

# BankNotes



Commerce  
National Bank

Healthcare Business  
Banking Group<sup>SM</sup>

3RD Quarter 2012

Welcome to Commerce National Bank's BankNotes newsletter! We think you will find BankNotes to be a useful tool for you and others in your company, and we encourage you to share our newsletter with staff and colleagues. Questions or comments about BankNotes? Contact Donna Garrett at (614) 583-2085.

## JENN'S CORNER

### Vacations Are Good for the Soul

by Jennifer Griffith, President and CEO

Last week, we spent an unbelievable vacation with my family (sisters, nieces, nephews and Mom) in Michigan. The views were beautiful, the adventures were fun and my golf game was miserable. Vacations are good for the soul. Everyone enjoys the opportunity to take some down time away from work and spend it with family. Many times a little vacation is all it takes to reenergize a sluggish colleague.

Vacations can help us create balance between our work-life and our personal-life by resetting the clock. Returning from vacation can feel like a fresh start. However, prioritizing balance in our life is something we should strive for every day. I read once that the secret to real happiness is the ability to have as little separation as possible between your work and your play.

Creating an environment that promotes balance isn't always easy. It requires that we blend our organizational goals with personal identities and celebrate them both. By creating an organizational culture that encourages employees to find alignment in themselves and the corporate direction, we can reduce the negative impact of stress and conflict and replace it with the compliments of motivation and engagement.

At CNB, we offer a variety of employee activities that range from community volunteerism, to gardening, to baking, to



art, patio parties and bank sponsored lunches, just to share a few examples. We've used surveys to learn more about how our team wants to connect and we encourage all our employees to share their interests with us. I believe our senior team has the responsibility to model the way and I'm extremely proud of the balance they demonstrate every day.

It's true that occasionally a project may require extra hours, or a school play may require that you send a delegate to your regularly scheduled meeting but if you are truly balanced, these will be your exceptions and not your norm. Balance feeds success in many forms but most importantly can build a team of high performing, loyal and motivated colleagues.....how can you argue against that?



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## Mark Your Calendar!

October 4, 2012  
CNB Fall Seminar  
Doug Smith  
The Skill of Happiness



## Contact Info

### Healthcare Lending Office

513-794-7450

Fax: 614-583-2201

[www.commercenationalbank.com/healthcare](http://www.commercenationalbank.com/healthcare)

Our Customer Call Center at **888-716-1514** is available extended hours:  
Monday–Friday 7:00am–7:00pm  
Saturday 9:00am–1:00pm

### Remote Deposit Online Banking, Account Inquiries

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# Merchants-Let CNB Help Get the Target Off Your Back!

by Alicia Murphy, Business Banking Manager



Did you know that a credit card breach at your company could affect not only the reputation of your business and brand identity, but expose your company to financial losses, large

finances and remediation costs or **even worse, put you out of business?**

The most recent breach involves another national restaurant chain—Penn Station. Most of us hear about these large types of breaches but did you know that **93% of reported credit card breaches actually involve small merchants?** Unfortunately small merchants are easier to target because they don't usually have the resources or expertise to deal with the constant attack from hackers or thieves.

Remember that it is the responsibility of all merchants to ensure that their cardholder's



information is protected from a credit card breach. In order to be compliant you

must take certain steps in handling and storing your customer's card information. CNB and Elavon have the tools to assist you with this process!

So ask yourself—is it worth the time and small inconvenience to become certified "PCI (payment card industry) Compliant"? The answer should be a resounding "Yes"!

Let us help you navigate through this important process and take the steps to protect your business today! Please contact Alicia Murphy at Commerce National Bank @ 614-583-2041 for additional information and assistance!

# Columbus Dental Society Golf Outing A Resounding Success

by Justin Baker, Vice President, Healthcare Business Banking Group

The Columbus Dental Society held its Annual Golf Outing on June 13th at the Hickory Hills Golf Course in Grove City, Ohio. This year's honoree was current CDS president, Dr. Angelo Mariotti. For the past eight years, Commerce National Bank has been the signature sponsor of the Annual Golf Outing. Forty golfers participated in the event with many great prizes awarded.

