

# Chapter 2: Financial Clarity

*Numbers as your north star*

Financial clarity is a rhythm, not a project. Build shared financial literacy across your leadership team, a dashboard everyone actually uses, a clear-eyed view of your payer contracts, and a plan for the scenarios you hope never happen.

## **How to use these worksheets**

Work through one chapter per session with your leadership team.

Know it is answered individually. Own it is answered together. Do it assigns an owner and a date.

Finish each chapter by filling the 90-day action plan, then review it at your weekly standup.

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## CHAPTER 2

# Financial Clarity

*Numbers as your north star*

Financial clarity is a rhythm, not a project. Build shared financial literacy across your leadership team, a dashboard everyone actually uses, a clear-eyed view of your payer contracts, and a plan for the scenarios you hope never happen.

Suggested session: 2 hours with your leadership team

*Financial clarity isn't a project; it's a rhythm. If only one person in your practice understands the metrics, you are one resignation away from chaos.*

From the Operator's Chair

One physician-owned practice depended on a single leader to manage its finances. When that leader stepped back, no one else could read the P&L, receivables deteriorated, and the practice faced an avoidable cash crisis.

The objective is shared financial literacy: everyone who touches a decision understands the threats to viability. You don't need an MBA. You need five measures, reviewed monthly, by the people who can actually act on them.

## The real advantage

The practices that survive are the ones that see the storm before it hits, whatever their revenue looks like.

## What this chapter builds

Worksheet 2.1: the five core financial metrics every leader should know and review monthly

Worksheet 2.2: a simple dashboard your team will actually look at, with an owner behind every number

Worksheet 2.3: a clear-eyed read of your payer mix, your floor, and your negotiation leverage

Worksheet 2.4: best, base, and worst case scenarios, plus the order in which you'd cut

A dashboard that nobody acts on is digital wallpaper. Track only what you'll act on, assign ownership to every metric, and review it in a room, out loud, every month.

## WORKSHEET 2.1

## The financial basics of independence

Lesson: Know Your Metrics

Purpose: Establish a clear picture of your practice's financial health: AR days, overhead, cash reserve, and denials rate.

Participants: Leadership team, practice manager, and financial staff.

*From the Operator's Chair: Financial clarity isn't a project; it's a rhythm. If only one person in your practice understands the metrics, you are one resignation away from chaos. One physician-owned practice depended on a single leader to manage its finances. When that leader stepped back, no one else could read the P&L, receivables deteriorated, and the practice faced an avoidable cash crisis. The objective is shared financial literacy: everyone who touches a decision understands the threats to viability. You don't need an MBA. You need five measures, reviewed monthly, by the people who can actually act on them. The practices that survive are the ones that see the storm before it hits, whatever their revenue looks like.*

### 1 KNOW IT

Answer individually before the group discussion.

#### 1. What is your current AR days? (Total AR ÷ Average Daily Charges)

Many practices target under 40 days. Above 50 days often signals a revenue cycle problem worth investigating.

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#### 2. What is your current overhead as a percentage of collections? (Monthly Expenses ÷ Monthly Collections × 100)

Overhead in the 60 to 70% range is common for many specialties, though this varies. Above 75% often signals thin margins.

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#### 3. What is your current denials rate? (Denied Claims ÷ Total Claims × 100)

Many practices target under 5%. Above 8% often signals a systemic billing problem worth investigating.

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#### 4. How many days of operating expenses do you have in cash reserves?

A common target is 60 days minimum. Formula: Monthly Expenses × 2.

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**5. On a scale of 1 to 5, how confident are you that your leadership team reviews these measures monthly?**

- ☐ 1 = We never review them
- ☐ 2 = We review them occasionally
- ☐ 3 = We review them quarterly
- ☐ 4 = We review them monthly
- ☐ 5 = We review them weekly and act on what we see

**2 OWN IT**

*Review your measures as a team and identify the biggest gaps.*

**1. Review your measures as a team and identify the biggest gaps.**

| Metric                | Your Current Value | Common Target | Gap / Action Needed |
|-----------------------|--------------------|---------------|---------------------|
| AR Days               |                    | < 40 days     |                     |
| Overhead %            |                    | 60 to 70%     |                     |
| Denials Rate          |                    | < 5%          |                     |
| Cash Reserve (days)   |                    | 60 days       |                     |
| Patient Access (days) |                    | < 7 days      |                     |

