



# Where did MY money go?

“I made that much money? But I don't have anything in the bank!”

If I received a dollar every time a dental client said that to me, I would be able to retire in style! How often have you said the same to your CPA? Many of our clients are convinced that

balance in your checking account (see Fig. 1). Cash increases for collections put in the bank, loan proceeds, cash received from the sale of equipment, interest, or dividend income and contributions made by you to your business. Cash decreases every time you write a check,

*Does your money run out before the month does?*

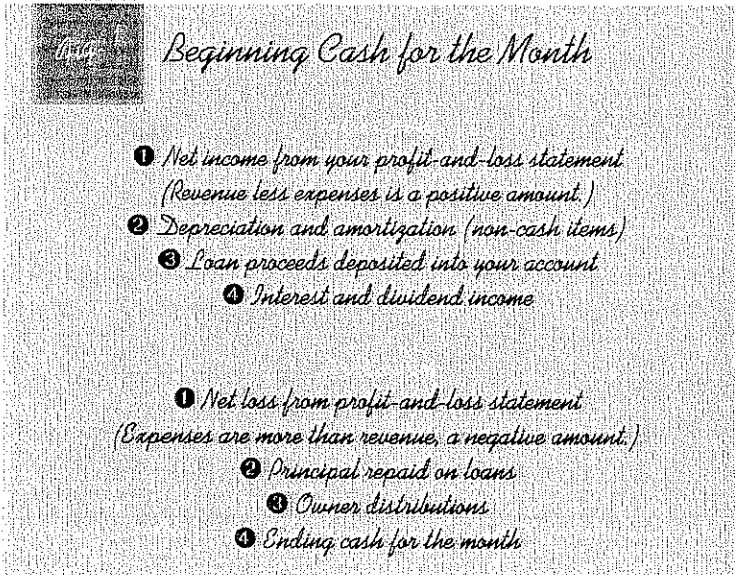
the net income number on their profit-and-loss statement should equal their cash in the bank. That's where the confusion begins. Let's see if we can demystify the cash flow mystery. Let's talk about what cash flow is and why it's important. Then, we'll talk about simple ideas for improving cash flow within your dental practice.

So, what is cash flow? First, look at your financial statements and start with the beginning

including principal paid on a loan (to a bank or loan company), repayment of shareholder loans, bank fees, personal draws, or distributions, and all those invoices drafted directly out of your account (for instance, payroll).

Let's try an exercise and talk about how loans figure into the equation. If you borrow from your line of credit, or LOC, to pay your invoices, you are putting money into your bank account from

the LOC. This will increase your cash flow. It is not included in your profit-and-loss statement and therefore is never treated as revenue. Likewise, if you repay the LOC, it decreases your cash flow and will not be treated as an expense on your income statement. The same applies to a note payable. For example, you originally borrow from a lender to purchase equipment. We, as your CPAs, set the equipment up in your balance sheet (under the assets section) and have a corresponding entry to a "note payable" in the liability section. You have probably heard about double entries, sometimes known as debits and credits. As you repay the loan, you reduce the principal and your checking account balance. However, this outflow of cash is not treated as an expense. On the asset side, we depreciate the equipment. This does affect the profit-and-loss statement but does not affect your cash because it is a non-cash item. We place depreciation on your books and records only as a journal entry. A simple cash flow statement is as follows:



By understanding Fig. 1, you are an expert. Let's discuss simple ways to improve your cash flow. Here's one — reduce your personal distributions. Easy, right?

I hear you screaming, "I can't reduce my distributions! I need that to live on!" Cash flow is becoming more clear to you, so let's discuss revenue enhancers.

Improve your patient collections. Is your front office requesting 100 percent of the co-payment from each patient before he or she leaves the office? When we visit our dental offices

throughout the year, we often hear patients being told at checkout, "Don't bother to pay. We'll send you a bill." Some practices don't even say *that*. They just send a bill a month later. While many patients pay on time, others don't. Train your front desk person to estimate insurance payments and ask for the c-opayments due before patients leave. Your staff will spend less time on collections, and you will increase the cash in your bank account immediately. After all, when you go to the grocery store, you pay for your purchases right then. Your services are a commodity, just like your groceries.

In addition, run a Patient Aging report each week and follow up on the more-than-30-day accounts. Log who was spoken to and the scheduled payment arrangements. If a payment is not received by the arranged date, follow up. You should have a "dunning" letter that you can send to slow-paying patients. If it becomes clear that you will not receive payment, inform that patient that you are sending their information to a collection agency. If you get no response, send it to the agency. Collecting part of the payment is better than collecting none of it.

Next point on improving collections: Follow up on your insurance claims weekly. Your staff should run an Insurance Aging report every week and follow up on all accounts more than 30 days unpaid. Take notes for each phone call, including whom staff spoke to and actions they said they would take. If payment is not received within two weeks, follow up again. Be persistent. The old adage, "the squeaky wheel gets the grease," is true. If insurance payment is denied, send a statement to the patient with the amount owed. Make it easy for your patient and include a contact person and phone number for the insurance company.

Now that collections are under control, what are some other ideas for revenue enhancement? Are you reviewing your charts to see if there are any other treatments that could be presented to patients? Is there gold in those charts? One suggestion is to do a comprehensive exam every two years with a full-mouth series. As we baby boomers age, so do our mouths. Most likely, there is something going on in that mouth that needs treatment. It doesn't hurt to bring up a recommended treatment, even if the patient isn't interested in it right then. If you never suggest it, the patient isn't going to ask about it later when the time is right.

Next, how are your presentation skills? Does your hygienist educate your patients? Does

he or she use your intraoral camera, or has it become a plant holder? If your procedure acceptance rate isn't as high as you would like, perhaps you aren't selling the services in a way that patients understand and can accept. You might want to invest in a continuing-education class that provides coaching in presentation skills or use a dental consultant who can help you improve those skills.

Finally, let's diverge from the revenue enhancers and discuss investment vs. expense. We constantly remind our dental clients that they have to spend money to make money. It's true in our business, too.

Working in an outdated office that has old equipment sends a message to your patients and your staff. While a few patients might prefer this, the majority do not. When I walk into your office, I want it to be light and airy, have nice furniture, and be pleasing to the eye. When I get into the chair, I want it to feel comfortable, and I like to look at something other than the doctor or hygienist's face — no offense. In addition, I want information that I can understand, and I want to be able to assess my treatment plan by being shown what is wrong and how it will be treated. I like to make good decisions. Your job is to educate me using the latest technology, which may include intraoral cameras and digital X-rays, to help show exactly what I need. After all, dental patients today have much higher dental IQs than patients of the past. Television makeover shows have ensured this.

All the latest research shows that good dentistry can improve your patients' quality of life. Mouth and teeth problems are linked to heart

disease and diabetes. So remember, dentistry should not be a discretionary item in your patient's budget. If a patient complains to you that dentistry is too expensive, put it into perspective for him or her. How much is a candy bar, a cola, or eight cigarettes per day? How does \$1 per day sound? That's \$365 per year. I have read that an average patient visit costs \$160 to \$200 (and we want to move that up). Therefore, you can point out that the cost of good dentistry is the same as that daily cola or candy bar. Now that's affordable.

This article only scratches the surface of ways to understand and enhance your cash flow. You might want to talk to your accountant about additional ways to add cash to your bank account. In one brainstorming session we had at the Academy of Dental CPAs conference this fall, we came up with 41 ideas in 10 minutes. Just remember, cash flow should not be a mystery. Used correctly, it is an excellent management tool. ☐