Commerce's Kelly Bailey set up a Plinko Board on the 13th hole and golfers had the opportunity to win prizes including Reds tickets, Clippers Tickets and be entered into a drawing for the Grand Prize of \$250. The Grand Prize winner was Dr. Brian Woodard of Grove City.

The next Columbus Dental Society membership meeting is scheduled for October 9th at the Crowne Plaza in downtown Columbus. For more information on the Columbus Dental Society go to [columbusdentialsociety.org](http://columbusdentialsociety.org) or call Polly Mowery at 614-895.2371.



Justin Baker presents Dr. Brian Woodard with the \$250 Plinko check.

# A Mid-Year Economic Review: Yet Another Disappointment

by James E. Newton, CNB Chief Economic Advisor



Some people say the definition of insanity is doing the same thing over and over again and each time expecting a different outcome. Assuming this definition is reasonable, one has to

wonder if a deep vein of insanity runs through the economics profession. For the past few years most beginning-of-year forecasts have been composed of the same basic message: this is the year when things will turn around. This is the year when U.S. economic growth will re-emerge in a significant way and produce huge numbers of new job opportunities. And each year very early economic data suggest economists may have finally beaten the odds and gotten the forecast right, only to find by spring that the economy remains under significant stress.

Sad to say, 2012 is falling into this same regrettable pattern. As the year began the typical forecast called for real GDP growth in the 3-4 percent range, with the expectation that some 2.5-3.0 million new jobs would be created.

As last year ended and 2012 began, all seemed right with the latest forecasts. As measured by the nation's labor markets, economic activity did, indeed, seem to be shifting into a more favorable growth mode. Total non-farm payroll employment grew by well over 200,000 each during the final month of 2011 and the first two months of 2012. But then economic reality hit (or perhaps the influence of highly favorable weather patterns were no longer able to give a false impression of strength) and jobs growth shifted into a lower gear. And to add insult to injury for the nation's soothsayers, real GDP growth, which economists felt confident would be at or above 3 percent, posted a first quarter growth pace of just 1.9 percent.

So what happened yet again to sink the high-flying expectations for the economy?

As we stated at the beginning of the year in the *CNB 2012 Economic Forecast*, some very significant headwinds would hold economic growth down throughout the year. A very significant debilitating influence

would originate abroad. And this influence would come in two forms.

First and foremost the euro-zone debt crisis would be a major depressing factor throughout the year with no likely quick-fix to such a complex and deeply structural imbalance among the 17-nation euro-zone. While Greece has recently shown a bow to electoral sanity and avoided a possible exit from the euro-zone, the country has not resolved its fiscal imbalances and austerity continues to produce a downward pressure on economic activity. Somewhat lost in recent elections was the message of France and the victory of the Socialist party. While they may be unable to meet their pre-election promises, the new government pledged to set aside fiscal austerity and concentrate on policies to promote growth. Such policies, if they were enacted, would put France at odds with the German government which insists fiscal imbalances must be addressed via deficit reduction measures. In the meantime, Spain and Italy have become the most recent flashpoints of uncertainty, leaving the euro-zone at risk of recession throughout much of 2012 and possibly continuing into 2013.

But the "international" aspects of U.S. growth problems do not just involve European problems (for example, via exports); they extend to a number of other countries which have been major contributors to world growth in the past few years, including China, India, Brazil, Russia, and the like. In China, for example, the government has shifted rapidly from trying to restrain growth – due to inflationary concerns – to actively promoting expanded economic activity by reducing the reserve requirement ratio that Chinese banks must meet. The hope of the People's Bank of China, much like our own Federal Reserve, is that by reducing interest rates, consumers and businesses will borrow/spend more and aggregate economic activity will expand more energetically. Unlike our Fed, however, the Chinese may be a bit more successful since their interest rates are not already hugging zero percent.

