



Effective Financial Management for your Small Medical Practice

Description

Effective financial management is the first step to success for any business, including your small medical practice. Proper financial management can be the compass that shows your exact current position so you can better navigate the future.

By [analyzing your financial data](#), you can give your business an advantage in terms of market-share, operational-efficiency and profitability. In addition to gaining an advantage, you can ensure you stay compliant in terms of taxes and statutes specific to your industry.

The financial management of your small medical practice may understandably seem daunting. You can, like many entrepreneurs in your position, be running a skeletal staff without much to spare for admin.

With the right strategies in place, however, you can have a great financial system and not break the bank. Or have your poor admin work overtime every night, for that matter. Here's how to go about it:

Decide: Outsource or Do It Yourself

Before you shake your head at this insanity I am speaking, the general answer is yes. It is possible for a person without an accounting qualification to do a bit of financial management, particularly for a small business.

Even if you choose to engage the services of an accountant, there are tasks you can do to reduce costs. Things like bookkeeping (day to day recording of transactions) can easily be done with the right tools. If you do decide to outsource, make sure of two considerations:

The first is that your chosen service provider should be full scale. Having every element of your financial management taken care of under one roof will make the overall cost lower. Secondly, make sure your chosen provider has experience in your industry.

While a specialist might be slightly more expensive, they may have knowledge of nuanced differences a generalist wouldn't know. They could, for example, know some tax rebates or claims that are not common knowledge outside medical financial management.

If you do, however, decide to go at it on your own, invest in knowing the basics. A quick online course or the knowledge base of a reputable accounting course could have you feeling like the next CA in no time. Just be sure to be laser-focused and invest only in knowing what affects your industry, more specifically, what affects your business.

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Opt For an Accounting Software

Spreadsheets are great software, but more often than not, there is a better alternative for the task at hand. Financial management and accounting are no different. While you can keep a good set of accounts from your Excel, it makes it a lot more difficult, particularly if accounting is not your primary vocation.

A good accounting software will reduce the workload, increase accuracy and generally make it easier to manage your accounts. With modern developments in the field, you need not worry about complexity and pricing. Accounting software has advanced so much you can find one that meets all your needs.

You can make sure it includes the right modules such as payroll, taxes and so much more. You can even find one tailored to your industry, one that integrates with the right tools for your medical practice. With this variety comes a difference in pricing as well. For your simple business needs, you can find comprehensive accounting software for free, such as [Zoho Books](#).

Perhaps a great advantage of good accounting software like [Zoho Books](#) is the built-in reports it comes with. These are important for compliance matters such as profit statements and balance sheets for tax submissions. They are also important for internal analyses. You can draw up reports that help you keep a pulse on your business.

Stay Compliant

No good can come from holding on to the tax man's money. Besides the penalties and fees that accrue, it's definite in nature. That makes holding on to it imprudent because you know it will have to be paid, only you stand the risk of paying it as a larger amount.

For this reason, you need to stay aware of all taxes that accrue to your business and amounts due. Thanks to eFiling, you can file most of these amounts yourself. Additionally, there are resources such as the SARS website and [TaxTim](#) that will help you file your taxes properly.

The Do It Yourself route has the benefit of low cost, but a tax practitioner is a good investment. In addition to ensuring everything is above water, they can find additional tax savings for you. Tax practitioners know all the tax avoidance strategies from experience that can help you pay less in taxes.

Tax practitioners are also aware of all the deductions due to your business for additional savings. The absolute start, however, is educating yourself on the basics of taxation. A good place to start is a [business taxation guide](#) designed particularly for small businesses.

Stay Ahead Of Payments

A staggering [82% of businesses fail](#) because of poor cash flow management. And while you are thinking, "but my business is profitable", you can be part of that statistic. Simply put, profit is excess of your revenue over your expenses.

Cash flow on the other hand refers to the movement of liquid funds in and out of your business. Because of credit sales, you could have a very profitable business but no liquid cash coming in. This is a very big problem because, without cash, you cannot pay your own debts.

When the phone bill comes through, your provider does not care about your profit or who owes you how much, they need to get paid. For this reason, you need to make sure to stay ahead of payments and get paid. This is particularly important for a medical practice where there are a number of payment streams.

Some patients pay directly, some use their medical aid, some a hybrid of both. It's important to make sure all financial obligations to the business are met. On the other end of the spectrum, when it comes to your payments, use as much leeway as given.

Make sure to prioritise creditors whose debts are falling due first, so as not to miss payments. That doesn't mean to sit on liquid cash without investing it in anything. Where possible, be sure to

negotiate discounts and other incentives for early payments.

