The last several years have been challenging for many practices as they try to make sense of changing healthcare policy, consumer buying habits and an assortment of other business developments of various scale and scope. These turbulent times have renewed the urgency of many practice owners to focus on the financial aspects of their business and, all for good reason—without a solid understanding of your finances, you may be digging yourself into a deeper hole. This Q & A with Jeremy Kiecker, a Certified Public Accountant with Pieper Whitaker & Bjork, LLC, will help you navigate the ever-changing dynamics of managing your financials in a private practice.

Jeremy Kiecker is a business accounting expert with years of experience in outsourced accounting services for small businesses. He helps small business owners ensure their accounting systems are properly set up, and that accurate financial information is generated and communicated so the owners fully understand how their business is performing on a monthly basis. His experience lies in the healthcare, manufacturing, restaurant, land development, homebuilding, retail and consulting industries.

Jeremy has a personal interest in working with the hearing industry and its distribution channels. He has hosted a variety of webinars and financial management seminars dedicated to this industry. He has also been a featured speaker at annual hearing industry conventions and the author of two articles in Audiology Practices.

Brian Jeremy, tell us about your background and how you got involved in consulting with audiology practices?

Jeremy: Geographically, we’re in the heart of the hearing industry in Minneapolis which led us to start this niche over ten years ago by working with local manufacturers and buying groups as a preferred provider of accounting services for their members. Those relationships have led us to provide accounting services (outsourced weekly bookkeeping services, monthly QuickBooks oversight, consulting, tax planning and tax preparation services) to audiology practices throughout the United States. We also conduct a variety of financial management workshops for audiology practice owners to help them better understand the importance of good financial management practices. This hearing industry specific service offering has been well received by practice owners as many businesses look to find an accounting firm that understands their industry and the challenges they face on a day-to-day basis. It’s comforting to practice owners to have a turnkey solution that can jump into their practice and hit the ground running without having to educate them on the hearing industry. Our clients are actually relying on us to teach them best practices when it comes to the financial management of their practice.

Brian What are the biggest mistakes you see practices make with respect to accounting and finance?

Jeremy: One mistake I see is practice owners not keeping an eye on the financial health of their practice until it’s almost too late. Some practice owners find the financial aspects of the business overwhelming. Others just don’t have time to address it. From my experience of working with a variety of practice owners, the owners that are engaged and keeping a close eye on the financial health of their practices are the ones that are the most successful. Monitoring the performance of the practice allows the owner to make immediate changes that can make or break a profit. If a practice owner is overwhelmed or doesn’t have the time to do the day-to-day bookkeeping functions, it’s important to get someone involved who can help them understand and provide the information they need to make wise financial management decisions.

Another mistake I see is practices not making changes as quickly as they should. During the recent economic downturn, I noticed that practice owners who embraced change and adapted to the market changes were the ones who survived and have pulled through. Those who did not adapt went out of business. I’m convinced this approach to change will be necessary in the new economic landscape we are all becoming accustomed to. Keeping a close eye on the financial health of the practice and important KPIs should provide warnings to an engaged practice owner that changes must be made. Ignoring these warnings could lead to missed opportunities and a decline in the success of the business.
Brian: Let’s talk about some nuts and bolts. How important is it to receive monthly financial statements?

Jeremy: This is probably one of the most important topics I address in my financial management workshops. Analyzing the monthly results of your business is important to your long-term success of your practice. Without monthly financials, you won’t know if you are being profitable or what changes to make going forward.

Whether you are doing the books yourself, you have an internal bookkeeper or your accountant is preparing the financial information, receiving that information in a timely manner is very important. If your financials are consistently months behind, certain steps should be taken to get them current. This may involve having a conversation with your bookkeeper or accountant to set a level of expectation on when you’d like to receive the financials. If you are doing the books yourself, perhaps assigning or outsourcing some of those responsibilities would make more sense to accelerate the financial reporting process and open yourself up to other revenue-generating responsibilities.

For the clients we provide services to, our goal is to have financials completed by the 20th day of the next month. Some are ready by the 5th day of the next month if that’s their goal and all the information we need to produce the financials is readily available. That means we are discussing the previous month’s financial results in a timely manner to stay abreast of any problems that may be negatively impacting the financial health of the business.

Further, just having an outside accountant looking at the monthly financials often times motivates the internal bookkeeper to stay current on the bookkeeping tasks while providing more accurate financial information.

Brian: From your perspective as a CPA, what are the two or three key financial indicators that need to be monitored on a consistent basis?

Jeremy:

- **Profitability (by location)** - the first number I look at when reviewing a set of financials is the bottom line. Did they make money or did they lose money? When I initially start working with practice owners, I notice they often times look at the top line - sales. Sales are important but you can sell all day long and still lose money after taking into account all expenses. Next, if there are multiple locations, I’ll try to determine which location(s) may be contributing to the loss or holding down profits of the entire organization. One underperforming location in a practice can bring down an entire business. Once you identify the location that may be causing the issue, you must then drill down to determine what improvements can be made to turn that location around. Making sure you have the proper bookkeeping practices in place to generate accurate financials (by location) is very important to this analysis process.

