


Profitability of Mix Rural Practices

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Overview

Today's Current Challenges

- External
- Internal (Focus)

Improving the Bottom Line

OVERVIEW AND INTRODUCTION



Today's challenges

External Challenges

- Competition
- Price Pressures
- Rural Community
- Travel Time or Clinical Efficiency or Both
- Growth (Demographics)



competitive advantage

A superiority gained by an organization when it can provide the same value as its competitors but at a lower price, or



demographics

Change, Plan, people

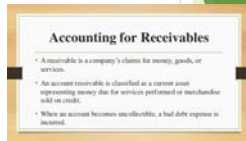




Today's challenges

Internal Challenges (Today's Focus)

Cost of Goods (huge).
 Inventory Control
 Dropped / Lost Charges
 Accounts Receivables
 Human Resources
 Staff and Client Communication
 Work Flow Efficiency
 Pricing
 Item Categorization



Cost of Good Sold

Definition:

Cost of goods sold (COGS) is the direct costs attributable to the production of the goods sold in a company.

Veterinary Definition....

Vaccinations
 Pharmaceuticals
 Food Products
 Blood Work



Cost of Good Sold by the Numbers as reported

Second highest cost in Vet Med
 Average 26.38%

American Animal Hospital Association Average 23.5%
 Benchmarks 2015: A Study of Well-Managed Practices Average 22.8%
 Vet Econ 2015 Average 24.0%
 AVMA 2013 Average 33.6%
 AAHA 2015 Average 28.0%

Labor is number one
 Average 28.63%



Cost of Good Sold in Rural Practices

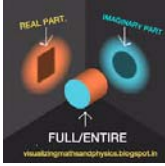

What we're seeing

Time frame = 1.5 year
N = 8 Practices

Results:

Range as a % of Gross Revenue (1.5 Mil avg.)
32.4% - 49.5%

Average as a % of Gross Revenue (1.5 Mil avg.)
39.5% or \$593,900





COGS Comparisons or The "what ifs scenarios"

"If" the Average target should be 26.38%
"and" the Actual average for visited rural practices 39.5%
The difference would be 13.12% (assuming 1.5 mil average gross revenue practice)
Meaning a loss of \$196,800 in COGS or YOUR BLEEDING \$196,800 somewhere!

"If" 30% target, 39.5 % is actual average then difference would be 9.5%
Meaning a loss of \$142,500



"If" 33.6% target (AVMA), 39.5% is actual average then difference would be 5.9%
Meaning a loss of \$88,500



What's up with Cogs


Inventory control (Lack of)
Increase in supply cost
Expired products

Dropped charges / Lost charges
Decrease in Revenue
Embezzlement / Theft
Unrelated personal charges
Discounting products
Increase in Accounts Receivables

what are other words for embezzlement?

peculation, misappropriation, defalcation, theft, appropriation, larceny, stealing, pilfering, robbery



Accounts Receivables

Don't do it...?

Try not to do it...?

Collect at time of service...?

BUT.... If you do it:

Establish a process

Set up a contract, a note payable

Charge interest and bill monthly

Know your clients

Expect losses & be prepared to write them off

Rule of thumb target 2-3% of gross revenue



Accounts Receivables

What we're seeing

Time frame = 1.5 year

N = 8 Practices

Results:

Range in \$ (1.5 Mil avg.)

\$48,000 (3%) - 510,000 (34%)

Average in \$ (1.5 Mil avg.)

\$150,000 (10%)

Average yearly increase in \$

\$20,000 / yr



Human Resources

One of the highest expenditures in a hospital...

You need...

Hospital Handbook (Guidelines/Rules/Expectations)

Employee Contracts

Training and Development Manual

Growth or Advancement System

Invest in your Employees

grow from within

LVT or tech ?



HUMAN
RESOURCES



Work Flow and Efficiency

Training or Development Manual along with your Hospital Handbook
Develop a program, process or SOP that helps employees learn a specific knowledge or skill to improve performance in their current rolls.

How?

via current LVT or Trained staff once they are established in their roles

Attach to Evaluation

Set & Evaluate Expectation

Accountability

Reward



Staff and Client Communication/Education

Training and Development Manual

Staff training and development

Sales

Phone communications

Client interactions

Meetings

Quarterly

Monthly

Daily



Pricing

Service vs. Products

Inventory management

Auto adjust vendor prices

Cost analysis

product + labor cost + inventory cost + handling cost + mark up = Price

Decide on your mark up

What's your market

"Rough norm"

product cost + 25% + 100% = Price ???



Item Categorization

- Revenue Analysis
- Use Technology
- Inventory Management
- Salary and Compensation
 - Associates
 - pro-sal
 - production
 - Straight Salary
 - LVT's
 - Techs and tech work
- Profit and Loss
- Proper Accounting

Medical Revenue

- Anesthesia
- Professional Services
- Laboratory & Diagnostic Services
- Vaccinations
- Surgery / Anesthesia
- Diagnostic Imaging
- Dentistry
- Hospitalization Services
- Pharma: Preventatives (HW, Flea, Tick)
- Pharma: Rx & Medical Products


Total SA Medical Revenue

Non-Medical Revenue

- Boarding, Bathing and Grooming Services
- Diet (prescription/nonprescription)
- Over the Counter/Miscellaneous
- Discounts

Total Non-Medical Revenue

Total Revenue




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Improving the Bottom Line


Before we improve, let's define:

Bottom line = Profits after taxes

Bottom Line = Revenue - COGS - Salaries - Operating Expenses - Taxes



"They're looking for the bottom line."



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Improving the Bottom Line

- Revenue Analysis
 - Focus on profit centers
 - categories
 - Increase Sales
 - Increase Prices
- Decrease COGS
- Decrease Expenses
- Owner Compensation
- Taxes



Profit and Loss

Bottom Line



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