In addition to these types of international drags on our growth potential, the U.S. has its own home-grown problems. All levels

of government are under significant budgetary pressures and virtually eliminate government as a means of expanding economic activity. As well, attention has finally shifted to the potentially depressing impact of the end-of-year "fiscal cliff", when sunset legislation automatically produces huge tax increases and very sizeable federal budget cuts. And since businesses and people do not generally share in the insanity of the economics profession, they very likely will prepare for potentially painful hard times ahead by foregoing some current spending.

While many other restraining factors could be cited, these few represent some of the major reasons mentioned in January's *Forecast* to explain why we felt the outlook for 2012 was being over-estimated once again. In the half-year since the document was prepared, little has occurred to change our basic outlook. Our GDP forecast on a quarter-by-quarter basis throughout the year was for very modest GDP increases of 2.0%, 1.5%, 2.0% and 2.0% from the first through fourth quarters, respectively. As matters currently stand, that outlook has not changed. And as the year began the *Forecast* indicated that some 1.75-2.0 million payroll jobs would likely be created during the year. Despite a disappointing spring performance, that figure still looks reasonable.

It should be noted that a few factors seem to be doing significantly better than what the *Forecast* suggested in January. The nation's housing sector is coming back more energetically than originally thought. While it is still in a deep hole compared to its peak-year performance, the number of housing starts suggests this sector will be a net contributor to 2012 growth and help offset weaknesses elsewhere. And while national employment growth is still on track with our original outlook, Ohio and the Columbus MSA payroll growth is much more vibrant than anticipated.

In summary, 2012 is exhibiting good labor market news for both Ohio and Columbus compared to the January outlook, but at the national level, it's just the same-old, same-old.

*Dr. Newton's views do not necessarily reflect the opinion of Commerce National Bank or First Merchants Corporation.*

# Are YOU Being Robbed? Most Likely, Yes!

by George Leugers, Vice President, Healthcare Business Banking Group



Make no mistake, fraud and embezzlement are rampant in Healthcare practices across the nation. According to Marsha L. Heinke CPA's 2011 *Survey of Fraud, Theft and Embezzlement in*

*Veterinary Practices*<sup>1</sup>, about 68% of practices surveyed have been the victim of theft or embezzlement and of those victims, over 60% never prosecuted the perpetrator. Since the majority of perpetrators are not prosecuted, the thieves typically move on and commit similar crimes at other hospitals. There are a number of signs and defenses that practice owners can take whether they suspect theft/embezzlement or not. As bankers who work with numerous dental, veterinary, and medical practices throughout the Midwest, Commerce National Bank can help you design and implement protective solutions. Unfortunately, the decision to implement these protections is often after a crime has been committed.

A significant key to avoiding fraud and embezzlement involves knowing what to look for and where to look. As the previously mentioned survey points out, 64% of surveyed practices report fraudsters having employment tenures of less than three years. The data suggests that employees who routinely handle payments or have access to pharmaceuticals (receptionist, tech assistant, technicians, administrator) account for 65% of fraud. Some of the

signs that may suggest theft is occurring include accounting irregularities in the journal entries (numerous voided sales, unusually low cash sales, etc.), lack of oversight or segregation of duties (unsupervised employees with bank account access or access to drug supplies), or even transactions that occur during non-business hours. Practice owners should be very suspicious of employees who are evasive or reluctant to provide financial reports when asked. Remember, the majority of practices surveyed by Dr. Heinke's firm are victims of fraud; therefore, you have every right to be suspicious.

A lack of controls presents opportunities for theft. Once you make the commitment to protect your practice, the next step is to put proper controls and procedures in place. Some simple examples include:

- Background and employment checks, as well as drug tests should be a part of your pre-hiring process.
- Dual controls for your business checking account.
- Cameras by your LOCKED pharmacy cabinets and cash register.
- Separate address for account statements.

