Pediatric Practice Budgeting

2027 QUICK REFERENCE • Get the Books Ready • Timing • Revenue per Encounter • Five Steps • Free Tools

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1 | WHY BUDGET, AND WHY START NOW

Current as of November 6, 2026 · from the PMI Lunch & Learn session "Budgeting For Your Practice"

49	2	3	15.6%	5
Coke sales needed to recover one lost bottle	largest expenses: labor and vaccines	KPIs drive the revenue estimate	rise in revenue per encounter, Q1 to August (2019)	linked tabs in the PMI Practice Budgeting Tool

THE LESSON FROM MELVILLE, LOUISIANA

A $1.00 BOTTLE OF COKE	AMOUNT
Revenue	$1.00
Cost	$0.98
Margin	$0.02
Margin %	2.04%
Sales to recover one lost bottle	$0.98 ÷ $0.02 = **49**

Does not include labor, floor space, utilities and credit card fees.

The point: one bottle broken, stolen or unsellable took 49 more sales to cover. Know your practice that closely.

WHY BUDGETS ARE IMPORTANT

- **Plan for the future.** Anticipate what may or may not happen next year and what it does to the finances.
- **It tells a story** of what you think will happen. You find out later whether it was fiction or nonfiction.
- **See the impact of decisions** — new equipment, more clinical staff, a provider leaving.
- **A simple process that takes time.** The spreadsheet takes 5 to 10 minutes to understand. The thinking behind the numbers is the work.
- **The discipline is the value.** Building a budget forces you to think about the business in a way the day-to-day does not.

THREE KEYS TO EFFECTIVE BUDGETING

- **1 · Accurately monitor your expenses.** Know where the money goes, by category.
- **2 · Establish your budget using benchmarks.** Some of the best are your own: we were at this level last year, we want to reach that level this year.
- **3 · Consistently review your actual financials against the budget.** The financial reports are how you stay on top of the business.

BALANCE EFFORT WITH RESULTS

"PDC" — pretty darn close. Results grow by progressively smaller amounts as you add time and energy. Get close enough to guide decisions and tell the story, then stop.

SUGGESTED TIMELINE · 2027 BUDGET

WHEN	WHAT TO DO
Early November	Pull 12 months of profit and loss and billing-system data, by provider
Mid-November	Build the five tabs, revenue first (section 5)
Early December	Review with the owners · run the what-ifs
By December 31	Load the budget into QuickBooks (section 6)
Monthly in 2027	Compare actual to budget

Suggested pacing. In the session, the traditional budget is put together in November for the year ahead.

2 | GET THE BOOKS READY

Financial statements can be no more detailed or informative than the chart of accounts underneath them

FOUR MAJOR FINANCIAL STATEMENTS

STATEMENT	TELLS YOU	IN BUDGETING
Income statement (profit and loss)	Revenue · expenses	95% of your time is spent here; its categories become the budget lines
Balance sheet	Overall financial position — what you own and what you owe	Loan and line-of-credit balances you plan to reduce
Statement of cash flows	Change in cash on hand	Used less often
Statement of retained earnings	Cumulative balance of undistributed profit	Used less often

Your accountant or bookkeeper already produces all four.

Naming and ordering: 5000 Staff Wages, then 5010 Receptionists, 5020 Medical Assistants, 5030 Nurses, 5040 Billing staff. **Roll up** by work location, work group and work type.

CHART OF ACCOUNTS GROUPINGS

CODES	GROUP
1000	Bank / Clearing Accounts
2100–2500	Credit Card & Clearing · Payroll Tax Payable · Benefits Payables · Loans
4000	Income / Revenue
5000	Non-Provider Compensation & Benefits
6000	General and Administrative Expenses
7000	Medical Supplies & Services
8000	Non-Owner Provider Compensation & Benefits
9000	Owner Compensation & Benefits

BREAK OUT WHAT YOU NEED TO MANAGE

ONE LUMPED LINE	BREAK IT OUT
"Income" or "Deposits"	4010 Insurance EFT · 4011 Credit Cards · 4012 OTC Deposits · 4013 Mail Deposits · 4016 Incentive Checks · 4017 / 4018 Capitation (Medicaid / Commercial)
"Employee wages"	5110 Administration · 5120 Billing · 5130 Clinical Support · 5140 Receptionists · 5300 Payroll Taxes · 5400 Benefits
"Medical supplies"	7200 Vaccines and Injectables · 7420 Laboratory Supplies · 7430 Laboratory Services · 7100 Medical Equipment
Providers	8200 Employed Physician · 8300 Non-Physician Provider · 9100 Owner — pay, payroll taxes, insurance, 401K and bonuses each on a line of their own

Track income by source of revenue, not by provider. The billing system already reports by provider — why do it twice?

