

Finding the Savings: Increasing Your Operational Efficiencies

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June 29, 2018



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THE BIG 3 P's

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DISCLOSURE



Mark BonDurant is the Chief Consultant with Independent Rx Consulting. The conflict of interest was resolved by peer review of the slide content.

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LEARNING OBJECTIVES



1. Simplify and clarify essential areas of pharmacy management.
2. Diagnose problems that lead to decreased profits in pharmacies.
3. Discuss solutions to common barriers to profitability.

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THE BOTTOM LINE

REVENUE (SALES)
- **COST OF GOODS**
= **GROSS PROFIT**
- **EXPENSES**
= **NET PROFIT**



GROSS PROFIT % = Gross Profit/Revenue
NET PROFIT % = Net Profit/Revenue

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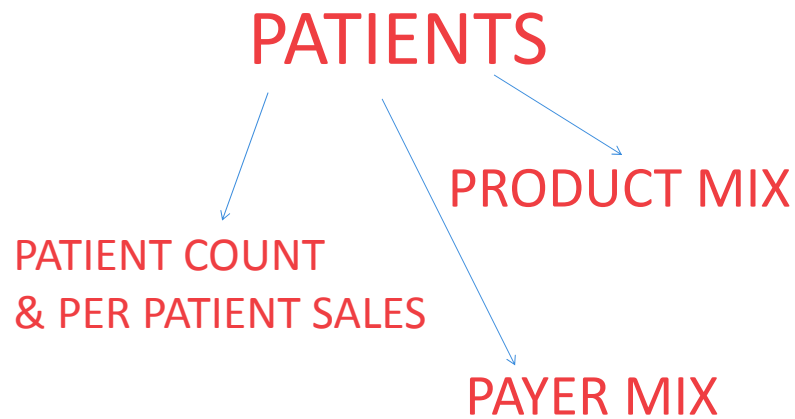
3 P'S TO THE BOTTOM LINE

- PATIENTS
- PURCHASING
- PAYROLL



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WHAT 3 THINGS INFLUENCE TOP LINE SALES



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PATIENTS



- HOW MANY
- NEW PATIENTS GAINED VS PATIENTS LOST
- TRANSFERRED IN VS TRANSFERRED OUT
- HOW MANY RX PER PATIENT

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RX TYPE AND PATIENT MIX



| | New Rx | Refill | Total Rx | % of New Rx | New Patients | Existing Patients | Total Patients | % of New Patients | Rx Per Patient |
|-----------------|--------|--------|----------|-------------|--------------|-------------------|----------------|-------------------|----------------|
| Store #1 | 3502 | 3199 | 6702 | 52.26% | 142 | 1719 | 1861 | 7.64% | 3.90 |
| Store #2 | 2314 | 2992 | 5306 | 43.61% | 169 | 1938 | 2108 | 8.03% | 2.74 |

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PAYER MIX



- WHO ARE THE TOP 10 PAYERS
- WHAT IS THE AVERAGE PRICE PER RX FOR EACH PAYER
- WHAT IS THE AVERAGE GROSS MARGIN/RX FOR EACH PAYER
- HAS THERE BEEN A SIGNIFICANT CHANGE IN THE PAYER MIX
- HAS THERE BEEN A SIGNIFICANT CHANGE IN ONE OF THE TOP PAYERS
- WHAT PERCENT OF CUSTOMERS PAY CASH

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PAYER MIX



| TP Name | Claim Count | % of Total Claims | Total Price | % of Total Price | Average Price/Rx | Total Profit | % of Total Profit | Average Margin/Rx | Total Margin |
|---------|-------------|-------------------|--------------|------------------|------------------|--------------|-------------------|-------------------|--------------|
| PBM #1 | 552 | 24% | \$ 21,116.91 | 16% | \$ 38.26 | \$ 3,928.45 | 13% | \$ 7.12 | 18.60% |
| PBM #2 | 409 | 18% | \$ 34,691.25 | 27% | \$ 84.82 | \$ 9,542.45 | 31% | \$ 23.33 | 27.51% |

