Just as every patient has numbers, whether blood pressure, cholesterol, pulse or white blood cell count, your practice does, too. And similar to your patients’ numbers, your numbers need to be in a healthy range. Any negative trends need to be noted, watched and addressed.

For many physicians, reviewing financial statements is a chore since they are so busy staying on top of patient care and records. It’s easy for months to go by without even looking at the checkbook, until the bookkeeper notifies you that the cash balance is low.

The best system is to set a day every month for reviewing key reports. This system will allow you to spot any problem areas as well as adjust budgets or, on the positive side, make some additional purchases or hire a new staff member.

**Profit and loss statement** – This summary report details your income and expenses, usually by the month, although they can be prepared by the quarter or year to date. If you prepared annual revenue goals, this report can easily allow you to see where you stand – whether revenues are up, down or flat.

The same goes for expenses. Most programs can display expense categories as percentages of sales. This will help you keep an eye on wages or other expenses that tend to creep up. Employee costs are an area to be especially careful because overstaffing will quickly erode profit margin.

Comparisons with the previous year can also be helpful. What were your revenues this month last year, and how do expenses compare? Comparisons allow you to spot long-term trends. Seasonality can be a factor even in professional services businesses, so the year-over-year comparison is helpful to spot changes in practice health.

Once variances are detected from what is expected or usual, you can determine why they occurred. Sometimes weather is a factor, there might be something especially virulent going around, or adding a physician’s assistant may have resulted in new patient growth.

The balance sheet – or statement of assets, liabilities and equity – is also a key report to review monthly. There are several areas on the balance sheet to watch closely.

**Cash balances** – Cash is critical for smooth operations. Since most practices operate on an accrual basis – meaning they report revenue when earned, not collected – available cash is what pays the staff and the bills.

Ideally, you will keep one month or more in an operating account and have reserve accounts you can draw on. Comparing cash balances over time will reveal possible financial problems if cash is declining, unless this can be explained by unusual, one-time expenses.
**Accounts receivable** – Hopefully, you are collecting co-pays and self-pays at the door, but it is inevitable that you will carry accounts receivable if dealing with insurance companies. The critical report with accounts receivable is the aging, the reporting of how old those accounts are. Anything over 30 days needs to be scrutinized, and anything over 90 is in jeopardy.

Look at patterns of payment. Some companies might be slow but reliable. That’s all right. Others might tend to deny or question bills. This is an area where further analysis can be useful.

If you have significant patient accounts receivable, you should carefully monitor them. Regular follow-up is key to collecting amounts agreed upon and due.

**Write-offs report** – This report details the adjustments made to patient accounts, whether due to discounts, denials or adjustments. If there are a lot of denials or unexplained write-offs, your billing staff needs to focus on this area to improve approval rates and eliminate errors.

A practice falling into financial ill health rarely happens overnight. By keeping a close eye on key reports, you will make sure that poor numbers don’t become fatal.