

# Multi-clinic Specialty Medical Practice

## Chief Financial & Administrative Officer

A multi-clinic specialty medical practice was experiencing cash flow issues and was unable to fund its annual pension plan payment. The physicians brought in a Chief Financial & Administrative Officer to improve liquidity.

### Situation

- The organization was owned and run by thirty physicians operating out of 6 clinics and 12 hospitals.
- All billing, collection, financial, IT, and administrative functions were performed in-house with a loosely trained staff and a disjointed management structure with numerous physicians establishing policy and daily operating procedures. The operating structure caused frustration and staff unrest.
- The physician ownership had a complex compensation policy whereby profits were distributed monthly based upon “profit”, work performed/generated, and available cash.
- The books were maintained on a cash basis without the benefit of accrual accounting.

### Turnaround & Restructuring Initiatives

- Reviewed historical cash flows to understand “Where did the cash go?” and “Why?”
- Developed a short-term cash forecast whereby cash would be accumulated to fund the physicians’ pension plan, maintain monthly physician cash flow, and manage operational working capital.
- Implemented procedures to substantially reduce the number of days required to bill insurance carriers and Medicare for services performed.
- Revised clinic front-desk operations to increase on-site collection of co-pays, minimizing the need for post-visit collection activities.
- Removed individual physicians from daily operational and financial oversight.
- Established standard policies and procedures for the entire practice.

### Results

- Increased free cash flow by more than \$1.25 million over a three-month period by reducing the billing lag from more than sixty days to under five.
- Generated an additional \$350,00 in cash by collecting patient co-pays on-site.
- Funded the physicians’ pension plan three months earlier than projected.