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EFFECT OF BRAND VS GENERIC



- Around 87% of Rx filled are generic
- Generics account for about 35% of sales
- Generics are responsible for 82% of the gross margin
- Average price for a generic is \$22.31
- Average price for a brand is \$286.59
- Overall average is \$55.73

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EFFECT OF A MAJOR CHANGE IN BRAND AND GENERIC MARKET



- Brand name Nexium sells for \$320
- Generic sells for \$50
- Fill 200 Rx per month of Nexium
- Sales immediately decrease \$54,000 per month
- This is \$648,000 per year

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Brand/Generic Mix



| Gen Count | Total Price For Gen | Total Profit For Generics | % Gen | Avg. Gen Price | Brand Count | Total Price For Brands | Avg. Brand Price |
|-----------|---------------------|---------------------------|--------|----------------|-------------|------------------------|------------------|
| 1989 | \$ 51,934.06 | \$ 27,120.70 | 86.40% | \$ 26.11 | 313 | \$ 76,105.69 | \$ 243.1 |

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WHAT CAN MAKE SALES DECREASE?



- Less patients
- Less Rx filled per patient
- Change in reimbursements from top payers
- Major shift in brand to generic
- New DIR fees

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THE BIG THREE FOR PATIENTS



- How Many
- Gain vs. Lost
- Number of Rx/Patient

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THE BIG THREE FOR PAYERS



- Who are the top payers
- What is the payer mix
- Has there been a change in a major contract

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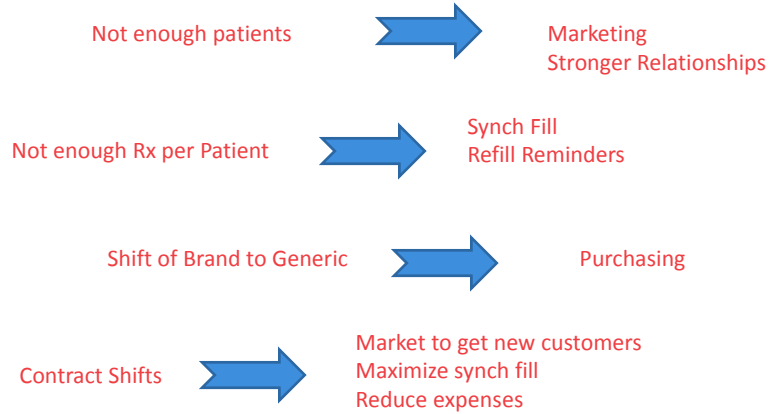
THE BIG THREE FOR PRODUCT



- What is the % of generics
- Has there been a major product shift
- Is there a change in specialty or compounding

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HOW TO OFFSET NEGATIVE SALES TRENDS



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KEY METRICS REPORT



| Two week Period | Sales | Rx Filled | Gross Margin | Ave Price Per Rx | Ave GM Per Rx | GM % |
|-----------------|------------|-----------|--------------|------------------|---------------|------|
| 1 | \$ 125,520 | 2400 | \$ 28,870 | \$ 52.30 | \$ 12.03 | 23% |
| 2 | \$ 118,800 | 2250 | \$ 27,324 | \$ 52.80 | \$ 12.14 | 23% |
| 3 | \$ 134,596 | 2530 | \$ 30,957 | \$ 53.20 | \$ 12.24 | 23% |
| 4 | \$ 130,302 | 2413 | \$ 29,969 | \$ 54.00 | \$ 12.42 | 23% |
| 5 | \$ 118,799 | 2289 | \$ 27,324 | \$ 51.90 | \$ 11.94 | 23% |

