

Cash Flow Management Part 2– May 2008

A vital part of building a profitable private practice is the correct management of your finances. The effectiveness of your financial controls will ultimately dictate the profitability of your business - clearly if fees don't come in then your business performance will suffer - but having the appropriate financial rigour, whilst not difficult, does require some focus.

So how do you ensure you get paid in full for the work you do?

There are three main steps - but you must make sure that you place equal emphasis on all three!

2. Payment processing - this is as important as invoicing; adhering to the following rules will considerably reduce the challenge of collections:
 - Always keep detailed payment records, ensuring you allocate payments to invoices issued.
 - Beware that payments can come in multiple ways (e.g. cheque or BACS transfer) often to multiple addresses (e.g. to several consulting locations) so you need to be adept at managing the process.
 - You must reconcile your practice bank account statement each month to ensure that it matches your payment records. This will minimise no end of hassle generated by chasing invoices that have already been paid – perhaps by BACS where a remittance advice slip is lost in the post.
 - Also, reconciliation ensures that when you are informed that a payment has been made, the money is actually received!
 - Accurate book-keeping will keep your accountancy fees down, and in the event of a visit from HMRC you will be well-equipped.
 - The more accurate your picture of practice income the better your understanding of your business will be. This will in turn help you to manage your costs more closely – we will handle this topic in a future edition.

PHF's experience suggests that generally the private healthcare industry does not have a bad debt issue; rather it has a poor reputation for prompt and accurate invoicing, incomplete payment records and ineffective collections processes. If you have anything exceeding 1% bad debt annually you need to look at how you carry out your entire billing process; often complexities and inconsistencies in invoicing can cause significant collections problems down the line. And you can't just rely on collections agencies to pick up the pieces – apart from anything collecting debts is far more costly than implanting accurate and prompt billing in the first place.