**2. Discussion prompt 1: Which metric is furthest from best practice? What's causing it?**


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**3. Discussion prompt 2: What's one financial metric we've never tracked but should start tracking this month?**


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**3 DO IT**

*This week and beyond. Turn this into action.*

**Action 1: Calculate and post your 5 core financial metrics**

- ☐ Pull AR days from your practice management system
- ☐ Calculate overhead % from your P&L statement
- ☐ Pull denials rate from your billing system
- ☐ Calculate cash reserve from your bank balance

- ☐ Post all 5 metrics on your financial dashboard

| Owner | Deadline |
|-------|----------|
|       |          |

Action 2: Schedule a monthly financial review meeting

- ☐ Attendees: Leadership team, practice manager, financial staff
- ☐ Agenda: Review 5 core metrics, identify trends, assign action items
- ☐ Duration: 30 minutes

| Owner | Deadline |
|-------|----------|
|       |          |

WORKSHEET 2.2

Dashboards that drive real decisions

Lesson: Build Dashboards Your Team Actually Uses  
Purpose: Design a simple financial dashboard that gets reviewed weekly and drives real decisions.  
Participants: Leadership team, practice manager, and financial staff.

*From the Operator's Chair: In many practices, the administrator proudly presents a 47-tab spreadsheet that "tracks everything." Ask when it last changed a decision, and the answer is silence. A dashboard that nobody acts on is digital wallpaper. The rule is simple: track only what you'll act on. Assign ownership to every metric, put a name next to every measure. And review it in a room, out loud, every month. No more emailing reports into the void.*

1 KNOW IT

Answer individually before the group discussion.

1. Does your practice currently have a financial dashboard?

- ☐ Yes, and we review it weekly
- ☐ Yes, but we rarely look at it
- ☐ We have reports, but not a dashboard
- ☐ No

2. What are the 3 financial measures you check most often?

3. What's one financial measure you WISH you could see at a glance but currently can't?

2 OWN IT

Design your dashboard as a team.

1. Discussion prompt 1: What are the 5 to 7 metrics that matter most for our practice? (Limit to 7 maximum, more than that and nobody looks at it.)

| Metric | Data Source | Update Frequency | Owner |
|--------|-------------|------------------|-------|
| 1.     |             |                  |       |
| 2.     |             |                  |       |

| Metric | Data Source | Update Frequency | Owner |
|--------|-------------|------------------|-------|
| 3.     |             |                  |       |
| 4.     |             |                  |       |
| 5.     |             |                  |       |
| 6.     |             |                  |       |
| 7.     |             |                  |       |

2. Discussion prompt 2: Where will we post this dashboard so the team sees it? (Break room? Leadership meeting room? Both?)

3 DO IT

This week and beyond. Turn this into action.

Action 1: Build your financial dashboard

- ☐ Choose your 5 to 7 metrics
- ☐ Identify the data source for each metric
- ☐ Assign an owner to update each metric
- ☐ Post the dashboard where the team can see it

| Owner | Deadline |
|-------|----------|
|       |          |

| Who is responsible | When will this happen |
|--------------------|-----------------------|
|                    |                       |

WORKSHEET 2.3

Payer negotiations & rate analysis

Lesson: Know Your Floor and Negotiate Strategically  
Purpose: Analyze your payer mix, identify your lowest-performing contracts, and prepare for your next negotiation.  
Participants: Leadership team, practice manager, and billing/financial staff.

*From the Operator's Chair: I remember the email from our largest payer landing on a Friday afternoon, a 12% reimbursement cut, effective in 90 days. No negotiation, no warning. That was roughly \$400,000 in annual revenue. The practices that survive know their floor. They know at what rate it no longer makes financial sense to stay in-network. They come to the table with data: patient volume, margins, payer mix, and alternatives. Desperation is the ultimate killer of leverage. Fix your P&L before you negotiate.*

1 KNOW IT

Answer individually before the group discussion.

1. What is your current payer mix? (Estimate the % of revenue from each payer)

| Payer             | % of Revenue | Last Rate Increase | Notes |
|-------------------|--------------|--------------------|-------|
| Medicare          |              |                    |       |
| Medicaid          |              |                    |       |
| Blue Cross / BCBS |              |                    |       |
| United Healthcare |              |                    |       |
| Aetna             |              |                    |       |
| Other Commercial  |              |                    |       |
| Self-Pay          |              |                    |       |

2. Which payer pays you the least relative to the work you do? What would it take to make that contract worth keeping?

3. When did you last renegotiate your top 3 payer contracts?

2 OWN IT

Prepare your negotiation strategy as a team.