| Two week Period | New Rx | Refill Rx | % New Rx | # New Patients | # Lost Patients | Total Patients | Sales Per Patient | Rx Per Patient |
|-----------------|--------|-----------|----------|----------------|-----------------|----------------|-------------------|----------------|
| 1 | 1200 | 1200 | 50% | 48 | 20 | 600 | \$ 209.20 | 4.00 |
| 2 | 1180 | 1070 | 52% | 45 | 25 | 560 | \$ 212.14 | 4.02 |
| 3 | 1230 | 1300 | 49% | 50 | 18 | 620 | \$ 217.09 | 4.08 |
| 4 | 1205 | 1208 | 50% | 44 | 16 | 550 | \$ 236.91 | 4.39 |
| 5 | 1190 | 1099 | 52% | 48 | 30 | 600 | \$ 198.00 | 3.82 |

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THE SECOND MEMBER OF THE BIG THREE



PURCHASING



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THE BIG THREE OF PURCHASING



- Wholesaler Contract
- Rebate Maximization
- Inventory Efficiency and Control

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EFFECT OF A 1% DECREASE IN BRAND COST



| | |
|---|------------------|
| Number of Rx in 1 month | 3750 |
| Average Price/ Rx | \$54 |
| Total Sales | \$202,500 |
| Gross margin % | 23% |
| Total Purchases | \$ 155,925 |
| Percent of Brand Purchases | 70% |
| Total Cost of Brands | \$109,147 |
| Every 1% Saves Each Month | \$1,091 |
| Every 1% Saves Each Year | \$ 13,097 |
| Current % Net Profit to the Bottom | 7% |
| Current Net Profit each Month | \$14,175 |
| Total Net Profit with 1% Brand Decrease | \$15,266 |
| Total % Increase to Net Profits | 7.7% |

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EFFECT OF A 5% IMPROVED GENERIC COST



| | |
|---|-----------------|
| Number of Rx in 1 month | 3750 |
| Average Price/ Rx | \$54 |
| Total Sales | \$202,500 |
| Gross margin % | 23% |
| Total Purchases | \$155,925 |
| Percent of generic Purchases | 30% |
| Total Cost of Generics | \$46,777 |
| Every 5% Saves Each Month | \$2,338 |
| Every 5% Saves Each Year | \$28,066 |
| Current % Net Profit to the Bottom | 7% |
| Current Net Profit each Month | \$14,175 |
| Total Net Profit with 5 % Better Generics | \$16,513 |
| Total % Increase to Net Profits | 16.5% |

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EFFECT OF LOSING THE REBATE



| | |
|--------------------------------------|-----------------|
| Number of Rx in 1 month | 3750 |
| Average Price/ Rx | \$54 |
| Total Sales | \$202,500 |
| Gross margin % | 23% |
| Total Purchases | \$155,925 |
| Percent of Generic Purchases | 30% |
| Total Cost of Generics | \$46,777 |
| % Rebate | 30% |
| Total Rebate | \$14,033 |
| Current % Net Profit to the Bottom | 7% |
| Current Net Profit each Month | \$14,175 |
| Total Net Profit with Loss of Rebate | \$141 |
| Total % Increase to Net Profits | (99%) |

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EFFECT OF OUTDATES



| | |
|------------------------------------|-----------------|
| Number of Rx in 1 month | 3750 |
| Average Price/ Rx | \$54 |
| Total Sales | \$202,500 |
| Gross margin % | 23% |
| Total Purchases | \$ 155,925 |
| % of Outdated | 2% |
| Total Cost of Outdates | \$3,118 |
| Total Lost Each Year | \$37,422 |
| Current % Net Profit to the Bottom | 7% |
| Current Net Profit each Month | \$14,175 |
| Total Net Profit After Outdates | \$11,056 |
| Total % Increase to Net Profits | (22%) |