MAKE IT WORK DAY TO DAY

- **Departments = locations.** Tag each expense to Location 1, 2 or 3 in accounts payable.
- **Classes = providers.** Tag health insurance or CME to Dr. Smith or Dr. Jones and see what the practice pays for each provider.
- **"You need a good accountant, but you need a better bookkeeper."** Categorize revenue and expenses as they come and go. QuickBooks automation helps.
- **Changing the chart takes planning.** It is usually set up by the accountant when the practice opened, and reorganizing it is not as easy as flipping a switch.
- **Make it a daily habit.** Categorizing the day's revenue and expenses takes about as long as a cup of coffee.
- **Sample chart of accounts (Excel):** pediatricsupport.com/learn/chart-of-accounts

3 | KNOW THE TIMING | CASH VERSUS ACCRUAL, AND TYPES OF EXPENSE

Budget where the money goes and the month it leaves the practice

WHAT HAPPENED	CASH BASIS	ACCRUAL BASIS
Patient seen February 15 · payment received March 15	**March revenue** — when the payment is received and deposited	**February revenue** — a receivable until paid; revenue is charges minus adjustments
February 15: pay the rent for March	**February expense** — the check is dated February 15	**March expense** — the underlying rent period is March
Vaccines ordered Aug. 28 · arrive Sept. 2 · invoice paid Nov. 15	**November expense** — when the invoice is actually paid	**September expense** — when the product is received
Twist: that invoice is paid by credit card on November 15	Still a November expense	Still a September expense

WHICH BASIS ARE YOU ON?

- **Most pediatric practices keep cash-basis books** — simpler to maintain, with a clear picture of actual cash flow.
- **Accrual** matches revenue with related expenses — more accurate, more complex.
- **The IRS limit:** a C-corp, or a partnership with a C-corp partner, must leave the cash method once average annual gross receipts for the three prior tax years exceed **$33 million** (tax years beginning in 2027; $32 million for 2026).
- **Exception:** a qualified personal service corporation — a C-corp working in health whose stock is held by the employees performing the services. Ask your CPA which rule fits.

FIXED · VARIABLE · EVERYTHING IN BETWEEN

TYPE	EXAMPLES
Fixed	Rent or lease · salaries · insurance premiums (liability, property, med-mal) · loan repayments · property taxes
Variable	Vaccines · utilities · hourly wages (receptionists, clinical, billing) · medical supplies (syringes, lab supplies)
In between	An hourly receptionist is needed all day whether 1 or 100 patients come in · productivity bonuses · seasonal overtime

Volume and expense are not linearly related in a pediatric practice. Not every "variable" expense changes with the number of patients seen.

THE TRUE COST OF LABOR

$20 an hour × 2,000 hours = $40,000 in wages. Your cost is more than that.

- **Direct:** wages, overtime, bonuses, severance.
- **Employer costs on top:** FICA, Medicare, workers' compensation, federal and state unemployment, vacation, holiday and sick pay, parking, health and life insurance, 401K, IRA and pension contributions.
- **Allocate labor six ways:** administration · clerical · billing · clinical staff · physician salary and bonus · ancillary services.

TRAP · VACCINES ARE THE WILD CARD

- **Labor and vaccines are your two largest expenses**, and vaccines are the biggest headache to budget.
- **Flu vaccine arrives in September.** The invoice is paid in November. Put it on a credit card and the cash leaves the month after that.
- **On cash-basis books the expense can land months after the doses are given.** Budget the month the money leaves, not the month the box arrives.

4 | ESTIMATE REVENUE

Seasonality: n=598 private practice pediatricians, 2,147,130 appointments, 2019 — data provided by Chip Hart

THREE KPIs NEEDED FOR BUDGETING

KPI	FORMULA	EXAMPLE
1 · Revenue per encounter	Encounter revenue ÷ office encounters	$500,000 ÷ 4,000 = **$125.00** per visit
2 · Encounters per day	Total encounters ÷ provider days	4,000 ÷ 200 = **20** per day
3 · Days per year the provider works	Weeks × days per week, or count actual days by month	4 days a week, 49 weeks a year

REVENUE PER ENCOUNTER BY PROVIDER · SAMPLE

PROVIDER	PATIENTS SEEN	REVENUE	PER ENCOUNTER
Provider 1	1,751	$216,000	$123.36
Provider 2	3,600	$422,100	$117.25
Provider 3	1,875	$228,600	$121.92
Provider 4 (Owner)	4,500	$530,550	$117.90

Run it for an entire 12-month period to pick up seasonal variations. Then estimate, by month, the days each provider will work and the patients seen each day.

