

How to Manage Finances of Your Medical Practice?

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Received: September 09, 2021; **Published:** October 27, 2021

"A budget is telling your money where to go instead of wondering where it went".

- Dave Ramsey.

Financial options

In order to initiate your venture of starting a new medical practice, you need finances. Keep in mind that you would require a good lump sum of money if you want to successfully start your own medical practice. Investing your own saving might be a good idea, but it might not be enough to cover all the expenses. For that, you would need to have a look at the financial options available for you.

There are some investors who want to invest their money in health care institutions; you can send your business proposals to relevant investors or better, you can personally meet them to share your vision and dream. However, remember that investors or lenders need to see numbers. Make sure your business plan covers all the expenses involved including the costs of services and equipment and how you will make a profit. You need to show them how your practice can benefit them.

You would require funds to not just create a practice from scratch but would also need funds to purchase furniture for the office, supplies, relevant equipment required for your service and of course to hire and train your staff.

It is also possible that you would have to apply for business loans in order to cover all expenses. For this you need to submit your business proposal and present your vision to the lenders. There are various kinds of loans offered by lenders for medical practices, including:

- Debt consolidation
- Leases for medical equipment
- Practice procurement
- Working capital.

A loan is a fund that you can utilize as per your business needs. You are likely to apply for a startup loan of fund which is offered to start-up businesses. Moreover, there are also loans which are specifically offered to medical startups which would be ideal for your practice.

You can also apply to get a lease for medical equipment since they are rather expensive. Additionally, with continuous advancement in technology, you may need to get these leases from time to time in order to ensure that your practices have the latest technology and equipment to offer the best high-tech service to your patients. There are various payment options for medical equipment leases depending on the lenders. You can opt for the one which is most suitable for you and which fulfills the most requirements of your private practice.

Seek an expert's help

It is unwise to embark on the journey of starting your own medical practice without a solid plan. Moreover, it is highly unusual to begin this journey that invests so much of your money, effort and time, without consulting an expert. You would be surprised to know the number of business owners who neglect talking to a financial expert or advisor thinking that they can handle the finances themselves. This typically does not end well for them.

You indeed are an expert in a specific medical field but that doesn't make you a financial expert, no matter how good you are at handling money. Starting your own private practice is not going to be a walk in the park. It is a massive investment and you need to be extremely careful when making decisions, especially related to finances. It is highly recommended that you consult a financial expert to help plan all the finances of your practice efficiently.

A financial expert has the right expertise and experience to assist you in making the best possible financial decisions and get the most from your initial investment. They will evaluate your situation, your business plan and the financial options available to you, as well as the timeline and will guide you accordingly in a way that will result in a profitable business.

If you are still not convinced, here are some major reasons why you need to seek help from a financial expert before you begin investing money in your private practice.

Required expertise

A financial advisor will ask numerous questions about your practice, even the most obvious ones but answering those questions will make it easier for you to better understand your practice and might even lead to making improvements in your plans. Their expertise will help you in making your practice more profitable and efficient as they will focus on those actions that will generate positive and profitable results.

At the initial stage of building your practice, you would be performing numerous roles yourself. You might be handling the areas that you don't even have much knowledge about. From tech support to marketing decisions, you would be the one to make decisions. However, having a professional financial expert to help you would make it easier for you to make the right decisions financially. It will protect you from investing in things that would lead to losses.

If you are financially protected with an expert by your side, your chances of error greatly decrease. Suffering from financial mistakes and losses at such an early stage of your practice can lead to graver consequences. Overpaying vendors, delaying payments, problems with cash flow and mismanagement of money are common errors typically made by small business owners who are just getting started. The best way to avoid them is to consult a financial advisor.

An expert will offer accurate cash projections based on numerous factors for all the financial decisions you plan to make which will ensure that you don't make amateur mistakes. It will enable you to create and expand your business successfully right from the start. Moreover, they can point out the best opportunities and risks that may come your way so that you can make the decisions accordingly.

Better cost savings

The great thing about seeking help from a financial expert is that it enables you to have better control over the pathway your business is heading in. It is bound to save you money and time. It is a wise move to not perform the tasks which aren't among your core abilities as it prevents your business from reaching its full expertise.

With the advice of a financial advisor, you would be able to make complex financial decisions easily and quickly. It will allow you to confidently make the right financial decisions without stressing over any kind of uncertainties because your financial advisor will provide you with proper research and calculations regarding all possible options.

