Ten Cash Management Tools for Urgent Care

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Cash is the lifeblood of business—to survive, grow, and prosper an urgent care center must have sufficient cash to pay salaries, overhead and taxes, service outstanding debt, and in the end, provide a return on the owner's investment. Like any resource, cash has a price associated with it—the cost of debt is interest due the bank and the cost of equity is the lost opportunity of other investments—so the "cheapest" source of cash is what's generated by everyday operations.

Cash flow from operations is maximized by playing both a strong offense and a strong defense:

- Offense entails maximizing cash inflows through sound billing practices that collect the full eligible charges on every encounter and minimize the time balances are held in accounts receivable.
- Defense entails holding on to cash by extending payables, eliminating unnecessary expenses, minimizing supply inventories, and implementing financial controls that reduce the risk of fraud and abuse *(Exhibit 1 provides links to recent UCAOA resources related to cash management and preservation).*

Exhibit 1: Additional Resources for a Strong Cash Flow Offense and Defense:

Ten Financial Controls to Protect Your Urgent Care Practice	***http://uconnect.ucaoa.org/Go.aspx?c=ViewDocument&DocumentKey=95bbc97e-2dba-45c0-9800-30c70f959bab***
Ten Ways to Reduce Your Urgent Care Center's Accounts Receivable	***http://uconnect.ucaoa.org/Go.aspx?c=ViewDocument&DocumentKey=9d007816-e5be-49de-9386-0e891181d9a6***
Playing to Win: Maximizing Profits in Urgent Care	***http://viewer.zmags.com/publication/534d82a9#/534d82a9/34***

Assuming a center has management systems in place to maximize revenue and minimize expenses, there are additional methods by which a center may improve the availability of operating cash:

1) Financial Management Reporting

Many urgent care centers use small business accounting software like QuickBooks to record cash receipts (reconciled from the medical billing system) and disbursements. These systems include reports such as budgeted versus actual performance, statements of cash flow, and cash flow projections which estimate available cash based on revenue patterns, recurring expenses, and upcoming payments. If proper reporting is in place, an urgent care operator should never be caught off guard by a shortage in cash. Urgent care operators should be diligent to enter transactions in the bookkeeping system in a timely manner and use packaged reports to follow cash trends on a daily basis.

2) Unsecured Business Line of Credit

In urgent care, debt payments and operating expenses are typically constant while seasonal peaks and ebbs in revenue are magnified by delays in payment by third party payers. The result can be a mismatch between cash inflow and outflow, which can lead an urgent care that's "profitable" on "paper" to have to insufficient cash at the end of the month to make payroll, pay taxes, or cover the rent. In partnerships where "paper" income passes-through to a provider's personal tax return, a particularly dire situation can result when taxes are due on this "phantom income"—because excess cash went to pay down debt, the owners are left without cash to pay the government. A solution is a business line of credit or working capital loan—which can be drawn upon when necessary to supplement cash flow from operations, cover unbudgeted expenses, or prevent overdrafts to the business checking account. Because interest rates on working capital loans are typically higher than a mortgage or other collateralized loan, the line should be tapped only as a last resort and then repaid as soon as cash flow is positive.

3) Online Banking and Electronic Bill Pay

Most business checking accounts come with capabilities to access account information and pay bills over the Internet. Online bill pay can improve an urgent care center's cash flow by stretching payments to the latest date allowed by vendor contracts, taking advantage of vendor discounts for prompt payment, and avoiding service charges for late payments. Online banking can also decrease the risk of internal and external fraud on paper checks, save time on account reconciliation, and improve cash flow forecasting by providing a real-time view of cash balances (including notification of all checks presented that day). Further, automated clearing house (ACH) functions can be used to debit patient checking accounts for one-time or recurring charges, speeding receipt of patient payment and reducing the chance of non-sufficient funds deposits.

4) Business Credit Cards

The 21- to 45-day grace period associated with business credit cards help urgent care operators conserve cash while still buying the equipment and supplies they need. Not only do business credit cards help owners segregate personal and business expenses, cards offered by major banks like American Express, Chase and Capital One provide benefits like additional cards for employees with pre-authorized limits, month- or year-end spending analysis by category, fraud protection against unauthorized charges, insurance coverage, and/or travel discounts. Cards that offer "cash back" rebates of 1 to 5% on purchases can actually enhance operating margins by reducing the cost of everyday purchases.

