

# OPTIMISE YOUR CASH FLOW

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in **CGM MEDEDI**

**CGM MEDEDI**  
Billing and Practice Management

**nexion**



# Part One

## The Cash Flow Seasons of a Medical Practice: How Doctors Can Stay Financially Fit All Year

*“Medicine may be your calling, but managing a private practice is still a business. And like any business, your practice goes through financial seasons. Some months are flush with patient bookings and healthy income. Others bring quiet waiting rooms and a dangerously low bank balance”.*

### Why Cash Flow Planning Matters?

While you may invoice substantial amounts each month, cash flow can be inconsistent. Unlike other businesses that can count on regular sales or payments, doctors often wait 60 to 90 days for payments from medical aids. That can create periods of financial strain, even though on paper, your practice looks profitable.

Remember: Profit and cash flow are not the same thing. Profit is what remains after all expenses are deducted from your revenue, but cash flow is the actual money in your bank account at any given time. You could be profitable but still struggle with cash flow if payments are delayed. That’s why proper cash flow planning is essential.

### Seasonality in Medicine:

- Your income isn’t evenly spread across 12 months, and that’s manageable, if you plan for it.
- Winter Months (May to August): These are typically your busiest. Cold and flu season drives more patients through your doors, and patients still have a healthy amount in their medical savings accounts.
- Year-End Dip: December is the perfect storm for a cash crunch. Medical savings are depleted, elective procedures slow, both doctors and patients go on leave, and income slows to a trickle. Yet overheads remain unchanged.
- April Hiccups: School holidays, long weekends, and Easter often cause a slowdown, especially for GP and outpatient practices.
- Understanding this rhythm is the first step to financial mastery.

### Budgeting for Taxes and Operational Expenses:

- As a doctor, you’re responsible for various taxes; Income Tax, VAT, and Payroll Taxes if you have employees. These can take a significant portion of your earnings, it’s essential to budget ahead.
- Additionally, there are ongoing operational expenses of running your practice—rent, utilities, medical supplies, software, and equipment. These need to be accounted for to maintain a healthy cash flow.

### Dealing with Delayed Payments from Medical Aids:

- A major challenge many doctors face is delays in payment from medical aids. It’s not uncommon to wait for payment after invoicing, which creates a cash-flow gap. This can be especially difficult when your operational expenses come due monthly, even if you haven’t received payment for your services.
- Invoice regularly: Don’t wait until the end of the month to submit all your invoices; consider submitting them more frequently (weekly or daily). This can help to stagger payments and avoid long periods without income.
- If you have a good relationship with suppliers, you may be able to negotiate longer payment terms, allowing you more time to receive payment from medical aids before your bills are due.

*Has a sudden drop in cash flow or an unexpected expense created a hole in your pocket? You’re not alone. Many doctors underestimate just how seasonal their practice’s cash flow can be. However, with a bit of foresight and planning, you can take control of your finances and ensure your practice remains in good financial health.*

### Pay Yourself First:

- Doctors are notorious for not saving enough. There’s always something more urgent than retirement
- However, the longer you delay saving, the more difficult it becomes. Start small but start now.
- Contribute monthly to a Retirement Annuity (RA) and claim the tax deduction

- Invest consistently in a unit trust or tax-free savings account.
- Treat saving like a debit order, non-negotiable.
- The goal: To one day retire comfortably.

#### The Rainy-Day Fund:

- Most doctors are just one bad month away from catastrophe. That's because their income might be good, but their liquidity (cash available) is thin.
- You should aim to have at least 2 to 6 months' worth of expenses saved in an accessible practice reserve.
- This isn't an investment account. It's your emergency cash drawer for:
  - Seasonal income dips,
  - Extended leave (planned or unexpected)
  - Late-paying medical aids or patients
  - Equipment breakdowns or unforeseen costs
- A healthy reserve turns financial stress into a mere inconvenience.

#### Tax Payments Kill Cash Flow:

- February is notoriously brutal because VAT payment is due (if you're VAT registered).
- Provisional tax for the current year is due.
- Final income tax for the previous year might also be due.
- If December is slow, and it often is, then you're hit with a triple tax bill at the worst possible time.