This will put you in a better position to handle your business and to avoid costly mistakes.

Preparation for future developments

When you think about the future of your business, it is quite easy to get emotional or go overboard. It is normal to get overwhelmed, scared or excited when you are setting long-term goals and envisioning the future developments you want from your business. You might lead yourself to disappointment by setting unrealistic and unattainable goals.

However, all of this can be avoided with the help of an expert. They will give you the best advice when it comes to financial matters, whether they are things you have to do right then or whether you are planning for the future. They will offer you clarity and keep you focused on the vision and realistic goals as per your business objectives. This way you would be able to plan realistically and with the right tactic.

A financial advisor will assist you in facing the facts and assessing the estimation and possibilities of accomplishing the goals you are setting in the required time. There are very few business owners who think about future challenges and changes in technology, markets, economy and other aspects when they are projecting and planning their startup.

The advice and perspective of an expert financial advisor help a new private practice to tackle any possible threats that might come its way.

Balancing personal and business finances

Understanding and balancing the personal and business finances (profits well as the expenses) remain very important for a new medical entrepreneur. Since starting your own business is a time-consuming and difficult task, majority of the business owners tend to only focus on the finances of their business but not on their personal finances.

With a financial advisor, your personal finances will also be taken care of along with your business finances. It is essential to coordinate these two finances for tax, investment and cash flow purposes. The expert will also be working as a quarterback between the other experts you might need for your private practice as it escalates, which include real estate attorney, insurance broker, bookkeeper, business attorney and your accountant. This will ensure that all the processes are going on smoothly and the finances for all aspects of your business as well as your personal finances are being monitored and managed well. This is significant for success in the long term.

The majority of new business owners avoid seeking assistance from an expert financial advisor just to save money. However, this is not a wise decision, especially with such an uncertain financial situation of the market.

Creating a budget

No business can run successfully without setting a budget as there are bound to be plenty of financial issues that will come in the way.

This is true for any type of business and at any level. No matter how big or how small, it will come crumbling down without a budget. It is essential to create a financial plan and a budget along with a business plan if you want to see your private practice prosper in the long term.

A budget that is carefully constructed will enable you to keep continuous track of all your finances, while also ensuring that you don't go overboard with the expenses. Moreover, it would allow you to determine the right opportunities that come your way and help you decide which ones you should go for if you want your practice to expand.

Having a proper understanding of your budget opens up your business' ability to hiring the right staff, providing them with the right training as well as help in determining which new equipment and medical supplies the business should invest in.

Some more benefits of setting a budget include:

- Efficiently preparing the taxes
- Making informed decisions regarding overhead expenses, benefits, bonuses and salaries
- Expanding operations
- Setting more goals
- Attracting more investors.

A detailed budget also makes it easier to create regular updates and reports about finances to share with investors and partners as well as potential investors and partners. It also helps determine whether the strategies being utilized are the right ones and if there is a need to make any changes.

Step one - Make categories of expenses

Start by determining things you would need to open your practice for and start taking patients. What are the most crucial things? The best way to do that is by dividing your budget into categories. You can break them down into two categories. These categories can be more as per your situation and requirements.

1. **Fixed assets:** The first category includes equipment and facilities to set up in the building.
 - Facilities: Signage, tenant improvements, fixtures and furniture, lease security deposits, etc.
 - Equipment: Medical equipment, surgery tools, computers, office furniture, etc.
2. **Startup costs:** The second category includes supplies and materials as well as other costs.
 - Supplies and Materials: Promotion and advertising materials like brochures and pamphlets, etc., production and health-related materials
 - Other Costs: License fee, insurance deposits, permits and other licenses, accounting and attorney fee, etc

Step two - Assessing variable and fixed expenses

It is important to gather data on your monthly fixed expenses. These are the expenses that are constant and are not dependent on the number of patients you see. Here is an example of the list of possible fixed expenses to give you a better idea:

- Business loan payment
- Miscellaneous expenses
- Employee benefits/pay
- Professional fees (accounting and legal)
- Business insurance
- Promotion, publicity, advertising and commitments
- Dues/subscriptions
- Office supplies
- Equipment lease payments
- Website service fees
- Credit card processing - monthly fee for service
- Phones (business phones and cell phones)
- Utilities
- Rent.

Variable expenses are the ones that change as per the number of patients that come to your practice every month.