5) Direct Deposit and Electronic Remittance Advice

When an insurance claim is adjudicated, payers mail an Explanation of Benefits (EOB) which details what amounts are paid (usually by attached paper check) according to the contract terms. As an alternative to paper checks, Medicare and most private payers offer direct deposit, in which payments are electronically credited to a provider's bank account. Receiving payment electronically reduces the cost of manually processing paper checks and provides faster access to cash by eliminating the float associated with mail delays. Further, Electronic Remittance Advice provides EOB information in an electronic format, which can be uploaded directly to the practice management system saving the time and expense of manually posting receipts to patient accounts. Up-to-date information leads to improved customer service and more accurate cash flow projections.

6) HIPAA-Compliant Lockbox

Lockbox is a service in which payers and patients mail payments directly to a post office box controlled by a bank. The bank checks the mail several times a day, processing and depositing payments immediately upon receipt. The bank scans all remittance enclosed with the payment (such as insurance EOBs and patient invoice coupons) and images are available either online or CD-ROM for the urgent care operator to post to customer accounts. Like direct deposit, lockbox provides immediate availability of cash balances, reduced risk of loss or theft of incoming deposits, and elimination of staff time in opening mail and preparing deposits. Because protected health information may be contained in insurance EOBs, most major banks are HIPAA compliant and have customized their lockbox product to the unique needs of medical practices.

7) Courier Service

Related to lockbox is courier service, in which cash and checks are picked up from the urgent care center and delivered to the bank for processing. This may occur by armored vehicle (if large sums of cash are involved) or discreet private automobile. To protect deposits from evening/weekend shifts or between courier runs, a center may choose to install a drop-type safe which can be opened only by the courier driver. Outbound, the courier may deliver coin/bill orders or lockbox remittance back to the urgent care center for posting. Not only does courier service save the time, expense and risk of center staff travelling to the bank—cash flow should improve through faster access to deposits. To leverage costs, some courier services also deliver inter-office mail, medical records, or x-ray film to radiology practices for over-read.

8) Remote Deposit Capture

Remote deposit capture provides a desktop scanner for the urgent care operator to convert incoming checks to images, which are "deposited" to the bank over the Internet. In addition to reducing the frequency of courier runs, deposits are often credited to the center's checking account immediately (including hours after the branch has closed) thus reducing float. Many remote deposit capture products also integrate with desktop accounting programs like QuickBooks, improving the timeliness and accuracy of cash flow reporting. *Exhibit 2 shows an image of an electronic capture device.*

Exhibit 2: Cannon Remote Deposit Capture Device

9) Zero Balance/Sweep Accounts

When cash flow is optimized by speeding receipts and extending payables, excess cash balances result which can reduce the cost of long-term borrowings, offset bank service charges, and/or increase the owner's investment in the business. Because business checking accounts typically pay no interest, "auto-sweep" or "zero-balance accounts" are a bank service that automatically shifts net daily cash balances from operating or payroll accounts to a money market or other interest-earning account (or pay down the business line of credit)—putting excess cash to work for the practice.

10) Analysis Interest Checking

Because banks value business relationships in terms of contribution margin, they are usually willing to negotiate lower interest rates and service charges if they can sell more services, including lines of credit, treasury management, and credit card processing. Analysis business checking accounts entail a month-end evaluation of interest earned on deposits, interest paid on credit lines, and fees assessed for cash management products like lockbox, courier and remote deposit.

Conclusion

Optimizing cash from operations requires processes, systems and reporting to maximize receipts while minimizing disbursements. The toolbox for increasing cash flow from operations is greatly enhanced by treasury management products offered by most major financial institutions. Banks are hungry for cash, and physician practices flow significant cash through bank services. Banks are also eager to serve doctors, who tend to borrow and invest more than the average customer. Compare the services of different financial institutions and evaluate ways their products expedite cash receipts, delay payables, and provide a return on cash balances.