1. Discussion prompt 1: Which payer contract is most overdue for renegotiation? What data do we have to support a rate increase request?

2. Discussion prompt 2: What's our 'walk away' number? At what rate does it no longer make financial sense to stay in-network with a payer?

3 DO IT

This week and beyond. Turn this into action.

Action 1: Identify your lowest-performing contract and request a meeting

- ☐ Pull your payer mix report from your billing system
- ☐ Calculate your cost per visit for each payer
- ☐ Identify the contract with the biggest gap between cost and reimbursement
- ☐ Request a contract review meeting with that payer

| Owner | Deadline |
|-------|----------|
|       |          |

| Who is responsible | When will this happen |
|--------------------|-----------------------|
|                    |                       |

WORKSHEET 2.4

Scenario planning for financial stress

Lesson: Prepare for Worst-Case Scenarios  
Purpose: Build three financial scenarios (best, base, worst) and define your response plan for each.  
Participants: Leadership team, practice manager, and financial staff.

*From the Operator's Chair: One partner once said, "We can't predict the future, so why waste time planning for things that might not happen?" It sounds logical, until the thing you dismissed materializes. When a pharmaceutical vendor shifted our payment terms from net-90 to net-60 with 30 days' notice, we were staring at \$340,000 we hadn't budgeted for. We scrambled, delayed equipment purchases, negotiated vendor extensions, and added high-margin infusion slots. We closed the gap, but the victory felt hollow. The future rarely sends a polite announcement. The practices that thrive refuse to be caught off guard.*

1 KNOW IT

Answer individually before the group discussion.

1. What's the biggest financial risk facing your practice in the next 12 months?

Examples: Payer rate cuts, staff turnover, rising supply costs, declining patient volume.

2. If your revenue dropped 15% tomorrow, what would you cut first?

3. If your revenue increased 10% next month, what would you invest in? List 3 things:

2 OWN IT

Build three financial scenarios for the next 12 months.

| Scenario               | Revenue | Monthly Revenue | Key Drivers | What We'd Do |
|------------------------|---------|-----------------|-------------|--------------|
| Best Case (+10 to 15%) |         |                 |             |              |
| Base Case (flat)       |         |                 |             |              |

| Scenario                | Revenue | Monthly Revenue | Key Drivers | What We'd Do |
|-------------------------|---------|-----------------|-------------|--------------|
| Worst Case (-10 to 15%) |         |                 |             |              |

2. For the worst-case scenario, what would we cut and in what order?

First to cut

Second to cut

Third to cut

Last resort

3. What early warning signs would tell us we're heading toward the worst-case scenario?

Examples: 'AR days climb above 50,' 'Patient volume drops 10% month-over-month,' 'Denials rate exceeds 8%.'

3 DO IT

This week and beyond. Turn this into action.

Action 1: Build a 12-month cash flow forecast with three scenarios

- ☐ Use a simple spreadsheet: Month, Revenue, Expenses, Net Cash Flow
- ☐ Model best case, base case, and worst case

| Owner | Deadline |
|-------|----------|
|       |          |

Action 2: Identify 3 early warning metrics to monitor monthly

- ☐ Choose metrics that signal financial stress early
- ☐ Assign an owner to monitor each metric
- ☐ Set a threshold that triggers a leadership discussion

| Owner | Deadline |
|-------|----------|
|       |          |

Action 3: Schedule quarterly scenario planning reviews

- ☐ Attendees: Leadership team, practice manager, financial staff
- ☐ Agenda: Update scenarios based on actual performance, adjust plans if needed

| Owner | Deadline |
|-------|----------|
|       |          |

90-DAY ACTION PLAN | CHAPTER 2

Financial Clarity

Consolidate every action item from this chapter into one tracking sheet. Review progress at each weekly standup.

| # | Action item | Owner | Deadline | Status |
|---|-------------|-------|----------|--------|
| 1 |             |       |          |        |
| 2 |             |       |          |        |
| 3 |             |       |          |        |
| 4 |             |       |          |        |
| 5 |             |       |          |        |
| 6 |             |       |          |        |

Session date

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90-day review date

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Key insight from this chapter

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