Manage Your Overheads

The distinction between needs and wants is perhaps most pertinent for a business. After all, successful business is about maximizing revenues and minimizing costs. To minimize costs, a business needs to ensure to limit its cost centres to necessities.

This includes structuring the business in a manner that reduces expenses. A few examples include outsourcing non-core functions, leasing equipment, leverage temp workers and so much more.

Bootstrapping is of particular importance for a medical practice whose equipment alone can range in the millions. In addition, the medical field has some of the highest-paid professionals. This can quickly lead to overheads that overwhelm the business's revenue.

At any stage of the business, from inception and all through growth, keep your costs as variable as possible. Strategies like leasing equipment will make sure overheads increase when revenue rises to cover them. At any given rate, fixed overheads should be at a minimum.

A Clear Business Plan Doesn't Hurt

It's no secret [Mut-Con](#) is a huge fan of not just [business plans](#) and business planning as a whole. And while talk around the death of business plans has been growing of late, their need isn't waning.

Granted the wise will admit to the ubiquity of pseudo consultants churning out poor plans that add no value. However, that hardly speaks to the uselessness of a business plan. In fact, a good business plan gives you a little of what every entrepreneur needs, a glimpse into the future.

Perhaps not all of it, perhaps not 100% accurate, but a glimpse nonetheless. A good business plan, written by yourself or with the help of a reputable consultant is an opportunity to determine the direction of your practice.

It's an opportunity to plan and forecast what you want to achieve across all areas of your business. This is the perfect blueprint for your medical practice's financial management. It allows you to measure, analyse, compare, record, and all the other financial activities with a goal in mind.

While your practice will be flexible, and goals will change, there is value in that overall picture. Whenever a significant change occurs, you have a starting point to assess whether or not you are

moving in the right direction. Business plans can be tedious, but the value of benchmarking your performance can not be overlooked.

And what benchmark can be better than your own untainted vision for the future? Should you have limited time to craft a full multi-page business plan, look into drafting a [lean plan](#). It may not be as comprehensive as a full plan, but it will allow you to draft the most important points.

Always Separate Your Finances

Running a small business, as most medical practices tend to be, requires a lot of discipline for proper financial management. Many small business owners tend to struggle to see themselves as a separate entity from their business.

Because of this, they don't have urgency in making sure the business's financial resources are separated from theirs. Before long, expenses are being paid side by side for the business and personal ones. Some owners even entirely forget to [pay themselves anything](#) and live off business funds.

When this occurs, it becomes nearly impossible to make heads or tails of business finances. In order for you to stay ahead of the financial health of your business, you need a clear picture of income and expense. And you are an expense, and expense that needs to be managed.

The business will not thrive with constant dipping into the treasury. Cash flow will soon suffer, and even maintaining your budgets and other financial forecasts will be near impossible. On the other end of the spectrum, it also makes it impossible to know if the business is failing and you need to call it quits.

Without proper remuneration for yourself, you will properly make up for poor performance by underpaying yourself. Keep everything separate, starting from a bank account, and you will be able to paint a clear financial picture. You will also know if your business can pay you for the services you bring in.

Manage Performance

It's not enough just to know the financial happenings of your business, you also need to make sure everything is going well. Measurement is only half the journey, to complete it, you need to analyse.

Like every other aspect of your business, you need to make sure your business performance meets overall business goals. [Analysing a few ratios](#) with the reports will help you further gauge the financial

health of the business. You can take this further by cross analysing with results from previous periods.

This will give you a trend so you can understand the general direction you are moving in. Armed with this information, you can determine if your financial health is improving or deteriorating. Once you have a general direction in which you are moving, drill deeper to find causes.

This way you can find opportunities to double down on and improve performance or threats to be avoided. It also helps to benchmark. Data and analysis seldom make sense in isolation. If you can find information for industry performance, particularly businesses that mirror yours in a lot of ways like size and geography, you can extract more information from the data.

It may be that your trend is not isolated to you at all, with benchmarking, you can remove doubt. This information will be invaluable when you make plans for periods to come. It's a roadmap to guide your decisions for what's best for your business.

Conclusion

As a physician, your job gives you the most satisfaction when you are helping patients than when doing pesky admin. Unfortunately, financial management falls on the pesky admin end of the spectrum. Think of it as the veggies part of the meal, not a lot of fun but essential nonetheless.

With the right strategies in place however you can simplify much of this task. Not only that, you can make sure your business greatly benefits from it. Not only will it not be a cumbersome task, but a tool through which you can enhance your service.

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1. Accounting and Audit
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1. Accounting
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Author
mutconco

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