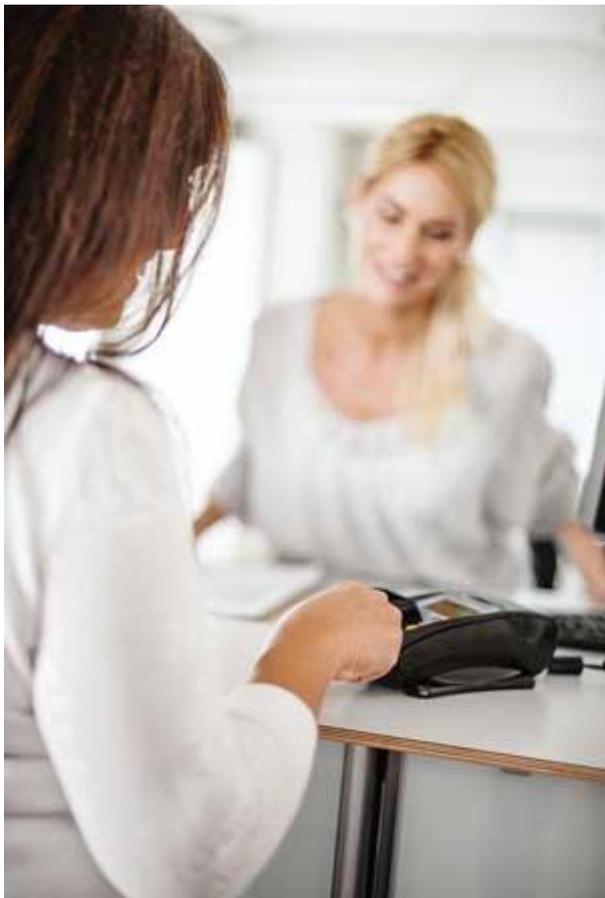


Practice health check

[admin](#) | December 17, 2013 | [Reply](#)



There are warning signs that a patient has to pay attention to in order to care for their dental health. The same rule applies to the health of your medical practice. We asked a number of business specialists for the warning signs that require attention, and what action to take in response. By John Burfitt



Cash flow is tight

A clear sign your business is going off track is if cash flow is poor. Signs that indicate something is amiss are the non-lodgment of tax obligations like business activity statements or the non-payment of superannuation for staff. Ensure patients settle their accounts at the time of consultation to reduce the amount of accounts receivable and potential bad debts. Make sure you have a rigorous debt collection

process to follow up any payments that don't get paid at the time of appointment. Put in place a process for closely measuring cash flow and having sufficient to remunerate yourself adequately and pay taxes.

Andrew Poole

Practice fees haven't changed in years

If you are not regularly reviewing your fees and charges then chances are you do not understand your 'cost to serve' and are undercharging. You need to know how much each patient costs your practice from the time they walk in to the time that they walk out—and then you know how much to charge them. If the resulting number looks higher than what you are comfortable charging, then it is time to examine expenses closely. Determine your cost to serve is the first step to resolving this issue. It will also help to compare your fees to the relevant benchmarks to know where you sit in the market.

Ash McAuliffe

There's a difference between budget and actual figures

You need to compare your forecasted figures with actual figures coming in. If actual figures far exceed your projected figures, then there is a serious problem with your spending habits. We all prepare budgeted cash flow and forecasts, and it is all well and good to do that and plan for the future, but if you are not measuring that against what the actual figures are for the quarter or year, then there is no point. You are not accurately measuring what you are really doing with the business.

Brad Callaghan

Fixed costs are increasing

A business can't carry the increase of costs, so these must be passed on to the consumer. A decline in profitability can also be caused by a rise in the fixed costs, at which point you should be aware of the trend and correct immediately. We usually assume fixed costs will always be the same but very rarely does anyone review them because we are too busy looking at our variable costs. We assume things like rent, telephone, certain suppliers and electricity will be the same every year, but then they begin to creep up and those are the things that can catch us off guard.

Brad Callaghan

A lack of regular reporting

Whether you do it yourself or utilise a bookkeeper, if you are behind in this aspect of the business, it is a sure sign the health of the business is not good. You cannot measure what you don't know and while regular reporting is historical, it is reasonably current if it is carried out monthly or quarterly. It also allows you to see

where the business is under performing. It could be in the overheads or you are not making sufficient gross profit from the services you are performing. It doesn't take much to identify what the problem is when you can measure it.

Andrew Poole

BAS reporting is stressful

Practices with poor accounting methods or just lacking in financial discipline find it difficult to reserve GST and PAYG tax amounts throughout the tax period, which results in a tax bill that is difficult to meet. To solve this, set up a separate account, possibly a high-interest at-call cash account, and place any amounts of GST received into this account. When each pay run is processed, transfer any PAYG amounts as well as any superannuation amounts to pay into this account as well. Then when the BAS is due, the funds are ready, and there might even be some left over.

Ash McAuliffe

The state of staff morale

One of the first signs things aren't quite right is staff morale. Customers base their initial perception on their first contact with employees. If the staff is not happy, how does this affect the way they interact with patients and suppliers? If the perception is not good this will ultimately lead to patients perhaps not being happy and leaving even though the level of care may be good. Clients can tell pretty quickly if things are off and will feel uncomfortable visiting. Complaints and/or increased absenteeism may indicate things are not what they should be.

Amanda Cassar

Equipment needs closer monitoring

Equipment purchased by small businesses have favourable tax treatment in terms of accelerated depreciation rates. Practice managers must ensure they obtain all of the eligible tax concessions on the purchase of equipment such as depreciation and, if applicable, finance charges to really make the most of it. Another often missed action is an annual review of equipment to check for any obsolete or damaged items, which then allows an immediate write-off for tax purposes.

Janna Fikh

Tracking of expenses

Accountants often simplify chart of accounts and bulk similar items together when presenting annual accounts. From a practice level, this is not sufficient as you may lose track of certain supply costs and their impact on profit margin. Expenses should be tracked by practice specific categories and/or services, which provides a more

thorough picture for supplier and costing purposes. In this case, pay attention to the smaller details.

Janna Fikh

Planning for the future

business planning is the practice of working on your business and not just in it. Do you and your team set aside regular times to catch up, review strategy, discuss marketing ideas, explore client concerns and work through practice management techniques? This practise can include reviewing cash flow and will highlight issues long before they become too hard to handle. The pay-off of taking time to do this is huge and needs to be scheduled in on a regular basis.

Amanda Cassar.

Our panel of business specialists

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