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THE BIG THREE OF PEOPLE



- PAYROLL
- PAYROLL
- BENEFITS

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PAYROLL AS % OF SALES



| | Store #1 | | Store #2 | | Store #3 | |
|----------------------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|
| Ordinary Income/Expense | | | | | | |
| Income | 680,784.95 | | 720,686.33 | | 984,444.90 | |
| Cost of Goods Sold | | | | | | |
| Total COGS | 511,998.61 | | 546,240.34 | | 754,706.76 | |
| Gross Profit | 168,786.34 | | 174,445.99 | | 229,738.14 | |
| Expense | | | | | | |
| Pharmacists | 41,844.90 | 6.15% | 42,629.74 | 5.92% | 41,697.72 | 4.24% |
| Technician/Cashier/Driver | 18,996.03 | 2.79% | 27,679.95 | 3.84% | 48,352.07 | 4.91% |
| Payroll Tax and Benefits | 8,178.19 | 1.20% | 16,498.56 | 2.29% | 14,148.92 | 1.44% |
| Total Payroll Cost | 69,019.12 | 10.14% | 86,808.25 | 12.05% | 104,198.71 | 10.58% |
| Rent | 4,350.00 | 0.64% | 5,400.00 | 0.75% | 8,691.54 | 0.88% |
| Advertising & Promotion | 5,960.37 | 0.88% | 2,768.37 | 0.38% | 532.99 | 0.05% |
| Pharmacy Supplies | 2,986.12 | 0.44% | 4,410.03 | 0.61% | 4,743.59 | 0.48% |
| Maintenance & Repair | 1,167.29 | 0.17% | 255.00 | 0.04% | 1,151.54 | 0.12% |
| Vehicle Expense | 210.46 | 0.03% | 706.68 | 0.10% | 129.37 | 0.01% |
| Hardware & Software Costs | 943.99 | 0.14% | 178.45 | 0.02% | 3,576.78 | 0.36% |
| Insurance | 1,045.37 | 0.15% | 2,610.02 | 0.36% | 2,056.24 | 0.21% |
| Office Supplies | 1,613.47 | 0.24% | 1,812.83 | 0.25% | 3,791.42 | 0.39% |
| Script Transaction Fees | 7,849.11 | 1.15% | 12,759.38 | 1.77% | 12,860.19 | 1.31% |
| Credit Card Fees | 2,737.16 | 0.40% | 3,536.62 | 0.49% | 4,703.73 | 0.48% |
| Professional Fees | 0.00 | 0.00% | 0.00 | 0.00% | 1,093.75 | 0.11% |
| Other Expenses | 23,290.34 | 3.42% | 28,619.62 | 3.97% | 31,881.42 | 3.24% |
| Total Expense | 121,172.80 | 17.80% | 149,865.25 | 20.79% | 179,411.27 | 18.22% |
| Net Ordinary Income | 47,613.54 | 6.99% | 24,580.74 | 3.41% | 50,326.87 | 5.11% |

