CPRS™ Financial Workflow

1. CASH POSITION (3 minutes)

Objective: Assess short-term liquidity and cash flow stability.

Actions:

1. **Check Ending Cash Balance**:
   a. Look at the Cash Flow Statement's final cash balance.
   b. Ensure there are at least 1-2 months of operating expenses available.
2. **Review Cash Flow from Operations**:
   a. Confirm this number is positive. Negative values may indicate operational inefficiencies.
3. **Days Sales Outstanding (DSO)**:
   a. Calculate: Accounts Receivable / (Annual Revenue / 365).
   b. Aim for DSO < 30 days—high DSO signals slow collections.

2. PROFITABILITY (3 minutes)

Objective: Determine if the practice is generating adequate revenue and controlling costs.

Actions:

1. **Review Gross Profit Margin (GPM)**:
   a. Calculate: Gross Profit / Revenue.
   b. A higher GPM indicates effective pricing and cost control.
2. **Check Net Profit Margin (NPM)**:
   a. Calculate: Net Profit / Revenue.
   b. Aim for 10%+ as a benchmark.
3. **Scan Expense Trends**:
   a. Look for significant increases in operating expenses month-over-month.
   b. Address variances immediately if unexplained.

3. RESILIENCE (3 minutes)

Objective: Gauge the financial stability and ability to manage debts.

Actions:

1. **Calculate Working Capital**:
    a. Formula: Current Assets - Current Liabilities.
    b. Ensure a positive number to indicate financial flexibility.
2. **Evaluate Current Ratio**:
    a. Formula: Current Assets / Current Liabilities.
    b. Healthy range: 1.5-2.0.
3. **Debt Service Coverage Ratio (DSCR)**:
    a. Formula: EBITDA / Total Debt Service (principal + interest payments).
    b. Benchmark: >1.25 indicates healthy ability to service debt.
    c. Below 1.0 is a major red flag (not generating enough cash to cover debt obligations).

4. SNAPSHOT (1 minute)

Objective: Spot red flags that need immediate attention.

Quick Checklist:

- Declining profit margins?
  If yes, investigate cost control or pricing strategy.
- Negative cash flow?
  Address cash management or operational inefficiencies.
- Increasing A/R Days?
  Tighten billing and collections processes.
- Rising debt or operating expenses?
  Review loan terms or cut unnecessary costs.
- DSCR below 1.25?
  Evaluate debt structure and cash flow improvement strategies.

Quick Workflow Summary

1. **CASH**: (3 min) Look at ending cash, operating cash flow, and DSO.
2. **PROFITABILITY**: (3 min) Check gross & net profit margins, scan for expense anomalies.
3. **RESILIENCE**: (3 min) Confirm working capital, current ratio, and debt service coverage health.
4. **SNAPSHOT**: (1 min) Use the quick checklist to spot red flags.

CPRS™ is a trademark financial analysis framework.

Quick Reference Glossary

- **A/R (Accounts Receivable)**: Money owed to your practice by patients and insurance companies
- **EBITDA**: Earnings Before Interest, Taxes, Depreciation, and Amortization; a measure of operational performance
- **Current Assets**: Assets that can be converted to cash within one year (cash, A/R, inventory)
- **Current Liabilities**: Debts due within one year (accounts payable, short-term loans)
- **GPM (Gross Profit Margin)**: Shows how efficiently you convert clinical services into profit
- **NPM (Net Profit Margin)**: Percentage of revenue remaining after all expenses
- **DSO (Days Sales Outstanding)**: Average number of days to collect payment after service
- **Working Capital**: Resources available for daily operations (current assets minus current liabilities)
- **DSCR (Debt Service Coverage Ratio)**: Ability to cover debt payments with operating income

Sample Calculations

Example: Calculating DSCR for a practice

Given: - Annual EBITDA: $500,000 - Annual Loan Payments (Principal + Interest): $200,000

DSCR = EBITDA ÷ Total Debt Service DSCR = $500,000 ÷ $200,000 = 2.5

Interpretation: With a DSCR of 2.5, the practice generates 2.5 times more operating income than needed to cover its debt obligations, indicating strong financial health.

Recommended Implementation Timeline

Timeframe	Actions
Monthly	Complete full CPRS check
Weekly	Quick check on cash position only
Quarterly	Perform CPRS plus trend analysis comparing to previous quarters
Annually	Complete CPRS plus deeper dive into all areas for further evaluation

Resources for Financial Management

1. Books:
   a. "Financial Intelligence for Entrepreneurs" by Karen Berman and Joe Knight
   b. "Profit First" by Mike Michalowicz
2. Websites/Blogs:
   a. WhiteCoatInvestor.com
   b. PhysicianOnFire.com
   c. AAOMS Practice Management resources
3. Tools:
   a. QuickBooks Online or Desktop
   b. Dental Intelligence Dashboard
   c. Microsoft Excel or Google Sheets with financial templates

Areas for Further Evaluation

Beyond the basic CPRS framework, these areas warrant deeper analysis in future workshops:

1. **Benchmarking Analysis**:
   a. Compare your metrics to specialty-specific industry standards
   b. Evaluate your performance against similar-sized practices in your region
2. **Trend Analysis**:
   a. Track key ratios over time (quarterly and annually)
   b. Identify seasonal patterns and long-term financial trends
3. **Procedure Profitability**:
   a. Analyze contribution margin by procedure type
   b. Evaluate time investment versus financial return
4. **Associate/Partner Production Metrics**:
   a. Compare production, collections, and expense allocation per provider
   b. Assess compensation models against production
5. **Growth Planning**:
   a. Capital investment analysis and ROI calculations
   b. Expansion funding options and financial implications
6. **Exit Strategy Financial Preparation**:
   a. Practice valuation metrics and enhancement strategies
   b. Succession planning financial considerations

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