

## Financial Basics for Behavioral Health Providers

If you're new to managing the financial side of a behavioral health practice, you're not alone. Most providers enter the field to serve others—not to become financial experts. This guide is designed to help you understand a few key financial concepts so you can feel more confident and reduce the stress that often comes with managing finances.

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### What You'll Learn

- The difference between revenue and profit (yes, even nonprofits need a positive margin!)
  - Why cash flow is just as important as income
  - How your P&L can guide day-to-day decisions
  - The role of billable hours in financial health
  - Why planning ahead helps reduce stress and increase impact
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### 1. Revenue vs. Profit (Margin)

- **Revenue** is the total money your organization earns from services.
- **Profit**—or **margin**—is what's left after paying expenses.

#### ***Why is this important?***

Without positive margins, you can't reinvest in your team, your space, or your future. Margin allows you to grow, adapt, and sustain your mission—especially during lean times.

### 2. Cash Flow

- Cash flow is the timing of money coming in and going out.
- Many providers face delays in payments—even when revenue looks strong on paper.

#### ***Why is this important?***

You can be profitable on paper but still run into trouble if payments are delayed. Healthy cash flow ensures you can make payroll, cover rent, and keep your focus on clients—not finances.

### 3. Profit & Loss (P&L) Statement

- This report summarizes your revenue, expenses, and net income.
- Reviewing your P&L regularly helps you understand where your money is going and where you can adjust.

#### ***Why is this important?***

Your P&L helps you make decisions based on data—not gut feeling. It shows where you're spending too much, what programs are financially sustainable, and where you might need to shift strategy.

#### 4. Billable Hours

- These are the hours of service delivery that can be billed to Medicaid or other payers.
- Tracking them helps you understand staff productivity and revenue potential.

##### ***Why is this important?***

Billable hours drive revenue. Understanding them helps you balance productivity, avoid burnout, and ensure your team is sustainably funded.

#### 5. Direct vs. Indirect Expenses

- **Direct expenses** are tied to services (like clinician pay).
- **Indirect expenses** support the broader organization (like admin, tech, rent).

##### ***Why is this important?***

Knowing and regularly reviewing your expenses can help you identify ways to minimize spending, reduce unnecessary costs, and operate more efficiently—without compromising the quality of care.

#### 6. Budgeting: Planning Ahead with Purpose

- A budget is a simple plan for how you expect to earn and spend money.
- It includes your expected revenue and your planned expenses—ideally broken down by month.

##### ***Why is this important?***

Budgeting helps you shift from reacting to financial surprises to proactively planning for and adapting to any challenge that may arise. It gives you a roadmap for where your organization is going and helps you make informed decisions along the way—such as whether you can hire new staff, invest in training, or take on a new contract.

#### Simple Tips to Get Started

- **Review your P&L monthly**—start small, even just a 10-minute check-in.
- **Track billable hours weekly** so you understand what's driving revenue.
- **Aim for positive margin and cash reserves**—these aren't about “profit,” they're about stability.
- **Create a simple budget** that reflects both your values and your numbers.
- **Remember:** Financial planning is not about control—it's about freedom and peace of mind.