The Cash Flow Challenge and Payroll

Cash flow challenges are common in the health care industry. Find out about one solution that may be the right one for your business.

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Payroll is one of the most significant expenses that can create cash flow issues for businesses that experience delayed payments. Why? Because employees expect to be paid on time and should be paid on time. If your business collects payments for services rendered up to 30, 60, or 90 days after the invoice date, you've likely struggled to have cash on hand when you need it. Consequently, you understand the struggle of finding solutions to pay for everyday business expenses, including payroll. **Why Lucrative Businesses Sometimes Can't Cover Payroll** We have all grown up in a world where talking about money can be touchy. In fact, businesses often feel vulnerable sharing their experiences in managing cash flow even when it has nothing to do with financial diligence. So here is the million-dollar question: Could profitable businesses struggle with covering payroll? Yes – in fact, sometimes it's because they're doing so well! They could be experiencing such rapid growth, taking in more clients than ever and hiring new employees to meet that increasing demand for services, that they may need funds to cover payroll short term until revenue is collected. Sometimes they even have large contracts with longer payment terms, mainly when dealing with government or insurance

payouts, which again can impact payroll. Other times, it's just due to the nature of the business. With delayed payments, companies sometimes have a lag between when employees get paid and payments come in. Or seasonality, at the beginning of a new semester or season or between seasons. **Cash Flow Challenges in the Health Care Industry** Insurance providers, Medicaid, and Medicare all have complex payout procedures, and it can take anywhere from 30 to 90 days to receive reimbursements or remittances. On the other hand, payroll is most often weekly or bi-weekly, and slow receivables can create challenging cash flow issues for even the most established organizations. Talk about juggling! Given the above, the health care industry is prone to delayed payments and may ultimately find itself in a crunch come payroll time. Couple this with the fact that many agencies and facilities are experiencing the pressures of hiring and retaining caregivers and employees and need to maintain trust with these employees especially on pay day.

How Some Companies Use Payroll Finance Solutions

Long ago, companies would have to get very creative to solve this payroll challenge, but today there are options. First of all, nobody wants to be in debt – especially ongoing – so today there are short-term options to help with a quick fix. Ditmas Rehab, a client of Viventium, once found itself needing some help covering payroll. Ditmas Rehab is an established family-owned nursing home that had recently expanded and opened a dialysis center. When the dialysis center started taking in new patients, Ditmas had to hire more staff to be able to take on the extra patients. They wouldn't be seeing their first payment from insurance until 30-60 days later and in the meantime, needed a short term loan to cover payroll. Ditmas is not alone – in fact, so many other companies share similar stories. One company, an upstart home care agency, was experiencing rapid growth, prompting a hiring spree. As their payroll kept increasing, the gap between their bi-weekly payroll and the 30-60 days it took to receive their insurance remittances was proving to be an issue, and payroll financing was the perfect solution. Another company, a special needs agency, experienced a technical malfunction when billing insurance, which delayed their remittances by a full month. Rather than taking on the risks of medical practice business loans, they turned to short-term payroll financing to help them pay their staff while they waited for their remittances to come in.

The Bottom Line

These examples are extremely common in the health care industry. In some cases, businesses may need one-time payroll financing just to get over the hump, while others may need to utilize payroll financing on a more consistent basis. Either way, small business loans for health care professionals via payroll funding are great ways to keep staff paid consistently – without the downsides associated with medical receivables factoring. **The Payro Finance Solution** Viventium has partnered with Payro to provide loans designed specifically for payroll. With Payro, you can get a quick line of credit to help you run payroll on time during those times when funds are tight and you are waiting for open invoices to get paid. Unlike traditional loans or other lending options, collateral is not required. The

payroll loan is only available to use when running payroll. There are absolutely no fees to get your line of credit approved with Payro. Sign up today and have access to same-day payroll funding whenever you need it. **If your business requires short-term funding to operate efficiently, payroll financing may be the right solution for you. Visit https://payrofinance.com/funding/viventium/ today to see how we can help.**

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