Background checks will help uncover potential problems before they start. Kelly Bailey, Business Banking Specialist with Commerce National Bank, suggests



separating the accounts payable and accounts receivable duties. Kelly mentions that one person should not have unlimited check signing or online banking privileges because of the potential to steal. Rather, maximum check signing authority should be set up or an employee's online banking capabilities should be limited to preparation

tasks with the owner having a separate login for approving transactions. Owners should have their bank mail account statements to their home address because it makes it more difficult for the potential fraudster to hide their activity or destroy statements.

Fraudsters are often very creative in hiding their malicious activities; however, if practice owners take the initiative they will be able to greatly diminish the opportunity for embezzlement. As the economy limps along and personal financial conditions deteriorate, the motive for employee theft increases. We would be more than happy to refer professionals that specialize in working with Healthcare practices and who can help you set up these controls so you can focus on providing excellent medical care for your patients and clients.

<sup>1</sup>Marsha L. Heinke CPA's. 2011 *Survey of Fraud, Theft and Embezzlement in Veterinary Practices*.

<http://www.veterinarypracticefraud.com/2011-02-16%20Fraud%20Survey%20E-Book.pdf>. August 26, 2011.



## Practice Owners Group Upcoming Events

The Practice Owners Group is a collection of industry experts who focus on the business side of running a practice. We are your resource to the management concerns that face all practice owners throughout the course of their career. Each member of our group has extensive knowledge regarding the operations of a healthcare practice. From legal considerations, to tax planning, financing and banking, marketing, and financial planning, the Practice Owners Group wants to provide guidance to help you run an efficient and profitable practice.

**October 12, 2012**

**Who Will Buy Your Practice...and Why?**

This is a dental event to be held at the Columbus Dental Society office. A continental breakfast will be served at 8:30am, and the seminar will be from 9am - 12pm.

**A veterinary seminar will be held in early November, date and details to follow.**

For more information, please contact Ken Barton at (614) 340-6632 or Mark Engle at (513) 794-7457.

# Practice Transitions

by Mark Engle, Senior Vice President, Healthcare Business Banking Group



At Commerce National Bank, we specialize in financing practice transitions and, therefore, analyze the risk associated with these type of transactions. Personally, I have helped doctors over

the past 18 years structure and secure financing to purchase a practice. The following are a few high level considerations when buying or selling a practice.

Some of the factors the bank investigates include the overhead and profitability of the practice being purchased. We are interested in the history of the practice – when it was started and how it has grown through the years, how many times has it changed owners, how is the practice staffed, and what type of services are provided. These factors help tell the story of the practice and establish the model and stability of the practice.

We also compare the production reports and skill level of the buyer to that of the selling doctor. It is not expected that a first time buyer will have the

management skills equivalent to an established doctor; however, the clinical skills and procedure mix should be similar. This helps demonstrate the ability of the new owner to maintain the growth of the practice.

Then of course, the buyer's living expenses and debt obligations (including the new proposed loan to purchase the practice) will be analyzed to determine the overall cash flow of the transaction. This may be the most important part of the transaction because you are now entering the buyer's income needs and debt obligations into the equation. This step will determine the value of the practice to a specific buyer.

While these are some important considerations, one factor not to be overlooked is the transition plan. The details of the transition plan can vary widely depending on the transaction, but it is a must that there is a plan. When the purchase price is based on the goodwill established by the seller, you want to make sure that goodwill is transferred to the buyer – to ensure the stability of the practice. Several factors



will help determine the details of the transition plan; such as specialties performed in the practice, income available in the practice, and the buyer's experience and skill level.

I find many of the more profitable practices are located in rural or smaller communities. I also find that purchase prices or value many times becomes the primary focus based on industry percentages or "rule of thumb." There is a saying for this – "You can't see the forest through the trees." While price is important, don't let it become the focal point. Focus your attention on the terms and structure, and remember that every practice is different and cash flow is king.

