

CFPS



Growth. Performance. Success.

2024 ANNUAL CONVENTION



Exploring Accounting Fundamentals and Key Performance Indicators for Your Pharmacy's Success

NCPA 2024 Annual Convention and Expo

Columbus, Ohio

Speakers



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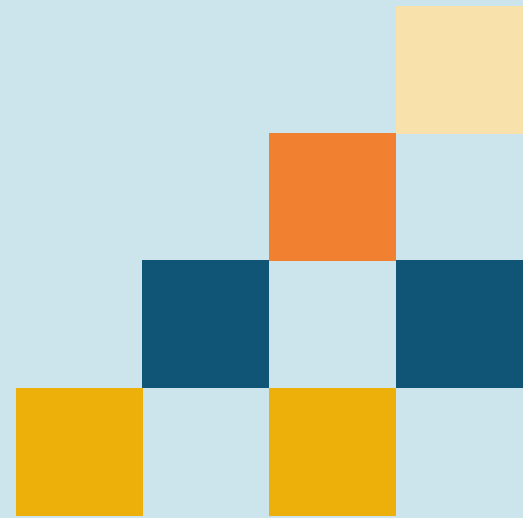
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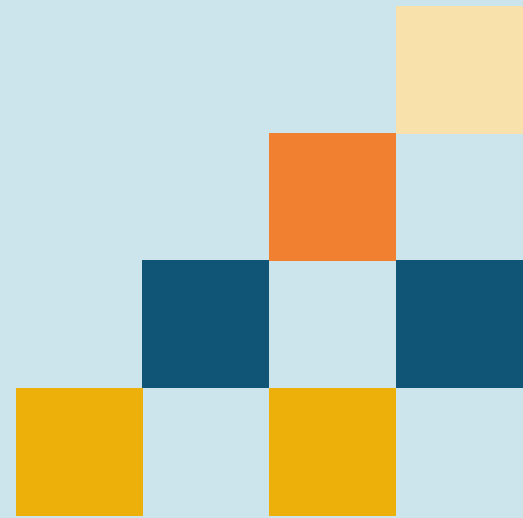
Disclosure Statement

There are no relevant financial relationships with ACPE defined commercial interests for anyone who was in control of the content of the activity.



Pharmacist and Technician Learning Objectives

1. Review accounting best practices and tips for managing cash flow.
2. Discuss key performance indicators and their impact on pharmacy reimbursement models.
3. Summarize current reimbursement models and recent changes to the reimbursement landscape.



Current Reimbursement Models and Recent Changes to the Reimbursement Landscape

Current Reimbursement Models

- Low or Below Water Reimbursement Rates
- Trends in Reimbursements
- Brand vs. Generics
- Diversified Revenue

Accounting Best Practices and Tips for Managing Cash Flow

Fundamental Accounting

Fundamentals are key to outperforming industry averages. Successful pharmacies have a strong accounting foundation:

- Provides real-time information
- Allows owner to be proactive
- Delivers key insights to trends, strengths, and weaknesses
- Opens the door to tax planning and mitigation
- Provides opportunity for pharmacy owner to shift focus to patient care and growth

Fundamental Accounting

- Daily, Weekly, and Monthly Processes
- Segregation of Duties
- Technology utilization for receivables and inventory
- Maximize automation for accounts payable
- Online accounting systems with automatic downloads
- Timely month-end processing/adjusting
- Integrity in the balance sheet

Tax Planning

- Accrual to Cash Accounting
- Depreciation (Section 179)
- Qualified Business Income Deduction (Section 199A)
- Cost Segregation
- Buy/Sell Tax Considerations
- Retirement Planning
- Pending Tax Legislation....

Tips for Managing Cash Flow

Tips for Managing Cash Flow

- Diversified Revenue
- Brand vs. Generic
- Maximizing Cost of Goods/Inventory
- Review PBM Contracts
- Payroll Percentage
- Script Audit Logs: New Scripts vs. Refills
- Third Party Reconciliation
- Tax Planning

Key Performance Indicators and Their Impact on Pharmacy Reimbursement Models

KPIs and Benchmarks

- Current Ratio (Current Assets/Current Liabilities): Greater than 2.5/1
- Average Inventory Turns: Greater than 20
- Average Outstanding AR Third Party: 21 days
- Equity to Assets: 40-60%
- Average Gross Margin: Greater than 20%
- Gross Payroll as a % of Revenue: Must be less than 10% for Retail
- Overhead as a % of Revenue: Less than 6%
- Net Bottom Line: 3-7%

Case Study Discussion

Case Study

- John A. and Bill B. own Edenton Pharmacy Partnership each 50/50.
- Half-way through 2024 they finally decide they should check the financial statements since their bank account seems to be getting worse.
- Most recent set of financial statements (dated 12/31/2023):
 - Profit & Loss Statement shows: Gross profit is 16% and it's usually 25% plus.
 - Bottom Line shows a loss: Historically, they are very profitable and don't really worry about the financial statements.
- John is discouraged at this point, but Bill is happy he won't have any tax liability.
- What should John and Bill do from here? What areas of concern do you see?



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