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PAYROLL AS A % OF SALES



| Rx/Day | Price/Rx | Monthly Sales | Gross Margin % | Gross Margin | Gross margin/Rx | Payroll % Goal | Payroll Goal | Payroll/Rx | Other Expenses | Cost To Dispense | Net Profit |
|--------|----------|---------------|----------------|--------------|-----------------|----------------|--------------|------------|----------------|------------------|-------------|
| 40 | \$ 54.00 | \$ 55,080 | 22% | \$ 12,118 | \$ 11.88 | N/A | \$ 18,000 | \$ 18.00 | \$ 7,000 | \$ 25.00 | \$ (12,882) |
| 60 | \$ 54.00 | \$ 82,620 | 22% | \$ 18,176 | \$ 11.88 | 22% | \$ 18,176 | \$ 12.12 | \$ 7,000 | \$ 16.78 | \$ (7,000) |
| 80 | \$ 54.00 | \$ 110,160 | 22% | \$ 24,235 | \$ 11.88 | 17% | \$ 18,727 | \$ 9.36 | \$ 7,000 | \$ 12.86 | \$ (1,492) |
| 100 | \$ 54.00 | \$ 137,700 | 22% | \$ 30,294 | \$ 11.88 | 14% | \$ 19,278 | \$ 7.71 | \$ 9,639 | \$ 11.57 | \$ 1,377 |
| 120 | \$ 54.00 | \$ 165,240 | 22% | \$ 36,353 | \$ 11.88 | 13% | \$ 21,481 | \$ 7.16 | \$ 11,567 | \$ 11.02 | \$ 3,305 |
| 140 | \$ 54.00 | \$ 192,780 | 22% | \$ 42,412 | \$ 11.88 | 12% | \$ 23,134 | \$ 6.61 | \$ 13,495 | \$ 10.47 | \$ 5,783 |
| 160 | \$ 54.00 | \$ 220,320 | 22% | \$ 48,470 | \$ 11.88 | 11% | \$ 24,235 | \$ 6.06 | \$ 15,422 | \$ 9.91 | \$ 8,813 |
| 180 | \$ 54.00 | \$ 247,860 | 22% | \$ 54,529 | \$ 11.88 | 10% | \$ 24,786 | \$ 5.51 | \$ 17,350 | \$ 9.36 | \$ 12,393 |
| 200 | \$ 54.00 | \$ 275,400 | 22% | \$ 60,588 | \$ 11.88 | 10% | \$ 27,540 | \$ 5.51 | \$ 19,278 | \$ 9.36 | \$ 13,770 |
| 250 | \$ 54.00 | \$ 344,250 | 22% | \$ 75,735 | \$ 11.88 | 10% | \$ 34,425 | \$ 5.51 | \$ 24,098 | \$ 9.36 | \$ 17,213 |
| 300 | \$ 54.00 | \$ 413,100 | 22% | \$ 90,882 | \$ 11.88 | 10% | \$ 41,310 | \$ 5.51 | \$ 28,917 | \$ 9.36 | \$ 20,655 |
| 350 | \$ 54.00 | \$ 481,950 | 22% | \$ 106,029 | \$ 11.88 | 10% | \$ 48,195 | \$ 5.51 | \$ 33,737 | \$ 9.36 | \$ 24,098 |
| 400 | \$ 54.00 | \$ 550,800 | 22% | \$ 121,176 | \$ 11.88 | 10% | \$ 55,080 | \$ 5.51 | \$ 38,556 | \$ 9.36 | \$ 27,540 |

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DETERMINING THE EFFECTIVE PAY RATE



| | |
|---------------------------|-------------|
| RATE PER HOUR | \$ 15.00 |
| HOURS PER WEEK | 40 |
| RATE PER MONTH | \$ 2,580.00 |
| PAYROLL TAXES | \$ 180.60 |
| HEALTH INSURANCE | \$ 500.00 |
| VACATION COST (PER MONTH) | \$ 100.00 |
| TOTAL MONTHLY COST | \$ 3,360.60 |
| EFFECTIVE RATE | \$ 19.54 |

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SETTING A PAYROLL BUDGET



| | |
|---------------------------|--------------|
| RX PER WEEK | 1100 |
| AVERAGE PRICE/RX | \$54.00 |
| WEEKLY SALES | \$59,400.00 |
| WEEKLY SALES | \$59,400.00 |
| PAYROLL GOAL % | 10.00% |
| PAYROLL GOAL | \$ 5,940.00 |
| HOURS OPEN | 56 |
| PHARMACIST EFFECTIVE RATE | \$ 65.00 |
| PHARMACIST OVERLAP HOURS | 0 |
| TOTAL PHARMACIST PAY | \$ 3,640.00 |
| TECHNICIAN BUDGET | \$ 2,300.00 |
| TECHNICIAN EFFECTIVE RATE | \$ 14.00 |
| TECHNICIAN HOURS | 164.29 |
| TOTAL WEEKLY PAYROLL | \$ 6,090.10 |
| TOTAL WEEKLY SALES | \$ 60,901.00 |
| PAYROLL AS % OF SALES | 10% |

