



“For a dentist CEO in particular, the two most important financial reports are the cash flow and profit and loss statements.”

What makes for a successful dentist CEO?

In this four-part series, we examine the fundamental tasks of the modern dentist CEO. See part one for [*Building the right team*](#), part two for [*Setting a strategy*](#), and part three for [*Driving execution*](#).

Part 4 of 4: Managing finances

In the first three installments of this series, we didn't focus much on numbers. But now it's time to spend some time on just that—managing finances. After all, finances are the clearest, most easily measured yardstick for success or failure.

As a business owner, every dentist should be comfortable with the three standard financial reports: the cash flow statement; the profit and loss statement, and the balance sheet. But for a dentist CEO in particular, the first two are most important.

Cash flow

The cash flow statement shows cash flows in and out of your practice, just as the name implies. Cash is the oxygen of any business, and a dental practice is no exception. Seems obvious, but many small practices don't track cash as closely as they should, which can lead to some stressful end-of-month situations when there isn't enough in the bank to make payroll or pay that vendor. Never take cash flow for granted. Many dentists assume that if production is good, their cash position is fine too. Probably so, but not always. A few ideas on how to ensure you aren't caught with your pants down:

- Check the status of cash daily. Are daily receipts being deposited in a timely fashion? Are payments for practice expenses made intelligently, with cash flow in mind? Or are they automatically paid without thought to whether there's enough cash to cover them?
- Examine the cycle of as many expenses as possible to determine when the expense is incurred vs. when you will recover the cash. For example, when you buy a certain supply, how long is it before it's used, and turned into production, then cash in the form of a patient payment?



About Planet DDS

Founded over a decade ago, Planet DDS was the first dental practice management solution built as a true cloud solution from the ground up.

Since then, we've remained true to our initial vision: to help dentists run their practices so they can focus on what matters most—patient care.

We now deliver our innovative cloud platform and virtual business services to thousands of dental professionals across the country.

- Keep tabs on insurance payments. If your average aged claims balance is over 45 days, you are letting the insurance company gain cash flow benefit from you. You're essentially extending them an interest-free loan. They probably wouldn't extend you the same courtesy.
- Don't let patient payments linger indefinitely. While insurance complicates things a little, patients should be expected to pay their portion at the time of treatment or soon thereafter. In general, average patient balances shouldn't exceed 60 days.

Profit and loss

Not to be mistaken for cash flow, the P&L statement gives you a monthly, quarterly and annual snapshot of profitability. It shows the revenue that you produced and the expenses that you incurred. While it is an important financial tool, the P&L is a lagging indicator. If it takes your accountant two weeks after the end of the month to gather the information and prepare the report, you may be six weeks late in noticing a troubling trend. In other words, you will need other data to identify trouble spots. A few things to note about this report:

- Make sure that the expense lines clearly show where your money is being spent. Too often accountants, who may not be familiar with the business of dentistry, will lump expenses into indistinguishable categories.
- Identify the team member who is accountable for each line, a.k.a. account, on the statement—both income and expense lines. As always, meet monthly to discuss responsibilities and performance trends as they evolve.

Managing finances is the fourth and final fundamental task of the successful dentist CEO. You can always refer back to the other three (*[Building the right team](#), [Setting a strategy](#), and [Driving execution](#)*) as you continue to improve the business side of your practice. Look for the full series on our blog at PlanetDDS.com.