REVENUE PER ENCOUNTER BY MONTH · 2019

MONTH	RPE	VS. YEAR	MONTH	RPE	VS. YEAR
Jan	$137.22	–3.87%	**Jul**	$159.23	+11.55%
Feb	$138.07	–3.27%	**Aug**	$159.27	+11.58%
Mar	$137.80	–3.46%	**Sep**	$142.90	+0.11%
Apr	$141.25	–1.04%	**Oct**	$131.97	–7.54%
May	$143.31	+0.39%	**Nov**	$132.24	–7.36%
Jun	$152.82	+7.06%	**Dec**	$136.84	–4.14%

- **~15.6% rise** from the first quarter to August. **17.14% drop** from August to October.
- **Why:** the start and end of the year bring more sick visits and flu clinics — higher volume at a lower rate. Mid-year brings fewer visits and more check-ups.
- **Since COVID the pattern is less predictable**, which is all the more reason to get a baseline for each provider.

WHAT REVENUE PER ENCOUNTER TELLS YOU

An excellent barometer of your financial health. Watching it shows you:

- Are your claims being processed timely?
- Are your claims being paid properly?
- Are you being paid fairly?
- Is your payor mix excellent, fair or poor?
- Are you following proper CPT coding guidelines?

It is also the most significant basis for your revenue projection, so get an accurate read on it.

BEYOND PROVIDER VISITS

- **Nurse, shot and flu visits** go on a line of their own. The sample plans 520 in October for Saturday flu clinics, at $52.13 each.
- **Incentive and quality payments** go in the month you expect them.
- **Capitation** is lives × rate: 255 × $15.00 = $3,825 in January.

HOW THE SAMPLE YEAR ADDS UP

REVENUE LINE	SAMPLE YEAR
Provider 1 — 3,788 encounters	$750,845
Provider 2 — 3,267 encounters	$629,953
Provider 3 — 2,971 encounters	$560,774
Nurse / shot / flu — 2,082 visits	$142,087
Practice total fee-for-service	$2,083,660
Incentive / quality payments	$58,770
Capitation	$44,100
Total budgeted revenue	**$2,186,530**

One cell of the grid: Provider 1 in January is 351 encounters at about $186.45 each, or $65,446. Encounters are your estimate. Revenue per encounter comes from your history.

Employed physicians: the same method can validate the numbers used during contract negotiations.

5 | BUILD IT IN FIVE STEPS

Sample figures come from the example practice in the PMI Practice Budgeting Tool — an example, not a benchmark

STEP	TAB	WHAT GOES IN	SAMPLE YEAR TOTAL
1	**Estimate revenue**	For each provider, each month: number of encounters (your estimate) × revenue per encounter (historic). Add nurse/shot/flu visits, incentive and quality payments, and capitation.	**$2,186,530**
2	**Estimate operating costs**	Staff salaries by function, payroll taxes, staff insurance and 401K, rent, utilities, professional services, IT, insurance, marketing, vaccines and injectables, medical and laboratory supplies.	**$1,499,156**
3	**Estimate provider costs**	Employed physician, NP/PA and owner salary, payroll taxes, insurance, 401K, bonuses and professional development; contractor and locum tenens pay.	**$613,380**
4	**Estimate and plan capital expenses**	Office equipment and furniture, information systems, laboratory and medical equipment — entered in the month you expect to buy.	**$16,900**
5	**Review — make sure you can do it**	Pulls the four tabs into one monthly cash position: total revenue less operating, provider and capital expenses.	**$57,093**

SAMPLE MONTHLY CASH POSITION

MO	POSITION	MO	POSITION
Jan	$6,450	**Jul**	$10,683
Feb	$36,868	**Aug**	$14,843
Mar	($26,641)	**Sep**	$14,575
Apr	($17,168)	**Oct**	$14,867
May	($42,628)	**Nov**	($10,404)
Jun	$103,775	**Dec**	($48,127)
Year			**$57,093**

Five of the twelve months run negative in a year that ends ahead. The month-by-month view is why you build it.

