How to Meet Challenges in Changing Business Climates

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Every veterinary practice faces tough challenges in their business from time to time. These challenges could come in the form of declining revenues because of the economy, loss of a doctor, or new competition in the market. Challenges could also come from natural disasters such as floods, fires, hurricanes, etc. Here are some ways to meet and defeat these challenges.

The most effective way to meet such challenges is to have a financially healthy practice. A financially healthy practice is one that is generating enough profits to pay the owner(s) a return on their investment and also to invest back into the practice for things such as new equipment purchases or a new facility.

Let’s address the challenge of declining revenues first. If your practice is experiencing consecutive months of declining revenues, you need to understand how this is going to affect your practice. Are you still able to produce a positive cash flow, meaning, is your practice bringing in more cash each month than it is spending? If so, great! If not, we’ll look at a few ways to improve cash flow.

The best way to increase cash flow is to reverse the declining revenue trend. Take a look at your marketing efforts and determine what is working and what is not. If you have lost a doctor, try to get one hired as quickly as possible. Check compliance rates within your practice. Perform a medical record audit to track missed charges. Add a new service offering. Many of these management areas do not get proper attention when times are good, and practices are busy. When business is slower, the entire team should have time to devote to these areas.

Another way to increase cash flow is to control expenses. Your practice’s two largest expenses are products and people. A large source of cash outlay in your practice is inventory. Check your inventory ordering procedures. Do not overorder products you do not use often. Most distributors are able to get you product overnight, so there is no sense in having a bunch of product on your shelves for “just in case” you need it scenarios. Think of each bottle of pills on your shelves as dollar bills, because it is essentially the same. You have several thousands of dollars sitting on your shelves. Reduce this to having only what you need.

Most practice management software programs have the ability to enter reorder points for inventory. Are you using this function? If not, designate the person in charge of inventory in your practice to be the “Champion” of this function of the software. Allow this person the time and resources
Managing debt is another key factor in meeting the challenge of negative cash flow. Do you have a line of credit available to you? If not, talk to your banker. Even if you don’t need a line of credit currently, ask for one now. It is often easier to obtain a line of credit when the practice is doing well and you don’t need the funds. It is beneficial to have the credit line already in place when you do meet an economic challenge. Pay attention to the interest rates you are paying on long-term debt. Is there an opportunity to refinance if you are paying a high interest rate?

Let’s take a look at how increases and decreases in inventory, accounts receivable, and debt affect the cash flow of a practice (Fig. 1).

Now that we’ve discussed economic challenges in your practice, let’s shift gears to meeting the challenges of natural disasters. The most important way to meet this challenge is to be proactive and plan. If your practice does not have a disaster plan in place, make this a topic of the next few staff meetings. Let your team be involved in planning. They know your practice and will contribute great ideas. They will also appreciate being involved in the creation of the plan.

How is the practice going to keep the staff and patients safe? Do you have a plan if, in an emergency, you need to evacuate all the horses? Make arrangements with a nearby practice or a stable
that, in the event of an emergency, you can bring patients to their facilities. Have a plan for transportation as well. If you need to move several horses quickly, how are you going to do it?

Consider all of the practice utilities and how to operate without them. Have a generator available in the event you lose power. Have a stock of bottled water in the event the water system becomes contaminated. For colder climates, have an alternative source for heat. If you are on a city sewer system and it is shut down, how will you cope with not being able to use any drains?

In the event of a natural disaster, having a financially healthy practice is also your number one defense. My husband and I own a veterinary practice in Fargo, ND. This year in March, we missed 5 days of revenue because of snowstorms and the worst flood the city has on record. All nonessential businesses were instructed by city officials to be closed. Our practice was able to absorb the lost revenues. How many days of lost revenue can your practice absorb? How financially healthy are you?

To wrap this up, I am going to refer to the old saying “plan for a rainy day.” The best way to meet business challenges is to be proactive and plan for them. Plan by being financially prepared and have an action plan in place for the unexpected disaster.