Feel free to contact me if I can be of assistance to you. I can be reached at (513) 794-7457, or [mengle@firstmerchants.com](mailto:mengle@firstmerchants.com), or [www.commercenationalbank.com/healthcare](http://www.commercenationalbank.com/healthcare).

# You Must Choose an Option for Online Banking Before July 31st

by Jennifer Wehrly, Vice President, Cash Management Officer



The Federal Financial Institutions Examination Council (FFIEC) promotes uniformity and consistency in the supervision of financial institutions. In late 2011 the FFIEC updated their

Authentication Guidance for online banking with additional and more specific requirements. One of the new requirements is that **all banks must provide an additional layer of security for their clients who are initiating payments** via the online banking channel. This applies to ACH transactions as well as wires. It DOES NOT apply to Bill Payment. All clients must choose an option and have it in place for all payments **before July 31, 2012**.

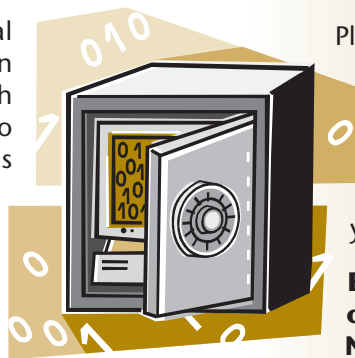
Commerce National Bank has chosen two options with distinct features to accommodate this mandate from the FFIEC.

## 1st Option – Dual Authorization.

This requires two users to complete a transaction. One user initiates and the other approves the transaction.

## 2nd Option – Out of Band Authentication (OOBA).

Requires the user (person initiating the transaction) to receive a text message to their cell phone with a code to verify the transaction.



Please join us at one of our Lunch-n-Learn sessions to understand more about the changes. If you are unable to attend either of these, please contact myself, Kelly Bailey, or your Relationship Manager.

**Below are the 2 sessions offered here at Commerce National Bank:**

**Tuesday, July 17th – 11:30-1:00**  
(Lunch will be provided)

**Thursday, July 19th – 11:30 – 1:00**  
(Lunch will be provided)

To register for one of the Lunch-n-Learn sessions, please contact either Jennifer Wehrly (614-583-2121) or Kelly Bailey (614-583-2068).




# Commerce National Bank

Healthcare Business Banking Group™

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## How to Spot a Healthcare Lender

by Nate Johnson, Relationship Manager, Healthcare Business Banking Group



Many banks boast an intricate knowledge of a number of specific industries. In fact, some banks might even tell you they know everything about every industry. But how do you know

a bank understands your industry if you are a healthcare professional? One easy way to figure out if a bank understands your practice is to ask your banker about collateral.

Banks that are not accustomed to financing healthcare practices may offer up some creative suggestions when trying to decide what a practice owner needs to pledge as collateral for their loan. For example, a traditional bank may ask a doctor for a second mortgage on his/her personal residence or to pledge other personal assets as collateral for a loan

because the practice does not have sufficient “tangible assets” to secure the loan.

In contrast, a bank that has experience lending to healthcare professionals will understand the value of the goodwill that a doctor creates as he builds his client base and operates a successful practice. A healthcare lender understands that a healthcare practice, like a general dentist, veterinarian, optometrist or chiropractor is a cash intensive business and it is the doctor’s expertise and hard work that will repay the loan- – not a liquidation of personal assets.

So the next time you go to finance a practice acquisition, expansion or update, make sure that you are working with a bank that understands your business. Avoid banks that require you to pledge personal assets or over leverage your house to qualify for a conventional loan



to improve your practice. Instead, work with a bank that understands the value of your skills and the goodwill you have worked so hard to achieve in your practice.

At Commerce National Bank we have a team of dedicated Healthcare bankers. Contact Mark Engle, George Leugers, Justin Baker or Nate Johnson at 866-714-4626 to learn more.

