

HOW TO: EFFECTIVE BOOKKEEPING PROCEDURES FOR YOUR MEDICAL PRACTICE

DO YOU OWN OR RUN A MEDICAL PRACTICE?

As with any industry, **medical centres face a number of unique challenges and requirements on a daily basis**, many of which place financial pressures on your business. As the owner or manager of a medical practice, it's important to **get your bookkeeping right to ensure the long term success of your practice**. Not only does accurate and efficient bookkeeping keep you compliant with tax regulations, it also provides you with valuable insights into how your business is performing. And in an industry renowned for low margins, the value of those insights is high.

If you own or run a medical practice, then the guidelines below are a good indication of what you need to be doing to ensure you get the most out of your business's books.

DAILY OR WEEKLY BOOKKEEPING

The more regularly you maintain your business's books, the better. Complex **staff rostering and high stock turnover add to the complexity** of the day to day operations of any medical business.

0-10 Employees: In a smaller practice, there may not be enough bookkeeping work to justify daily attention. Most reports can be run on a weekly basis to ensure any discrepancies are identified and attended to.

10+ Employees: Higher staff numbers not only mean you have more staff to schedule, but also mean you have a higher patient turnover, and therefore a higher probability of stock turnover. Daily bookkeeping and reporting **mitigates the possibility of stock undersupply**, which can have serious repercussions on public safety, and, in turn, on your practice's reputation.

EFFECTIVE MANAGEMENT REPORTING

As mentioned previously, **the medical industry is renowned for low margins**. As such, it's extremely important for your business to be able to avoid unnecessary costs, develop a strong business strategy for increasing profitability, and ensure cash flow forecasting is correct. These measures will help **ensure the longevity of your business**.

A cash flow forecast is an estimate of the money you expect to flow in and out of your business. Irrespective of the size of your business, cash flow forecasting on a weekly basis helps you plan ahead for occasions where cash may become tight before easing at a later point in time (for instance, cash may be tight mid-month, but there will be enough again at the end of the month). This ensures you're able to pay your employees and suppliers in a timely manner.

In order to meet your target profit ratios, it's also important to **keep your medical practice's costs to a minimum**. A budget and variance analysis allows you to do this. Budgeting involves planning your costs for a particular period of time, and allocating sufficient funds to cover these. A variance analysis is then used to compare your budget with the monies you actually spent over the duration of each period.

0-10 Employees: We recommend you use a monthly budget and variance analysis to adequately manage your business's finances. We also recommend weekly cash flow forecasting.

10+ Employees: With the higher turnover of a bigger business, the potential for costs to rapidly spiral out of control increases. Along with weekly cash flow forecasting, we recommend a weekly budget and variance analysis, as this will enable you to identify discrepancies and address the causes ASAP.

PAYROLL & SCHEDULING

The medical industry is notorious not only for prolonged customer waiting times, but also for extended employee working hours. As such, it's imperative that you have your payroll and scheduling on point.

Employment and taxation **laws are specific in their requirements surrounding penalty rates and the handling of superannuation** in respect to overtime and/or bonus payments. In addition to this, not managing staff rosters can result in poor customer service, which spells disaster for your practice.

Regardless of your practice size, you will benefit from **an integrated workforce management solution that manages scheduling, time sheeting, and payroll**. This will allow you to process your payroll more efficiently, and help you ensure your profit margins are not negatively impacted by common problems such as overstaffing, understaffing, or having to pay unnecessary penalty rates.

INVENTORY MANAGEMENT

Inventory management allows you to **maintain the stock levels your practice requires** on a daily basis. As many medical products have a use by date, overstocking and the subsequent increase in product waste can negatively impact your cash flow, while understocking can mean that you don't have the supplies needed in a medical emergency.

No matter how small or large your medical practice may be, if you want to effectively manage your inventory, then **your practice needs easily accessible, well-organised stock rooms, and a software package with inventory management features that provide accurate "stock on hand" reports**. Regular stocktakes should also be undertaken to ensure the accuracy of your stock reports.

IMPLEMENTING EFFICIENCIES

Some **bookkeeping tasks can be completely automated**, saving you time and money, and ensuring that your data and reporting is timely and accurate.

Automated tasks that can be used in small and large medical practices include: setting up secure bank feeds so manual data entry is not needed, and the delivery of stock reports that identify when stock levels are low and items need reordering, or when items reach their use by date and need to be disposed of.

EXPERT ASSISTANCE

If you would like assistance with advancing the financial management of your medical practice, EzyAccounts can help. Our local bookkeepers are all highly-trained and qualified, and have the necessary experience to help you get the most out of your business's books.

To learn more, call us today on 1300 313 397.

