Cash Flow vs. Profit

There are practices that look profitable on paper and still feel constantly on edge. Payroll clears, but just barely. Distributions feel risky. Hiring decisions get delayed.

Big expenses create anxiety instead of confidence. And despite doing well, leadership always feels like they're waiting for the other shoe to drop. That feeling usually has nothing to do with profit.

It has everything to with cash flow. Cash flow tells the truth in a way no other financial statement does. Revenue tells you what you earned. Profit tells what's left after expenses.

But cash flow tell you whether you're actually safe and what the next 12 months are likely to feel like. 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, Jill Arena. I began my career in accounting and finance and I have more than 30 years of experience running medical groups.

Podcast Introduction and Host Background

In 2020, I co-founded the Physician Leadership Project, and in 2025 I 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 Physicians. Episode 171. Cash flow tells the truth. What your financials are saying about your next 12 months.

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But cash flow tell you whether you're actually safe and what the next 12 months are likely to feel like. Today we're talking about what your financials are saying about your future, why cash flow forecasting is one of the most underused leadership tools in medicine, and why having three forecasts, not just one, is what separates confident practices from reactive ones.

Why Forecasting Matters

Most practices spend a lot of time looking backward. They review monthly financials, they compare this year to last year, They track whether collections are up or down, and then they make decisions based largely on hope.

Hoping trends continue, hoping volume stays strong, Hopping nothing unexpected happens. The problem is that historical financials are descriptive, not predictive.

They tell you what already happened. they don't tell what's coming. And leadership is not about reporting. It's about foresight. This is where cash flow forecasting changes the conversation.

A cash flow forecast is a forward-looking view of cash in and cash out over time. It shows when money is expected

to arrive, when it's expected leave, and where pressure points are likely to occur.

What it is not is a guess, it's not a budget, and it not an attempt to predict the future with precision. Instead, its a planning tool that helps you understand ranges, timing, risk.

Many practices avoid forecasting because it feels complex or uncomfortable. Physicians are trained to deal with facts, not hypotheticals. There's often a belief that uncertainty is something to avoid, to not engage with.

But here's the counterintuitive truth. Forecasting doesn't create uncertainty. It reveals it. And once uncertainty is visible, it becomes manageable. When practices start forecasting cash flow, decision-making changes almost immediately.

Hiring discussions become calmer. Compensation planning becomes more intentional. Capital purchases are evaluated in context instead of isolation.

The Three Cash Flow Scenarios

Instead of asking, can we afford this? Leaders start asking when does this make sense? And under what conditions would this become risky? That shift from reactive to intentional is where real stability comes from.

The timeframe matters as well. We recommend looking at cash flow over a rolling 12-month window. 12 months is long enough to capture seasonality, payer timing, staffing changes, and operational initiatives.

It aligns with how long it actually takes for decisions to fully show up in the numbers. Shorter views miss the bigger picture. Longer views become too abstract.

Twelve months, is where insight lives. Now here's where many practices go wrong. They build one forecast. One version of the future, one set of assumptions, One outcome they anchor to.

And that's dangerous. Because a single forecast creates false certainty. It encourages overconfidence when things are going well, and panic when reality diverges from the plan.

Instead, the most effective approach is to model three scenarios. We often introduce this as the good, the bad and the ugly, because it's memorable, it is honest, and it reflects how leaders actually think.

More formally, we call them the assertive, expected and defensive forecasts. The names matter because the tone matters. The assertive scenario is the good.

This is a future where things go well, volume grows, new initiatives succeed, staffing stabilizes, payer issues are minimal. It's not fantasy, it's a plausible upside.

this forecast is useful. it helps practices plan growth, supports decisions about hiring, expanding services, or investing in infrastructure. But it becomes dangerous if leaders assume this is the only future worth planning for.

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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.

Using Forecasts for Better Decisions

The expected scenario is the bad. But bad here doesn't mean failure. It means reality. This is most likely outcome given current trends. Modest growth or stability.

Normal disruptions. A mix of wins and challenges. This is the forecast that should guide most day-to-day decisions. Compensation planning, distributions, routine hiring, and expense management all live here.

Practices that don't have a clear expected forecast often oscillate between optimism and fear because they lack a grounded baseline. Then there's the ugly.

This is the defensive scenario. And this is where many leaders get uncomfortable. The defensive forecast models what happens if things soften. Volume dips.

A provider leaves. Staffing costs rise. Reimbursement tightens. Nothing catastrophic, just pressure. This scenario is not about being pessimistic. It's about be prepared.

Defensive planning doesn't create fear. it creates confidence. When you know what actions you would take if conditions change, you stop reacting emotionally.

You stop delaying decisions out of anxiety. you lead more calmly because you already understand your options and know your contingent moves. One of the most powerful moments we see with practices is when leaders realize that even in their defensive scenario, they're still viable with the right adjustments.

That realization changes everything. These three forecasts are not competing predictions. They're decision frameworks. they allow you to stress test choices before making them.

What happens if we hire now versus in six months? What if collections lag for a quarter? What if we delay that equipment purchase? Cash flow forecasts turn those questions into concrete answers.

They also improve timing decisions. Many practices don't make bad decisions, they make well-intentioned decisions at the wrong time. Forecasting helps leaders align actions with capacity.

It answers not just should be, should we, but when should Of course, forecasting only works if assumptions are realistic.

Closing Thoughts and Resources

Common mistakes include overly optimistic volume projections, ignoring the timing of collections, forgetting about capital expenditures, or treating the forecast as static.

Forecasts are not meant to be defended, they're meant be updated. As new information comes in, assumptions change. That's not failure, that's leadership.

At Healthy Practices, we use cash flow forecasting as a core part of how we help practices remain sustainable. Across hundreds of practices, We've seen the same pattern repeat.

The practices that feel most stable are not the ones with the highest revenue. They're the one with a clearest view of the future. they understand their cashflow under multiple scenarios, they know where pressure points exist, and they've already thought through their responses.

Forecasting becomes a conversation about options instead of outcomes. And that's the real value. Cashflow doesn't just tell you where you stand today, it tells you what your next 12 months are likely to feel like before you get there.

If you're leading a practice and you don't have that visibility, you are not alone. Most don´t. But once you do, it becomes very hard to imagine leading without it.

Cashflow tells the truth. The question is whether you´re listening. And whether your listening to just one version of the future or to the full range of possibilities.

Until next time. You can find more information online at medicalmoneymatterspodcast.com, and you can sign up to be notified when enrollment opens for the Medical Money Matters eLearning program for a mini-MBA physician style, which will carry CME credits and will be released in upcoming months.

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.