Introduction: Profitability as an Operational Issue

Today we're talking about the hidden levers of profitability, specifically five operational signals that most practices miss, why they're so easy to overlook, and why the matter far more than simply seeing more patients.

One of the biggest misconceptions in medical practice management is that profitability is primarily a financial issue. That if revenue is lagging, the solution must live in payer mix, fee schedules, or adding volume.

But in reality, profitability, is an operational outcome. The financial statements are simply reporting what operations have already decided. Most practices look at their income statement.

Fewer understand the behaviors and systems underneath it. And that's where these lovers live. Welcome to Medical Money Matters, the podcast where you can find experts, answers, and resources so that you achieve mastery over the financial and business aspects of your practice.

Hello, everyone. I'm your host, Chilarina. I began my career in accounting and finance, and I have more than 30 years of experience running medical groups.

I own and operate a national healthcare consulting and revenue cycle company, and I am the author of Physician Heal Thy Financial Self. In 2020, I co-founded the Physicians Leadership Project, And in 2025, released Physicians Edge, the first of its kind CME-accredited online business education for physicians.

My passion is to increase financial and business literacy for physician.

Provider Capacity Utilization

Episode 169 The Hidden Levers of Profitability 5 Operational Signals Most Practices Miss If you talk to most physicians about their practices, you'll hear a familiar refrain.

We're busy. Our schedules are full. we're seeing more patients than ever. And yet, in the very next breath, many of those same practices will say something else that feels contradictory.

Margins feel tight. Cash flow is unpredictable. It doesn't feel like the numbers reflect how hard we are working. That disconnect is where today's conversation begins.

because truly profitable practices don't usually feel chaotic or confusing, and struggling practices aren't struggling because of a lack of demand. More often than not, profitability, or the lack it, is being driven by a handful of operational signals that are hiding in plain sight.

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But in reality, profitability, is an operational outcome. The financial statements are simply reporting what operations have already decided. Most practices look at their income statement.

Fewer understand the behaviors and systems underneath it. And that's where these levers live. Let's start with provider capacity utilization. Many practices believe they understand this lever because schedules appear full.

Providers are booked weeks in advance. The waiting room is busy. Phones are ringing. On the surface, it looks like

capacity is maximized. But when we look closer, a different picture emerges.

No shows that quietly eat away at the day. Appointment templates that don't match visit complexity.

Staffing Cost Alignment to Volume

Short visits scheduled next to long ones with no buffer. Providers spending time on tasks that do not require their level of training. Capacity utilization isn't about how busy the days feels.

It's about effectively how provider time is converted into appropriate, billable clinical work. Underutilized provider time is one of the most expensive inefficiencies in a practice, because provider compensation is a fixed cost, whether that time optimized or not.

This signal is often missed because the pain isn't obvious. A half-empty hour doesn't trigger alarms the way a staffing shortage does. But even small improvements in utilization, better templating, smarter scheduling, reduced no-shows, can materially improve profitability without asking physicians to work harder or longer.

The second lever is staffing cost alignment to volume. Labor is the largest controllable expense for most medical practices, and yet staffing decisions are often made emotionally or historically.

This is how we've always staffed. We added people when we were busy. We don't want to overwork the team. All of those are understandable. But what often gets missed is whether staffing levels still align with current demand.

Head count tends to grow during periods of expansion, but rarely contracts when volume softens or workflows improve. Over time, even modest over-staffing quietly erodes margins.

This signal is missed because practice is rarely benchmarked staffing by role or by visit. Without those reference points, inefficiency feels normal. The result is a practice that's either overstaffed and unprofitable, or understaff and burning people out.

Neither is sustainable. When staffing is aligned to volume, practices gain flexibility.

Coding Accuracy and Revenue Integrity

They can absorb fluctuations without panic. Profitability becomes more predictable, and the work environment becomes stable. The third lever is coding accuracy and revenue integrity.

And this is where we see some of the most consistent missed opportunities. Many practices assume their coding is, quote, fine, because claims are being paid.

But payment does not equal accuracy. In fact, one of the most common patterns we see is systematic undercoding. Not because physicians don't provide the care, but because documentation habits, fear of audits, or outdated coding education suppresses legitimate revenue.

Coding is often viewed as a back-office function, disconnected from profitability. Physicians focus on patient care. Coders focuson claims. No one owns the full picture.

Common issues show up repeatedly. E&M services consistently leveled lower than the documentation supports. Inconsistent use of time-based versus medical decision-making coding.

