

THE CASH FLOW CORRECTION PROCESS

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This procedure is designed to help a practice that has and will experience cash flow difficulties from time to time.

The nature of our cyclical business of Chiropractic is one that causes cash flow issues much like any small business. The period of time when your expenses are normal or slightly up, but your cash income is slightly down, will cause a delta or deficit of cash week after week.

Typically the Chiropractor is so busy being a Chiropractor, they don't notice the cash flow challenge sometimes until it comes to an alarming spot. This procedure has been designed so you could do an analysis while you have a cash flow issue or prior to it, so you spot it to avoid a cash flow issue.

The Procedure:

The first step is to evaluate income. Income should be evaluated by looking at the total number of visits. Are they normal from the last three to four months? If the last several months' visits are normalized, the next step is to evaluate the income per visit. The income per visit is how much is collected divided by the office visits seen during the same period of time. This number should be in a range of \$45-\$65 minimum.

If the income per visit is in this range, then you don't have an income per visit problem. You may have an outgoing expense problem. An example is; if the visits are normal and the income per visit is normal, but the cash flow or cash balance in your checking account is reducing each week, then too much money is being spent per income coming in.

The expense drill should be performed as following:

You take the last three months individually and list out on an Excel spreadsheet, the expense and the amount you wrote the check for. I do not want you to use any automated QuickBooks or computerized paycheck program because the end result will not be the same. I want you to take each check and log it into Excel personally. Do not have an assistant do this. Then list out the entire month of expenses including checks to yourself and payroll.

Once you have completed that, you will total it and that number will give you your total amount of money spent that month. You do the same for the previous month and the month before that.

The next step in the drill is to go through each month, one by one and circle or highlight your five most expensive expenses. If you are going to highlight, use **YELLOW** for the most expensive and put a key code lateral to your expense column that indicates these are your five biggest expenses.

You do that for month one, two and three, going backwards. Then evaluate if that is an expense you could reduce or remove for the next six months or permanently. Do this with all five of your top expenses.

The next step is you highlight in **PINK**, your second five top expenses for the first, second and third months going backwards. Repeat the previous step. Can the expense be reduced or removed?

Then you do the same for the third five largest expenses and highlight that in a light **BLUE**. That will give you your fifteen top expenses for the last three months. This should help you evaluate a cash flow challenge.

If your answers are apparent, make the correction, move on, and make more money. If your answers are not apparent, take the next five in the top expenses until you have no white expenses. In other words, you are taking them in categories of five all the way down to the lowest expense and you are evaluating if you can spend less money.

Simultaneously, while you are evaluating spending less money, you should absolutely have your attention on more new patients, more visits, closing more people for care, improving your retention, being sure your visit drop analysis is an accurate number and you are doing a great job on the income side.

If you work on the income and the outgo simultaneously, you should notice a reduction in the delta or deficit immediately. It may take three to six weeks to fully correct, depending on how long the cash flow problem has been an issue.