TEST A DECISION BEFORE YOU MAKE IT

The tabs are linked. Change one number and the review tab shows what it does to the bottom line.

- **$100,000 of IT equipment in May?** Capital expenses rise and the sample's year-end position turns negative.
- **Clinical support up to $30,000 a month starting in March?** Operating expenses climb and the hole gets deeper.
- **Then go back to the revenue tab.** Test the visit counts that would make up the difference, using numbers from the billing system.
- **A provider sees more patients, or one leaves in July?** Change the encounters and read the financial impact.

That is the essence of budgeting: play with the numbers to understand the financial impact of what you think, or would like, to happen next year.

CASH FLOW CONSIDERATIONS

- **Summer check-up vaccines** — due August/September.
- **Flu vaccine invoices** — due November/December.
- **Credit card payments** delay the cash outlay 30 days.
- **Days in A/R** — payment usually trails the visit by 20 to 30 days. At 17 to 19 days in A/R the monthly grid holds; at 35 to 45 days, adjust the timing.
- **Provider bonuses** — Q3 bonuses are usually the strongest; Q4 can see no increase, possibly a decrease.

OWNER PAY DEPENDS ON THE ENTITY

Base salary is a practice expense and belongs in the budget. A C-corp can pay owners everything they earn through payroll. In an S-corp or LLC, distributions come off the bottom line — adjust the provider tab to match.

TRADITIONAL OR ROLLING BUDGET?

	TRADITIONAL	ROLLING
Time frame	A fixed period, such as a fiscal year	Always looking 12 months ahead
Updates	Set at the start; static until the next cycle	Monthly or quarterly
Change	Needs a complete overhaul mid-cycle	Adjusts as new information arrives
Accuracy	Rests on assumptions made at the start	Frequent revisions reflect current conditions
Effort	Large initial effort, fewer updates	Continuous effort to maintain

A traditional budget is set in November and every month of the next year is compared to it. A rolling budget asks each month: do we need to tweak it?

6 | LOAD IT, WATCH IT, GET THE TOOLS

"Budgeting is not hard. There is just a lot you have to keep in mind."

LOAD THE BUDGET INTO QUICKBOOKS ONLINE

- **1 · Gear icon > Tools > Budgeting > Add budget.**
- **2 · Name it and pick the fiscal year** you are budgeting.
- **3 · Interval:** Monthly. Quarterly and Yearly are the other choices.
- **4 · Pre-fill data:** choose the prior year's actual data. QuickBooks pulls it into every account in your chart of accounts as the starting point.
- **5 · Subdivide by** Class or Department if you track providers or locations that way.

Menu path as shown in the 2024 session; QuickBooks moves things. Pre-fill handles the expenses. You still build the revenue estimate in the spreadsheet.

THEN WATCH IT EVERY MONTH

- **Compare actual to budget.** This is the third key to effective budgeting.
- **Review it alongside** your financials, key performance indicators and billing productivity reports.
- **Traditional budget:** leave it as set and measure each month against it.
- **Rolling budget:** ask each month whether it needs a tweak, and keep it projecting 12 months ahead.
- **Keep the story current.** A budget anticipates the financial implications of business decisions. When the plan changes, rerun the numbers.

COMPLIMENTARY PMI RESOURCES

pediatricsupport.com/learn/pediatric-practice-budgeting

- **Practice Budgeting Tool (Excel)** — the five linked tabs in section 5, ready to edit.
- **Slide deck and recording** of the Lunch & Learn session "Budgeting For Your Practice."
- **Sample chart of accounts (Excel)** — pediatricsupport.com/learn/chart-of-accounts

More articles, calculators and downloads in the PMI Learning Center: pediatricsupport.com/learn

START THE 2027 BUDGET NOW

Pull the twelve months of data in November. Build the revenue tab first, then operating costs, provider costs and capital. Bring the review tab to the owners in December, test the decisions you are weighing, and load the result into QuickBooks before January. Get it pretty darn close, then look at it every month. **Questions?** pediatricsupport.com · (832) 979-8439

Sources: PMI Lunch & Learn "Budgeting For Your Practice" (2024) and Budgeting Tool · Chip Hart, 2019 data · IRC §448 · Rev. Proc. 2025-32, 2026-35. Current as of November 6, 2026. General guidance only — your CPA's advice governs. Prepared by Pediatric Management Institute.