The solution is to create a monthly tax provision. Every month, transfer a fixed amount into a separate savings account marked "SARS." Your accountant should help you calculate the right figure based on your practice size.

#### Don't Overpay PAYE:

- PAYE is one of the most significant outflows for private doctors who pay themselves a high salary. But here's the catch:
  - Individuals pay tax on a sliding scale (up to 45%)
  - Companies pay a flat 27%.
- If you're taking too much salary and too little company profit, you're bleeding cash unnecessarily.
- Smart structuring and income splitting, done correctly and legally, can reduce your effective tax rate significantly.
- This is why every private doctor needs a tax-savvy accountant who understands your profession.

#### Your Fixed Monthly Outflows Never Take a Vacation:

- Here's what keeps debiting your account, whether you're busy or not:
  - Practice rent and staff salaries
  - Equipment financing/rental
  - Software and system subscriptions
  - Insurance premiums and professional indemnity
  - Advisory, legal, or administrative fees
- That's before we even look at your personal costs: your bond, your car, your kid's school fees, and your lifestyle.
- So yes, cash flow management isn't just "nice to have." It's essential.

#### FINAL THOUGHTS

### Budget annually but track monthly.

- Update your budget regularly and compare actual results to forecasts.
- Use technology to track income and expenses. Xero, QuickBooks, or even a well-set-up Excel sheet beats doing it in your head.
- Separate business and personal finances. Have two budgets. Two accounts. Two sets of goals.
- Automate savings and tax provisions. Make them part of your fixed costs, not optional extras.

### Planning for Time Off:

- Since your income is tied to the hours you work, taking leave—whether for a vacation or unexpected illness—means your earnings may drop during those periods. To avoid financial stress, it's important to build a reserve of cash that can cover your living expenses and the ongoing costs of running your practice while you're not working.
- A simple strategy is to calculate your monthly expenses (both personal and business) and aim to save enough to cover 2-6 months of expenses. This buffer ensures that even if you take time off, you won't fall behind financially.

### The Billing Bottleneck

- Cash flow isn't just about what you earn, it's also about how quickly you collect.
- Some practices wait before submitting claims to medical aids. Others don't follow up on patient co-payments or outstanding bills. This is money you've already earned, don't leave it on the table. Work with practice management software that allows you to:
  - Submit claims in real time and has features like ERA to match medical aid payments
  - Has the reporting capabilities to fully understand the state of your practice at any given time.
  - Has weekly and daily reports for claims status, claims rejections and patient liable balances.
- Following up on claims and checking rejections is critical for a medical practice because:
  - It directly protects cash flow and reduces revenue leakage.
  - Unfollowed up or rejected claims delay payment and increase the practice's debtor days, which can strain day-to-day operating expenses.
  - Prevents permanent loss of income: Many funders impose time limits for resubmissions. If rejections aren't addressed quickly, valid claims can expire and become unrecoverable.
- Cashflow improves when claims are followed through to payment—tracking rejections and outstanding claims prevents delays, avoids lost revenue, and reduces debtor days.
- Speed of billing = speed of cash = healthier practice.

# Part Two

## Guidelines for Practices on Effective Cash Flow Management

### Objective

To ensure that your practice operates as efficiently as possible in collecting patient-liable accounts, thereby optimising cash flow, and reducing bad debt.

### 1. Know Your Practice – One Size Does Not Fit All

Your approach to collecting patient-liable amounts must be tailored to your practice. Key variables that influence your strategy include:

- Patient demographics
- Medical aid mix
- Practice policies relating to patient-liable amounts.
- Availability of payment tools and options you can offer to patients.

Understanding these factors will help you design a collections process that is both effective and patient friendly.

### 2. Key Elements to Optimising Your Cash Flow

#### 2.1 Shift from a Reactive to a Proactive Approach

##### Reactive approach

- You bill the patient and only address collection of patient-liable amounts after the fact. This often leads to delays, disputes, and increased administrative effort.