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HOW MUCH WOULD SALES HAVE TO INCREASE TO INCREASE PAYROLL



| | Monthly |
|---|--------------|
| Rx Filled | 3000 |
| Average Price | \$54.00 |
| Total Sales | \$162,000.00 |
| Gross Margin % | 22.0% |
| Gross Margin | \$35,640.00 |
| Gross Margin/Rx | \$11.88 |
| Cost of Vial, Label, Tx fee, E Scibe CC fee | \$0.70 |
| Margin-Variable Costs | \$11.18 |
| Desired Net % | 7% |
| Desired Net/Rx | \$3.78 |
| GM-COST-NET | \$7.40 |
| AS A % | 13.70% |
| TECH/HOUR | \$15.00 |
| Cost of FTE | \$600.00 |
| Yearly Cost of FTE | \$31,200.00 |
| SALES NEED TO BREAK EVEN | \$150,697.67 |
| SALES NEEDED TO MAINTAIN DESIRED NET | \$227,675.68 |
| # OF Rx/Month to pay for the payroll | 351 |
| % INCREASE RX | 11.71% |
| #RX/DAY | 14 |

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HOW MUCH WOULD SALES HAVE TO INCREASE TO INCREASE PAYROLL



| | Monthly |
|---|--------------|
| Rx Filled | 3000 |
| Average Price | \$54.00 |
| Total Sales | \$162,000.00 |
| Gross Margin % | 22.0% |
| Gross Margin | \$35,640.00 |
| Gross Margin/Rx | \$11.88 |
| Cost of Vial,Label, Tx fee,E Scibe CC fee | \$0.70 |
| Margin-Variable Costs | \$11.18 |
| Desired Net % | 7% |
| Desired Net/Rx | \$3.78 |
| GM-COST-NET | \$7.40 |
| AS A % | 13.70% |
| RPH/HOUR | \$65.00 |
| HOURS/WEEK | 20 |
| Yearly Cost | \$67,600.00 |
| SALES NEED TO BREAK EVEN | \$326,511.63 |
| SALES NEEDED TO MAINTAIN DESIRED NET | \$493,297.30 |
| # OF Rx/Month to pay for the payroll | 761 |
| % INCREASE RX | 25.38% |
| #RX/DAY | 14 |

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Rx PER PATIENT



| | Rx/Day | Patients / Day | Rx/Bag |
|----------|--------|----------------|--------|
| Store #1 | 364 | 109 | 3.34 |
| Store #2 | 356 | 144 | 2.47 |
| Store #3 | 419 | 205 | 2.04 |
| Store #4 | 350 | 226 | 1.55 |
| Store #5 | 324 | 211 | 1.54 |

