

Success Strategies

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CareCredit continues to help deliver more value to help providers succeed. In the Success Strategies series, your colleagues share what has worked for them to successfully optimize opportunities and overcome obstacles.

The Importance of Cash Flow in Private Practice

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As a former private practice owner, I've learned firsthand that understanding cash flow isn't just a good idea — it's essential to running a successful healthcare practice. Cash flow is the lifeblood of any business, representing the movement of money in and out of your operations. In a hearing healthcare setting, this includes revenue from patient

payments, hearing aid sales and reimbursements. But here's the reality: if your practice sells \$50,000 worth of hearing aids this month, but you only collect \$25,000 due to insurance delays or financing terms, your cash flow doesn't match your sales — and that can spell trouble.



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Understanding and Calculating Cash Flow

So what is cash flow, exactly?

Simply stated, cash flow = total cash inflows – total cash outflows. If your practice generates \$40,000 in revenue this month and your total expenses (including payroll, rent and marketing) are \$30,000, you're left with a positive cash flow of \$10,000. That's a strong position. However, if your expenses exceed revenue, you'll have a negative cash flow — a clear red flag.

Key Cash Inflows for a Hearing Healthcare Practice:

- Hearing aid sales
- Service fees
- Insurance reimbursements
- Ancillary product sales (ear protection, etc.)

Key Cash Outflows:

- Payroll
- Health insurance
- Rent
- Write-offs
- Taxes
- Equipment purchases
- Marketing costs
- Loan payments

Running the business aspects of a practice while clinically treating patients means you carry dual responsibilities. If you're worried about making payroll or covering rent, you're not fully present with your patients. Positive cash flow reduces stress, both personal and professional. It empowers you to deliver better care, invest in resources and grow confidently.

On the flip side, negative cash flow limits your practice's ability to serve. You may face:

- Fewer resources (staff, equipment, services)
- Longer patient wait times
- Limited service options

All of which negatively affect patient experience and satisfaction.

Positive vs. Negative Cash Flow — Know the Difference

When we talk about acceptable cash flow, we're really talking about more than just covering expenses; it's about consistency and having a cushion. As a private practice owner, one of the most reassuring things you can have is money sitting in the bank not just to cover payroll, rent and day-to-day expenses, but to give yourself peace of mind. Trust me, that breathing room matters.

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Early on, I learned the value of structuring your accounts in a way that supports cash flow stability. What worked for us was maintaining three separate accounts: one strictly for operating expenses, another as a savings account and a third in a money market. Why the money market? Because even though the return isn't massive,

it's still more than what you'd make sitting on a traditional savings account doing nothing. I remember having funds parked in savings and realizing, "Wait, this only made \$17?" That was a wake-up call.

Now on the flip side, poor cash flow can cause a cascade of issues — late payments, reliance on credit lines and increased stress. But one thing that really helped us avoid that trap was using the CareCredit credit card. We once tried offering in-house financing to help patients afford care. While the intention was good — helping as many people as possible — it backfired. A few missed payments impacted our cash flow significantly. That's when we turned to CareCredit.

When a patient applied for a CareCredit credit card and used it to pay for their hearing technology, once the product was delivered we'd usually see that money hit our account within two or three business days. That predictability was a game-changer. It meant we weren't chasing payments or floating expenses on credit.

Tracking and Managing Cash Flow

Cash flow is a critical key performance indicator (KPI). Even successful practices with high sales can suffer operationally if their cash flow is mismanaged. Imagine a large practice with \$100,000 in pending insurance reimbursements, but only \$5,000 in the bank. That's a stressful and potentially dangerous scenario. Tracking cash flow helps you avoid these pitfalls and stay agile.

In my practice days, I learned quickly that internal systems make or break your cash flow. It's not just

about seeing patients; it's about what happens behind the scenes. Are you billing efficiently? Are you inputting patient data accurately in your CRM and syncing it with QuickBooks? Are you clear on your pricing strategy — bundled or unbundled — and the ROI of your marketing?

We had a dashboard tracking paid versus unpaid marketing efforts, and over time, 80% of our business came from unpaid sources like word-of-mouth. But when we tested \$40,000 of paid media, the ROI just wasn't there. And when I cut that spend, I did so confidently because I'd been measuring it. What gets measured gets managed.

Understanding internal drivers like marketing ROI, CRM efficiency and even payroll structure is critical to cash flow. And when you combine that with external forces like delayed insurance reimbursements, seasonal demand shifts and supplier cost changes, you realize just how dynamic cash flow management really is. But with the right systems and data in place, you're always in the driver's seat.

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Seasonality in private practice is real. If you've been in business for three to five years, you'll notice trends — slower months like July and August. Recognizing these patterns helps you plan ahead. Some practices even implement subscription models to maintain steady revenue, regardless of patient visits. That's smart cash flow management.

Other ways to manage cashflow include:

1. **Offering** CareCredit as a financing option to consistently receive payment in two business days
2. **Negotiating** faster reimbursements with insurers and managed care providers
3. **Pre-scheduling** follow-ups to ensure patient retention and continuity of care
4. **Optimizing** the patient experience — modern patients make decisions based on how they feel during their healthcare journey

I've lived through just about every cash flow challenge you can imagine. Whether it was chasing down overdue accounts receivable, waiting 60+ days on insurance reimbursements or watching our cash reserves dip after expanding office space, we felt it all. One of the biggest lessons? That overhead ratio is no joke. We tried to fund growth with our own cash to avoid debt, but even that created stress.

I remember expanding our office to serve more patients, knowing it was the right move long term. Still, those first few months were tight. But we pushed through, and that decision allowed us to double our capacity and ultimately improve patient care. Cash flow isn't just a number — it's the pulse of your practice. And managing it wisely is what keeps the doors open and your mission alive.

That mindset is what we carry forward with the Hearing Matters Podcast. We support our partners with real results, honest data and creative thinking — because hearing healthcare is unique. You're offering a product no one wants, to people who may not be ready for it. That's why tools like CareCredit matter. That's why understanding your patients' journey

matters. When you align your mission with smart cash flow strategies, you not only serve better, you sustain better.



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