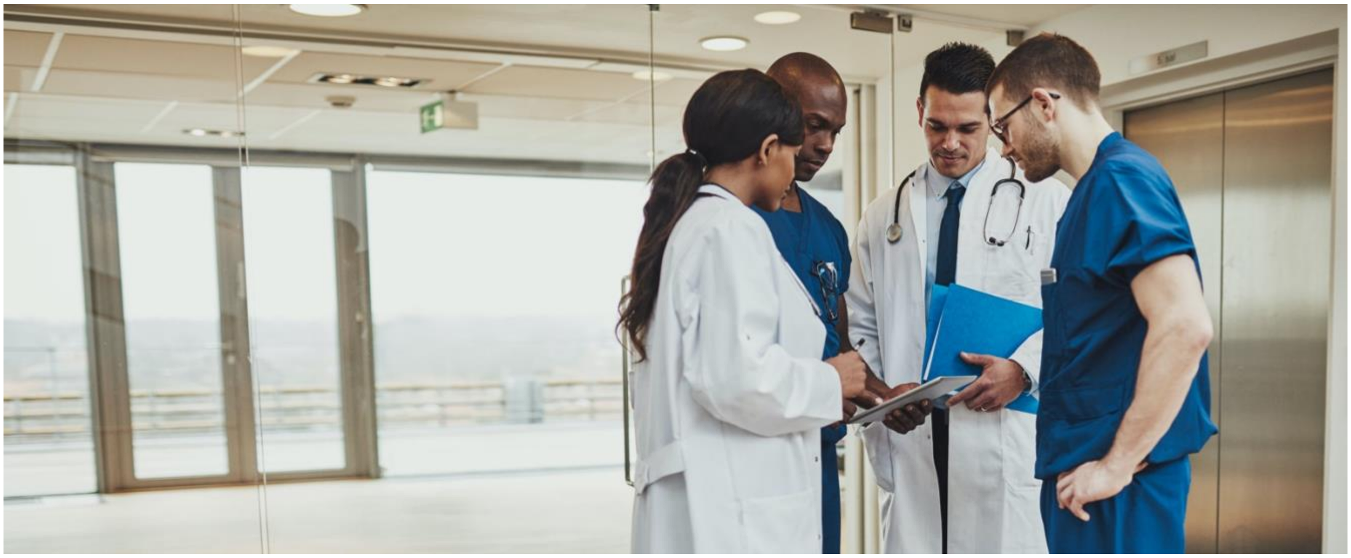

Understanding Multi-Location Profitability

Steps to Take Now Heading Into 2022

Article 2 in Series of 4

By Brian Ford | FocusCFO

Continuing our series for healthcare services companies, we look at the importance of clear reporting around multi-location operations. Too often, companies do not have the infrastructure to understand profitability by location, but rather look at financial results in total. Overtime, this can lead to underperforming clinics or service offerings, resulting in a drag on overall profitability. By having the right resources in place, some benefits your business may realize include:

1. Visibility into the direct gross profit of the location and/or service line.
2. Appropriately capturing the costs of administrative staff, allowing management to see the true overhead burden. Too often, we see such costs reported where the employee physically works rather than assigned to their respective department.
3. Understanding the fixed costs of each location, allowing management to enter into more efficient office leases.
4. Analyzing whether clinics are truly underperforming, or does it lead to higher acuity visits at another location. It's important to see how each location and/or service may be inter-dependent.
5. Aligning compensation agreements with the overall volume and efficiency of the operations.

In a short example, we look at a practice that started with one clinic location, and after several years of organic growth, had four locations in the same geographic market. The Owner did a great job launching new providers into the market, and expanding to different sub-markets within the larger metro area.

However, much of the overhead and administrative functions remained in the original location. The management team attempted to allocate overhead, but it largely distorted the true burden for each clinic, thereby understating the stand-alone contribution margin for each location. With improved visibility into clinic operations and integrated financial reporting, the Owner made some great operational changes that improved profitability. Just to highlight some of the Owner's accomplishment's: (i) transitioned administrative employees (such as HR and payroll) out of expensive medical office space into an administrative office, while amending the medical office lease for much less square footage and (ii) created efficiencies in staffing by deploying underutilized staff to needs at other clinics.

Good strategic decisions often require the right financial reporting. If you know of a healthcare services company that could benefit from improved visibility into operations, please reach out.

Next up, we'll continue the series where I'll highlight *Key Metrics to Drive Increased Volume and Profitability*. Whether it's a single location or multi-clinic operations, having a set of consistent, key metrics provides clear data from which the team can manage.

Brian Ford is an Area President for FocusCFO based in Nashville, TN

Founded in 2001, FocusCFO is the leading onsite fractional CFO services provider in the Midwest and Southeast. FocusCFO works closely with small to medium sized businesses helping business owners gain control over three key financial and operational areas: increasing cash flow, reducing business risk, and creating a platform for scalable growth. This allows business owners to then realize full financial control and increased value in their businesses. For more information, visit us at focuscfo.com or follow us on LinkedIn.

FocusCFO
Climb the Mountain®