Missing or misused modifiers. Documentation that is clinically sound but fails to clearly support complexity. Providers who never receive individualized feedback, so patterns never change.

Each of these issues feels small in isolation, but multiplied across thousands of encounters, the impact is significant. Undercoding creates permanent margin loss that volume cannot fix.

You can't outwork a systemic revenue integrity problem. Accurate coding doesn't mean aggressive coding. It means consistent, compliant coding that reflects the work already being done.

When practices address this, they often see meaningful improvement in revenue without adding a single visit. And just as importantly, consistency reduces audit risk by making coding defensible and predictable.

The fourth lever is revenue leakage in the back office. You're listening to Medical Money Matters, a weekly podcast brought to you by Healthy Practices, A healthcare consulting and revenue cycle company dedicated to keeping our clients independent.

If you're looking for more ways to strengthen your business skills, check out Physicians Edge, our mini-MBA online course designed to help physicians master the financial side of their practice.

You can find that and more about how we support practices like yours at healtheps.com. That's www.healtheps dot com. And don't forget to follow or subscribe so you never miss a new episode.

Revenue Leakage in the Back Office

Revenue leakage refers to the money that should be collected but isn't, or isn' collected in a timely way due to breakdowns in billing, follow-up, and collections.

Copays that aren't collected at the time of service. Denials that weren't worked aggressively. Claims that sit in accounts receivable too long. Write-offs that are accepted without analysis.

This lever is often missed because revenue looks okay at a high level. Money is coming in. Payroll is being met. The practice survives. But when we look deeper, we often find that a surprising amount of revenue never makes it to the bottom line.

Physicians rarely see this because Revenue Cycle data is complex and fragmented. Without clear reporting, leakage blends into the background. but over time it creates cash flow instability and masks true performance.

Fixing leakage is often one of the fastest ways to improve profitability. Unlike growth initiatives which take time, tightening revenue cycle processes can produce relatively quick results and reduce financial stress.

The fifth lever is overhead rigidity versus flexibility. Every practice has fixed costs. That's unavoidable. But the degree to which overhead can adapt to changes in volume varies widely.

Long-term leases, inflexible staffing models, and legacy vendor contracts can lock practices into cost structures that no longer fit the current reality.

This signal is missed because overhead is often treated as the cost of doing business. Once a lease is signed or a vendor is chosen, it's mentally filed away as unchangeable.

Growth can hide these inefficiencies for years, but when volume plateaus or declines, rigid overhead magnifies risk. Practices with more flexible cost structures weather market changes far better.

Overhead Flexibility and Decision-Making Speed

They can adjust, pivot, and protect margins. Over time, flexibility becomes a strategic advantage. The final lever is decision-making lag time. This is one of the most underestimated drivers of profitability.

It's not just what you know, it's how quickly you act on it. Many practices review data monthly or quarterly. Reports exist, but no one owns them. Signals are noticed but not addressed because they feel temporary, or groups are unsure what to do about them The problem is that delayed decisions increase financial impact.

Small inefficiencies become expensive ones. By the time action is taken, the cost is much higher than it needed to be. Practices that shorten the gap between signal and response consistently outperform those that don't.

Faster insight leads to faster course correction and better margins. When you step back and look at all of these levers together, a common theme emerges.

These are not clinical failures, they are operational blind spots. They don't reflect poor medicine or lack of effort, They reflect systems that haven't been fully examined.

Profitability is not about squeezing more work out of physicians. It's about aligning operations with reality. Its about leadership having clear visibility into how the practice actually functions, not just how it feels.

At Healthy Practices, this is exactly what our profitability assessments are designed to uncover. Not just whether a practice is profitable, but why. We look at operational, financial, and coding data together to identify where opportunity exists and where risk is hiding.

Because we work with hundreds of practices across specialties and markets, we see patterns. These levers repeat themselves. And when they're addressed intentionally, improvement becomes predictable.

Profitability doesn't require heroics. It requires insight. If there's a takeaway from today's conversation, it's this. Most practices don't have a revenue problem.

They have visibility problem, and once you know where to look, profitability becomes far less mysterious. Until next time. In that, we'll do an even deeper dive so you can understand dynamic budgeting strategies, cash flow forecasting, and other more esoteric financial concepts.

We've included those links in the show notes. As I like to close out these podcasts, congratulations on taking the next step in your professional development and for making the commitment to learn about the financial and business aspects of your practice.

I look forward to being on this journey with you and send you my heartfelt gratitude for all that you do for your patients all day, every day.