

Add Consistency to Your Cash Flow

The Advantages of Daily Statements BY MARIANNE HARPER

Cash flow: Does it seem as though, for most days of the month, the direction of the cash flow is out?

If your practice is like most practices, you have a few days per month when the mail provides an exceptional number of patient payments but the majority of the remaining days supply a minimal number of fee payments. The closer it gets to when the statements need to be mailed again, the worse the balance becomes.

There are many negative consequences to an unpredictable cash flow. Your checkbook balance will tell that story. You probably see a pattern of high balances for several days during the month and low balances during the remainder of the month. Because of that, how confident can you be that you will have sufficient funds to meet your monthly expenses when they are due? Perhaps more significantly, will it be difficult to make decisions on the affordability of those needed capital improvements?

As a practice management consultant who specializes in business office systems, I see this pattern all too often. There is, however, a way to make a significant change to this pattern. I train staff members to file statements daily.

The vast majority of dental practices follow the traditional pattern of mailing statements once or twice a month. In addition to the above-mentioned problems with this method, there are additional difficulties. When statements are prepared once or twice a month, it creates a huge job to accomplish along with all the other jobs that must be performed each day. This situation leads to what I call a "quick look" at each account. Do you really want that quick look given to all of your statements? I don't think so. How can you be sure patients are paying as promised or there aren't other payment issues that haven't been addressed as promised by patients? And if this is going on, it may be another whole month before those accounts are looked at again. This will contribute to a rise in the accounts receivable.

One additional issue to consider is the stress level for your staff. Can you imagine what it must be like for that staff member who has the time intensive major statement mailing job to accomplish but who is also responsible for answering phones, checking patients in and out, and all the other jobs that continually occur each and every day in a dental practice? We need to keep employee stress levels as low as possible, a challenging task on "statement day."



Now that we have looked at the negatives of monthly or semi-monthly statement preparation, let's see why I advocate daily statements. The multiple positives are listed below:

- **Time factor:** Obviously, when statements are divided up throughout the month, there are fewer statements to handle each day. When there are fewer statements to handle, there will be more time to look at these statements more carefully, eliminating those costly oversights that can occur when all statements are prepared in one day.
- **Lower accounts receivable:** Daily statements allow for statements to be sent the same day as insurance payments have been posted to accounts. This is a great way to keep the accounts receivable low.
- **Consistency:** When statements are mailed daily, you will find a consistent level of revenue collected throughout the month. As mentioned above, this will help greatly with following your budget and making decisions on those larger expenditures.
- **Stress reduction:** When your staff prepares statements on a daily basis, they can schedule their daily routines in a more efficient manner and never be bogged down by a huge job that must be fit in. Efficiency in their daily schedules will create a reduction in stress that makes for happier staff members.

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Setting up a daily statement system is not difficult and can be accomplished whether your office uses paper or electronic statements. There are two different methods that can be used for daily statements. The first method is the one that I strongly advocate. This method allows your practice management software to determine what statements should be printed. To set this up you will need to choose the formatting tool that the software provides. Choose daily statements.

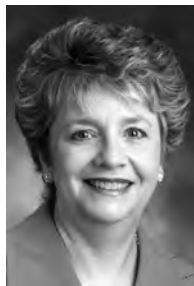
Depending on when you last processed statements, there may or may not be many statements generated by the system in the early days of using this system. I advocate the change be made shortly after processing statements the former way. This will then allow statements to be printed for those accounts that have had the most recent patient or insurance payments made. If you make this change prior to the time that either the half month or the whole month statement system is due to be run, the new system will generate too many statements at first and it too will be a huge job -- and it will take many months before the system generates a manageable number of statements each day.

The other method that can be used to format this system is to divide your statements alphabetically. An example of how this would work would be to send statements on the first business day of the month to accounts with guarantor names that begin with

the letters A through B. The second day statements for guarantors with names that begin with C and D should be sent. Then continue this pattern throughout the month. The disadvantage of this method is that you will not be sending statements immediately when insurance payments are posted to accounts.

Do not let a negative initial response stop you from establishing daily statements in your practice; it is often the initial response. However, once staff members start using this system, then I see a complete turnaround and the staff members love the new system.

Take the necessary steps to avoid those low checkbook balance days and the often-heard explanation that "It's been almost a month since I mailed out the statements." Take the challenge to make this significant change. When both statements and insurance claims are submitted daily, you will see a positive change to your cash flow.



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