- **Cash Flow** - “Cash is King”. If you don’t have it when you need it, it can put a real crimp in your business plans. Worrying about paying a vendor or making payroll takes you away from the revenue-generating aspects that keeps the business moving forward. If cash flow is a problem, you have to put together a plan to fix it. There are many solutions to a cash flow crunch. Below are just a few potential resolutions:
  - Getting a line of credit in place for short-term cash needs that can be paid back relatively quickly.
  - Low sales could be attributed to lack of advertising. Getting a consistent advertising marketing plan in place may alleviate this issue.
  - Low gross profit margin - increasing the price of your product/services may be warranted if you haven’t done so in a while.
  - Compensation - you may have to review your compensation structure to ensure you are not overpaying your employees for what they are producing and that you are incentivizing them to perform at their highest level.
  - Insurance/billing - if a large amount of your sales are stuck in receivables you may want to consider utilizing an outside billing service to help collect these funds to keep cash flow moving.

At the end of the day, your practice has to be taking in more cash than its spending to stay in business.

- **Patient Management System** - I will sometimes run into a practice that isn’t utilizing their patient management system to the fullest extent possible. If I notice this, my first recommendation is to get the necessary training so they can take advantage of all the benefits it can provide. If the system cannot address their specific issues, I recommend they review other vendors in the marketplace. Utilizing a good patient management system allows them to access important KPIs very easily and dissect the data in a number of ways so they can make better management decisions for their practice. I often times tell my clients the patient management system is the heart of the practice. Without it, you’re at a severe disadvantage to running a successful business.

Brian: If you are receiving monthly financial statements, why should a practice take the time to analyze them?

Jeremy: Receiving the monthly financials is only the first step. Setting aside time to actually analyze that information is also important, but it is often overlooked. Those financials give you valuable information on your return rate, your net sales compared to previous months, how much of your revenues are going to payroll, what your advertising percentage is, how one location may compare to other locations, how much your patients owe you, how much cash you have on hand to pay future bills and what you owe your vendors.

The financials act as a dashboard similar to what you find in your car. They indicate where things are running smoothly as well as identify where there may be a problem. From there, you need to dig a little further, find the source of the problem and implement a strategy to fix the problem.

If you have difficulty analyzing the financials, you should lean on your accountant to help you understand what they mean. For our clients, we have monthly calls/web meetings or prepare financial statement highlights each month to ensure our clients understand how their business performed.

The key is getting the financial information you need and then actually analyzing it to make better business decisions.

Brian: Why can’t a practice simply rely on a bookkeeper?

Jeremy: Many bookkeepers are good at the repetitive data entry tasks. However, accounting for out of the ordinary transactions or month-end closing of the financials may not be their forte. If your concerns mirror those above, the assistance of a CPA may be beneficial to your practice. Our firm has built a service line specifically for practices facing these challenges. Bookkeepers (and practice owners) find comfort in knowing they have someone to bounce questions off of. The month-end closing procedures require a team effort between the bookkeeper and outside accountant providing an invaluable understanding of the financial health of the business.
Brian: Tell us about the latest accounting technologies that save time and money?

Jeremy: Recent technology advances have accelerated the speed, accuracy and expectations of practice owners when receiving the financial information of their practices.

Patient management system synchronization transfers sales entered in the system directly into QuickBooks. The benefits of this are numerous (time savings, accuracy of data, deposit tracking, and others). Practices should enlist the assistance of a professional to ensure they have set up the synchronization properly and they truly understand how the process works.

Remote access to your financial information allows you to monitor the financial health of your business whether or not you are in the office. Some practices choose to house their accounting system on a virtual desktop that allows easier remote access and scheduled backups.

To embrace the technology advances, a practice must be open to change, have the support of their bookkeeper and rely on the assistance of an accountant that is technologically savvy.

Brian: What should a practice be doing about planning an annual budget?

Jeremy: How often do you hop in your car and drive without having a destination? Running your business shouldn’t be any different. You should be planning a route so you can reach your destination.

This is more commonly known as budgeting in a business setting. Budgeting is taking the financial information you've compiled for your business on a monthly and by location basis and projecting out what revenue levels you want to achieve.

Not only is it projecting revenues, it’s also projecting the costs associated with those revenue levels. Keep in mind, the goal has to be achievable and can’t just be pie in the sky. If you’ve set ambitious goals for yourself and your staff, you need to strongly consider how you plan on achieving that target. Nothing can be more detrimental to a business than setting budgets/projections that aren’t achievable leading to disappointment and a feeling of failure.

Budgeting can be done anytime, but the ideal time for budgeting is towards the end of the year so you can start planning for the next year. Your budgeting team should be you, your bookkeeper (if one exists) and your CPA. A well-rounded budgeting team will ensure your budget is well planned.

Once a budget is prepared, you should enter this information into your accounting software so you can run actual versus budget comparisons at the end of each month to see how you performed.

Jeremy Kiecker, CPA, can be reached at jeremy.kiecker@pwbcpas.com or 763-550-1100.