of Benefit Determination – “Birthday vs. Gender”

The issue of prime and secondary coverage relates to dependant coverage. It is not an issue for the insured person because his/her own plan is always prime. The **Birthday vs. Gender** rule is used to determine which carrier is prime when more than one policy is involved. Using the **Birthday** rule, the plan of the parent whose birthday (month and day, not year) falls earlier in the calendar year will be the prime carrier. With the **Gender** rule the father’s plan is always prime. If one carrier goes by the **Birthday** rule, and the other by the **Gender**, the **Gender** rule usually supercedes the **Birthday** rule.

Determining payment of secondary carrier – “Standard vs. Limited”

With **standard** C.O.B., the benefits from all parties will pay up to 100% of the total charge as long as it does not exceed the carrier’s allowed amount. With **limited** C.O.B. your patient will always be left with an out-of-pocket expense. The terms that carriers use to refer to limited C.O.B. vary. “*Non-duplication,*” “*benefit-less-benefit,*” “*carve-out,*” and “*maintenance of benefits,*” are just a few. The most common way a carrier limits benefits can be seen in **Example 2A** in the chart below. In this case, reimbursement is limited to the greater level allowed by the two plans, rather than a total of 100% of the charges. Another variation of **limited** C.O.B. can be seen in **Example 2B**.

COLUMN 1 STANDARD		COLUMN 2A LIMITED EXAMPLE A		COLUMN 2B LIMITED EXAMPLE B	
The secondary carrier will pay for the treatment that the primary did not, up to their allowed amount.		The secondary carrier will pay up to their allowed benefit.		The secondary carrier will pay their allowed benefits using the remaining balance as a base.	
EXAMPLE: \$250 PROCEDURE		EXAMPLE: \$250 PROCEDURE		EXAMPLE: \$250 PROCEDURE	
Primary 50% benefit will pay \$125	Secondary 50% benefit will pay the remaining \$125	Primary 50% benefit will pay \$125	Secondary 50% benefit will not pay	Primary 50% benefit will pay \$125	Secondary 50% benefit will pay \$62.50 of the remaining \$125
EXAMPLE: \$250 PROCEDURE		EXAMPLE: \$250 PROCEDURE		EXAMPLE: \$250 PROCEDURE	
Primary 50% benefit will pay \$125	Secondary 80% benefit will pay \$125	Primary 50% benefit will pay \$125	Secondary 80% benefit will pay \$75	Primary 50% benefit will pay \$125	Secondary 80% benefit will pay \$100 of the remaining \$125
EXAMPLE: \$250 PROCEDURE		EXAMPLE: \$250 PROCEDURE		EXAMPLE: \$250 PROCEDURE	
Primary 80% benefit will pay \$200	Secondary 50% benefit will pay the remaining \$50	Primary 80% benefit will pay \$200	Secondary 50% benefit will not pay	Primary 80% benefit will pay \$200	Secondary 50% benefit will pay \$25 of the remaining \$50

When two insurance companies are involved, it is always best to check both plans in the Trojan system to establish the order of C.O.B. (**Birthday vs. Gender**) and (**Standard vs. Limited**).

This is not intended to be an in-depth review of the entire topic, but we hope it has provided assistance in an otherwise complicated area. If you have any questions or comments on this topic, please give us a call: (800) 633-3060.



Ask the Consultant

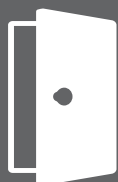
Q: Should we treat and bill for a perio prophy each time the perio patient comes in? The insurance doesn't cover all the appointments and downgrades to prophys.

A: I recommend you do not let the insurance dictate the code but that you bill according to the patient's diagnosis. Do not allow insurance companies to dictate what treatment you provide your patients. At the perio maintenance appointment, the RDH will re-evaluate previous areas of disease. The RDH will use antimicrobial and/or laser therapy if the re-evaluation dictates active disease. In some situations, the perio maintenance re-evaluation will dictate the patient needs to repeat SRP. Repeating SRP is typical because perio disease is episodic. **THE BOTTOM LINE:** The Value for your periodontal patient is much greater when you provide perio maintenance service rather than 'just a prophy' appointment.

Q: Should cavities be filled on a patient right after a prophy and fluoride has been done?

A: In most situations, it is likely not a problem to complete the prophy after the patient has cavities filled. I would only suggest you provide the fluoride treatment after the restorative needs are complete and just before the patient is dismissed. It is recommended the patient not eat or drink for a period of time after a fluoride treatment. The application of fluoride may also assist in preventing any type of hot/cold sensitivity that restorative treatment, fillings, etc., may cause post-op.

Responses provided by **Debra Seidel-Bittke, RDH, BS**,
President of Dental Practice Solutions.



TROJAN Closings

November 26-27, 2015

Thanksgiving

December 24, 2015 - January 1, 2016

Happy Holidays! Returning January 4, 2016

What Clients Say

"Trojan's Managed Care service is very easy to use, quick, and accurate. Being able to print a treatment plan for a patient with the copayments rather than looking them up in the manual saves a lot of time."

—Vanessa, Front Office



Quote-Worthy

“ Integrity is doing the right thing, even when no one is watching. ”

— C.S. Lewis



TROJAN PROFESSIONAL SERVICES

Trojan's mission is to employ exceptional people, give superior service, and provide a positive work environment.

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