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EXPENSES VS SALES & Rx



| | Store 1 | % of Sales | Per Rx | Store 2 | % of Sales | Per Rx | Store 3 | % of Sales | Per Rx |
|--------------------------------------|-------------------|--------------|----------------|-------------------|--------------|----------------|-------------------|--------------|----------------|
| Total Income | 680,784.95 | | | 720,686.33 | | | 984,444.90 | | |
| Cost of Goods Sold | | | | | | | | | |
| Total COGS | 511,998.61 | | | 546,240.34 | | | 754,706.76 | | |
| Gross Profit | 168,786.34 | | | 174,445.99 | | | 229,738.14 | | |
| Expense | | | | | | | | | |
| Pharmacists | 41,844.90 | 6.15% | \$ 3.13 | 42,629.74 | 5.92% | \$ 2.77 | 41,697.72 | 4.24% | \$ 2.35 |
| Technician/Cashier/Driver | 18,996.03 | 2.79% | \$ 1.42 | 27,679.95 | 3.84% | \$ 1.80 | 48,352.07 | 4.91% | \$ 2.73 |
| Payroll Tax and Benefits | 8,178.19 | 1.20% | \$ 0.61 | 16,498.56 | 2.29% | \$ 1.07 | 14,148.92 | 1.44% | \$ 0.80 |
| Total Payroll Cost | 69,019.12 | 10.14% | \$ 5.16 | 86,808.25 | 12.05% | \$ 5.64 | 104,198.71 | 10.58% | \$ 5.88 |
| Rent | 4,350.00 | 0.64% | \$ 0.33 | 5,400.00 | 0.75% | \$ 0.35 | 8,691.54 | 0.88% | \$ 0.49 |
| Advertising & Promotion | 5,960.37 | 0.88% | \$ 0.45 | 2,768.37 | 0.38% | \$ 0.18 | 532.99 | 0.05% | \$ 0.03 |
| Pharmacy Supplies | 2,986.12 | 0.44% | \$ 0.22 | 4,410.03 | 0.61% | \$ 0.29 | 4,743.59 | 0.48% | \$ 0.27 |
| Maintenance & Repair | 1,167.29 | 0.17% | \$ 0.09 | 255.00 | 0.04% | \$ 0.02 | 1,151.54 | 0.12% | \$ 0.06 |
| Vehicle Expense | 210.46 | 0.03% | \$ 0.02 | 706.68 | 0.10% | \$ 0.05 | 129.37 | 0.01% | \$ 0.01 |
| Hardware & Software Costs | 943.99 | 0.14% | \$ 0.07 | 178.45 | 0.02% | \$ 0.01 | 3,576.78 | 0.36% | \$ 0.20 |
| Insurance | 1,045.37 | 0.15% | \$ 0.08 | 2,610.02 | 0.36% | \$ 0.17 | 2,056.24 | 0.21% | \$ 0.12 |
| Office Supplies | 1,613.47 | 0.24% | \$ 0.12 | 1,812.83 | 0.25% | \$ 0.12 | 3,791.42 | 0.39% | \$ 0.21 |
| Script Transaction Fees | 7,849.11 | 1.15% | \$ 0.59 | 12,759.38 | 1.77% | \$ 0.83 | 12,860.19 | 1.31% | \$ 0.73 |
| Credit Card Fees | 2,737.16 | 0.40% | \$ 0.20 | 3,536.62 | 0.49% | \$ 0.23 | 4,703.73 | 0.48% | \$ 0.27 |
| Professional Fees | 0.00 | 0.00% | \$ - | 0.00 | 0.00% | \$ - | 1,093.75 | 0.11% | \$ 0.06 |
| Other Expenses | 23,290.34 | 3.42% | \$ 1.74 | 28,619.62 | 3.97% | \$ 1.86 | 31,881.42 | 3.24% | \$ 1.80 |
| Total Expense | 121,172.80 | 17.80% | \$ 9.06 | 149,865.25 | 20.79% | \$ 9.73 | 179,411.27 | 18.22% | \$ 10.12 |
| Net Ordinary Income | 47,613.54 | 6.99% | \$ 3.56 | 24,580.74 | 3.41% | \$ 1.60 | 50,326.87 | 5.11% | \$ 2.84 |

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COST TO DISPENSE



| | | | |
|-------------------------------|----------------|----------------|-----------------|
| Gross Profit % | 24.79% | 24.21% | 23.34% |
| Gross Profit per Rx | \$ 12.63 | \$ 11.33 | \$ 12.96 |
| Price/Rx | \$ 50.93 | \$ 46.81 | \$ 55.52 |
| Total Cost to Dispense | \$ 9.06 | \$ 9.73 | \$ 10.12 |
| Total Net Profit/Rx | \$ 3.56 | \$ 1.60 | \$ 2.84 |
| Operating Cost per Month | \$ 40,390.93 | \$ 49,955.08 | \$ 59,803.76 |

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OTHER EXPENSES TO WATCH



- Transaction Fees
- Supplies
- Cost of Delivery and Packaging

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WHAT DOES IT COST FOR A DELIVERY?



