

Creating a Financial Health Dashboard: Tasks and Measurements

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The best way to understand if your practice is making enough money to attain your financial goals, is to create a dashboard. To enhance your practice's financial management through a detailed and effective financial dashboard, consider tracking the data below, tailored for outpatient mental health practices. This comprehensive approach can help you strategically monitor and improve your practice's financial health and reduce your stress and worry about money.

Income and Expenses (2-5 Years)

- Track and record all income and expenses. This should be done monthly or quarterly to capture seasonal variations and identify trends.
- It's also helpful to have this information for tax time. Consider outlining expenses by month or quarter, that also line up with how you might account for taxes (i.e., office supplies, dues and subscriptions).
- Use graphical representations such as line graphs or bar charts to easily visualize income, expenses, and the net of the two over different periods. This will help you quickly grasp financial performance and forecast future trends.

Productivity

- Monitor the revenue generated and the number of hours worked by each clinical staff member. Calculate this per billing cycle and aggregate it to full-time equivalents (FTEs).
- For those accepting reduced rate clients or doing pro-bono work, this can be particularly useful to see what your standard rate is, and then on average, what is being accepted on an hourly rate. For those accepting insurance, it can also be helpful to incorporate indirect hours spent doing administrative work, to determine those associated costs.
- Establish benchmarks for expected productivity levels based on past performance and specific productivity standards based on your budget. Use these metrics to identify underperformance and to incentivize staff.

Debt Activity

- Regularly update and review the status of all outstanding debts, including credit lines and equipment loans. Include visuals like progress bars or pie charts on your dashboard to show how much debt has been paid off and what remains.
- Set and review targets for debt reduction, adjusting strategies based on the financial state of the practice.

Expense Patterns

- Identify and categorize major expenses. Focus particularly on areas where cost reductions could be significant, such as lease agreements and staff benefits. Smaller shifts (such as for software and internet subscriptions, outsourcing, and phone plans) can cumulatively have a significant impact on your bottom line.
- Consider renegotiating fixed costs, such as rental agreements and insurance policies, and explore alternative suppliers or contractors to reduce costs.

Cash Flow

- Examine the ebb and flow of cash within the practice, noting how income variations (e.g., seasonal dips and vacation time) and major expenses (e.g., attending conferences and purchasing new equipment) impact liquidity.
- Prepare for anticipated cash shortfalls by establishing a line of credit or adjusting payment schedules and lease agreements for major capital expenses, to smooth out cash flow.

Accounts Receivable

- Track all invoiced amounts by age (30, 60, 90 days, etc.) to identify trends and issues in payment delays.
- Develop strategies for follow-up on delinquent accounts, including setting up payment plans and deciding when to write off bad debt.
- In reviewing monthly or quarterly income and expenses, you may see patterns in clients not paying on a weekly basis, such that there are months where there is little income, and months where accounts are being paid up. This may inform your decision to alter office policies (i.e., accounts need to be paid weekly or sessions will be canceled).

In Sum

Reviewing your dashboard on a regular basis can help you assess your practice's financial health and pinpoint changes you can make as your practice evolves and economic conditions change. Automating data collection and its input into the dashboard can reduce errors and save you time.

By following these guidelines and continuously refining your approach, based on the data your dashboard provides, you can significantly enhance the financial stability and performance of your outpatient mental health practice. This structured approach not only clarifies your financial picture but also empowers you to make informed decisions that drive practice growth and stability.

Your TPI consultants can help you construct a dashboard tailored to your unique practice. Reach out today!

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