##### Proactive approach

- You establish and communicate clear policies upfront about how accounts will be handled. Patients know what is expected, and your staff are empowered to implement these policies consistently.

Aim to move as many interactions as possible into the proactive category.

#### 2.2 Ensure You Have the Right Tools to Collect Funds

Offer patients multiple, convenient ways to pay. Avoid relying solely on traditional bank cards with a bank-provided terminal. Where possible, ensure your practice can provide:

- Card payments (standard POS terminals)
- Scan-to-pay QR code payments in rooms.
- Online payment options (e.g., secure payment links via email/SMS)
- Payment-over-time options
- Instalment options (e.g., DebiCheck debit order for affordability challenges)

Patients increasingly expect digital and flexible payment methods. Providing these options increases your likelihood of timely collection.

#### 2.3 Actively Manage Your Age Analysis

Active and structured management of your age analysis is critical:

- Communicate with patients as soon as a medical aid shortfall is identified.
- The earlier you contact the patient, the higher the probability of successful collection.
- Use automated tools (e.g., payment links with reminders) to reduce manual follow-up and maintain regular communication.

Your goal is to prevent patient-liable balances from ageing unnecessarily.

### 3. Setting Policies for Your Practice

Clear, well-communicated policies benefit both your patients and your staff.

## Principles

- No surprises for patients: Patients should know, in advance, how billing and payments will be handled.
- Empowered staff: Staff must be authorised and confident to apply policies consistently.
- Allowance for exceptions: With the doctor's approval, reasonable exceptions can be made where appropriate.

## Benefits of Having Clear Policies

- Sets clear expectations with patients.
- Empowers practice staff to act decisively.
- Reduces the risk of patient-liable amounts becoming stuck in your age analysis.

## 4. Example Policy Areas

### 4.1 New Patient

- Inform new patients of the practice's billing and payment policies.
- Confirm the patient's medical aid details and, where possible, the availability of funds/benefits.
- Clarify the extent to which services are expected to be covered by medical aid versus the patient.

### 4.2 When Making an Appointment

- Check whether any amounts are outstanding from previous visits.
- Verify available medical aid funds as far as possible.
- Inform the patient before the visit:

What is expected to be covered by medical aid.

What portion the patient will likely be responsible for.

### 4.3 At the Time of Service

Where feasible:

- Complete billing at the time of service rather than afterwards.
- Collect:

Consultation fees, and

Any known medical aid shortfalls at the time of service.

**This minimises post-visit administration and improves cash flow.**

### 4.4 Shortfalls on Medical Aid Payments

When a shortfall arises:

- Contact the patient as soon as possible.
- Offer practical solutions, such as:

Online payment options

Payment-over-time arrangements

Instalment options (e.g., DebiCheck debit orders)

**Timely communication and flexible options significantly increase the likelihood of recovery.**

## 5. Tools to Enable Efficient Collection

- Consider implementing the following tools in your practice:
- Integrated Card machine for in-practice card payments.
- Scan QR Code payments in rooms to facilitate quick, contactless payments.

- Payment-over-time options for patients needing flexibility.
- QR codes on statements and invoices so patients can pay directly from their documents.
- Instalment options such as DebiCheck debit orders for larger balances or affordability issues.
- Online payment tools enabling:
  - Email or SMS payment links.
  - Automated reminders and follow-ups

**This reduces manual administration and keeps patients informed of outstanding balances.**

## 6. Active Management of Age Analysis

If the above practices are implemented, your age analysis should reduce in size and improve in quality. However, regular review is still essential .

Define clear actions for each age bucket, for example:

- < 30 days
  - Send initial statements and/or payment links.
  - Use gentle reminders and educational messaging.
- 30–60 days
  - Escalate reminders (SMS/email/phone).
  - Re-offer or emphasise payment-over-time or instalment options.
- >60 days
  - Implement stronger follow-up processes.
  - Reassess payment arrangements and consider formal credit control procedures where appropriate.

Online payment and automated reminder tools can play a crucial role in keeping each age bucket under control and preventing accounts from becoming uncollectable.

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