DPC Bookkeeper
Built for Direct Primary Care

DPC BOOKKEEPER

The DPC Expense Category Guide

Where every expense in a Direct Primary Care practice belongs, and the ones most often put in the wrong place.

What this is, and what it is not

This is a bookkeeping reference. It shows where each kind of expense in a Direct Primary Care practice belongs in your books, so your reports mean something and your year end is clean.

It is not tax guidance. Whether a given expense is deductible, and to what extent, depends on your entity, your facts, and current law. That determination belongs to your CPA. What we can tell you is that clean, correctly categorized books make their job faster and their answer better.

> How to use this. Read it once to sanity check your own categories. Then hand it to whoever prepares your return. Most of the back and forth at year end comes from expenses sitting in the wrong place, and that is a bookkeeping problem, not a tax problem.

The distinction that matters most

Direct Primary Care practices carry two fundamentally different kinds of cost, and mixing them is the most common and most expensive categorization mistake we see.

Cost of care

Costs that move with the care you deliver. Dispensed medications, outside labs and imaging, clinical supplies, and the compensation of providers seeing patients. If your panel doubled, these would rise.

Operating expenses

Costs of running the business regardless of volume. Rent, software, insurance, marketing, administrative payroll. If your panel doubled, most of these would barely move.

Keeping these separate is what gives you a gross margin. Without it you cannot answer the most important question in a membership business, which is whether each additional member actually makes you money.

Where each expense belongs

Cost of care	Dispensed medications	Everything you buy to dispense. Track against dispensing revenue to see real margin.
Cost of care	Outside labs and imaging	Lab and imaging you pay for on a member's behalf.
Cost of care	Clinical and medical supplies	Consumables used in patient care. Not office supplies.
Cost of care	Clinical provider compensation	Pay for providers delivering care. Administrative time belongs below.
Operating	Administrative payroll	Front desk, billing, management, and your own administrative time.
Operating	Payroll taxes and benefits	Employer portion and benefit costs, kept off the wage line.

Operating	Rent and occupancy	Base rent, common area charges, and building costs.
Operating	Utilities	Power, water, internet, phone.
Operating	Software and subscriptions	EMR, membership platform, accounting, scheduling, communications.
Operating	Merchant and bank fees	Card and processor fees. Material in a recurring model, so keep them visible.
Operating	Malpractice insurance	Separate line, not lumped with general business insurance.
Operating	Business insurance	General liability, property, cyber.
Operating	Marketing and acquisition	Website, advertising, events, referral programs, print.
Operating	Professional fees	Legal, accounting, bookkeeping, consulting.
Operating	Licenses, dues, and CME	Licensure, DEA, board fees, memberships, continuing education.
Operating	Office supplies and postage	Non clinical supplies and shipping.
Operating	Travel and meals	Business travel. Keep meals on their own line, they are treated differently.
Operating	Equipment	Above your capitalization threshold this is an asset that depreciates, not an expense.

The nine we correct most often

1. Owner draws recorded as an expense

Money you take out of the practice is not a business expense. It is a distribution or owner pay depending on your structure. Recording it as expense understates your profit and misstates your equity.

2. The whole loan payment booked as expense

A loan payment is part principal and part interest. Only the interest is an expense. The principal reduces the liability. Booking the full payment overstates expenses every single month.

3. Processor fees netted out of revenue

If you record only what landed in the bank, you have hidden both your true revenue and your true cost of collecting it. Record revenue gross, fees separately.

4. Equipment expensed instead of capitalized

Exam tables, lab equipment, and larger technology purchases above your threshold belong on the balance sheet and depreciate over time.

5. Clinical supplies mixed with office supplies

Gauze and gloves are cost of care. Printer paper is overhead. Combined, your gross margin is meaningless.

6. Personal spending on the business card

It happens. The fix is not to hide it in an expense account. Book it to owner draws and move on. Leaving it in expenses is the kind of thing that turns a simple review into a difficult one.

7. Annual dues recognized entirely on receipt

A twelve month prepayment is one month of revenue and eleven months of obligation. This is a revenue issue rather than an expense one, but it distorts every margin you calculate.

8. Meals grouped with travel

Keep them separate. Your CPA treats them differently, and separating them at the source saves an email thread in March.

9. Continuing education buried in travel

Conference registration, travel, and meals for the same event usually belong in three different places. Splitting them when you book is far easier than reconstructing it later.

> On taxes, plainly. We do not prepare or file taxes and we do not advise on deductibility. It is hard to do two things really well, so we do world class bookkeeping and partner with CPAs who are world class at tax. We have spent years finding the ones who are sharp, responsive, and actually return calls. If you need one, we are glad to introduce you. If you have one you like, we work alongside them and hand over books they can file straight from.