| | | |
|--------------------------------|-----------------|----------------|
| Vehicle payment | | \$ 225.00 |
| Insurance | | \$ 80.00 |
| Gas | | \$ 200.00 |
| Repairs and Maint | | \$ 50.00 |
| Driver Effective Rate | \$ 11.25 | |
| Driver Hours Per Week | 30 | |
| Driver Hours per Month | 129 | |
| Driver Cost | | \$ 1,451.25 |
| Number of Deliveries per week | | 75 |
| Number of Deliveries per month | | 322.5 |
| Total Cost for Delivery | | \$2,006 |
| Cost per Delivery | | \$ 6.22 |

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THINK 3



PATIENTS

- Customers
- Payer Mix
- Brand/Generic
- Med Synch



PURCHASING

- Wholesale Contract
- Rebate Maximization
- Inventory Efficiency
- Med Synch



OR



PEOPLE

- Payroll
- Benefits
- Cost to Dispense
- Med Synch

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MED SYNCH

- Increases sales
- More efficient inventory
- Reduces payroll expense
- Makes customers happy
- Is the key to world peace

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THE BIG THREE OF CASH FLOW



- Purchasing excessive inventory
- Payables and receivables
- Payment of loan principle

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WHAT IS THE CASH FLOW?



Net Income = \$10,000

Inventory at end of previous month = \$200,000

Present Inventory = \$220,000

\$10,000

All other factors are neutral

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EXAMPLE CASH FLOW



- Last month we made a net income of \$15,000.
- The inventory from the previous month was \$210,000 and this month end it is \$230,000.
- The AR was 170,000 but now is at \$190,000.
- The AP was at \$180,000 but now is at \$170,000.
- You made \$12,000 in loan principle payments.

Do you have more or less cash? How much?

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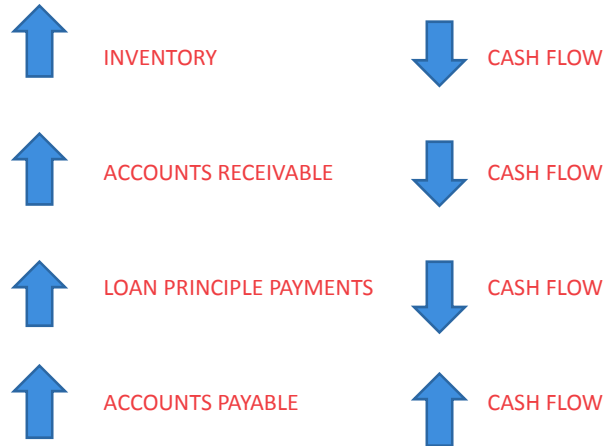
CASH FLOW



| | | Effect on Cash Flow | |
|--|---------------------|-----------------------|--|
| Net Income | \$ 10,000.00 | \$ 10,000.00 | |
| Previous Inventory | \$ 180,000.00 | | |
| Current Inventory | \$ 190,000.00 | | |
| Change in Inventory | \$ 10,000.00 | \$ (10,000.00) | |
| Previous Accounts Receivable | \$ 140,000.00 | | |
| Current AR | \$ 150,000.00 | | |
| Change in AR | \$ 10,000.00 | \$ (10,000.00) | |
| Previous Accounts Payable | \$ 130,000.00 | | |
| Current AP | \$ 140,000.00 | | |
| Change in AP | \$ 10,000.00 | \$ 10,000.00 | |
| Total amount of Loan Payment Principle | \$ 12,000.00 | \$ (12,000.00) | |
| Total Effect on Cash Flow | | \$ (12,000.00) | |

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BALANCE SHEET CASH FLOW IMPACT



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3 MORE CASH FLOW FACTORS



- Dividends
- Capital Outlay
- Taxes

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WHAT ARE THE REAL BIG THREE?



1. Build strong relationships.
2. Control your payroll as a % of sales.
3. Go all in on med synch.

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Questions?



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