Step three - Estimating monthly sales

This is typically a complex part of the entire budget since you can't determine the exact number of sales or profit you would earn for your new venture. The best thing to do is to make at least three sales projections:

- Project the best-case scenario where you estimate the most optimistic number you believe your private practice can earn in the first year.
- Project the worst-case scenario where you estimate the worst possible number your private practice can get in its first year.
- Project a likely scenario where you estimate a number in between the above scenarios. This is the estimation you should include in the business plan to share with your investors and partners.

In order to make your budget as realistic as possible, you need to keep in mind the fluctuations of the patients' payments. You might

offer flexible payment options for the ease of your patients, options to make the payment in installation, might offer discounts or free services to the patients in need; which means, it is possible that you might not get a lot of revenue in a few months. Therefore, it is best to set realistic revenue projections for each month keeping these factors in mind.

After calculating the variable costs for each month, include it in the fixed costs to determine the total expenses for each month and include that in your budget as well.

Step four - Make a cash flow statement

You can create the cash flow statement by adding the total cost to the total revenue estimate for every month. Whatever your cash flow projections are, you can change the revenue values for each month based on the three scenarios mentioned above. This will help you get an idea about your practice's cash needs and the amount you might have to borrow to attain working capital.

Tips to create a start-up budget

Following are some tips that can help you in getting started with your budget:

- Utilize accounting software to make the budget will help to utilize your existing accounts and would be easier for you to make the changes.
- A spreadsheet program can also be utilized to make a budget instead of a software program.
- Majority of the lenders want the cash flow statement of at least three years, showing projections for each month as well as annual and quarterly income statements of three years.
- Remember that Income Tax is a variable expense since you can't project the exact amount of taxes you would have to pay till the next income is calculated. It is best to not include your taxes in neither the variable nor the fixed expenses. You can make another category to include the taxes in.

Even with these steps and tips, the best thing you can do for your private practice is to consult an expert. A financial advisor would be able to better help you with all the finances of your medical practice including budget-making.

Minimizing expenses during COVID-19 crisis?

Most of the medical practices are facing financial challenges during the COVID-19 pandemic due to a considerable decrease in the out-patient and surgical volume. Managing finances and saving the running expenses of the private practice is very important to follow during this time. Often doctors are busy treating patients so financial planning and saving the running cost, minimizing the expenses etc. become somewhat neglected. Always remember- A Penny Saved is a Penny Earned.

We saved significant amount of money at our practice SuVi Eye Hospital & Lasik Laser Center, Kota by following few pearls of wisdom. These include: always purchase a new equipment(s) in a group of 2-3 colleagues and negotiate for the minimum possible price, extended warranty (two years), and comprehensive maintenance contract (CMC) before finalizing the equipment. If you are an eye surgeon with good volume of cataract-IOL surgery, you can consider an option of intraocular lens (IOL) bundling to get a new equipment. Never be in hurry or bow to the pressure created by the manufacturers to buy an expensive equipment, rather carefully calculate the financial viability and need of the equipment in your practice. Periodical checking of practice account, account audit to minimizing financial irregularities, keeping a close watch on all counters/employees handling cash, minimizing the due payment from patients as well as from insurance companies.

Overspending in marketing, paid advertisement in the print media or on digital platform, etc. is not much needed nowadays. Rather, use social media and online ratings as free advertisement. You can post health-related news articles/videos on Facebook, YouTube and Twitter etc. to promote yourself, your work and your skills. Always encourage patients to write online Google reviews. Always remember in private practice, a fully satisfied patient remains the best marketing strategy to refer more and more patients by the word-of-mouth publicity.

Take-home message and tips to manage your finances

- Invest in customer service to focus on making your daily operations as seamless as possible by investing in tools and technology (software).
- Manage your cash flow efficiently by using income and expenses trackers and reports from online software that allows you to stay on top of finance easily.
- Embrace technology to automate as many tasks as you can so you can balance your medical practice and the management of the day-to-day operations of your medical clinic.
- Manage your assets and inventory well and make sure that you don't have to purchase something repeatedly, invest in your assets and learn how to manage them well through inventories and maintenance.
- Know your financial goals by setting monthly or weekly revenue goals so you can reach your targets and make adjustments if you need to do for successful medical practice. Be prepared for a financial slowdown and manage your finances during the COVID-19 pandemic.

Volume 12 Issue 11 November 2021

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