

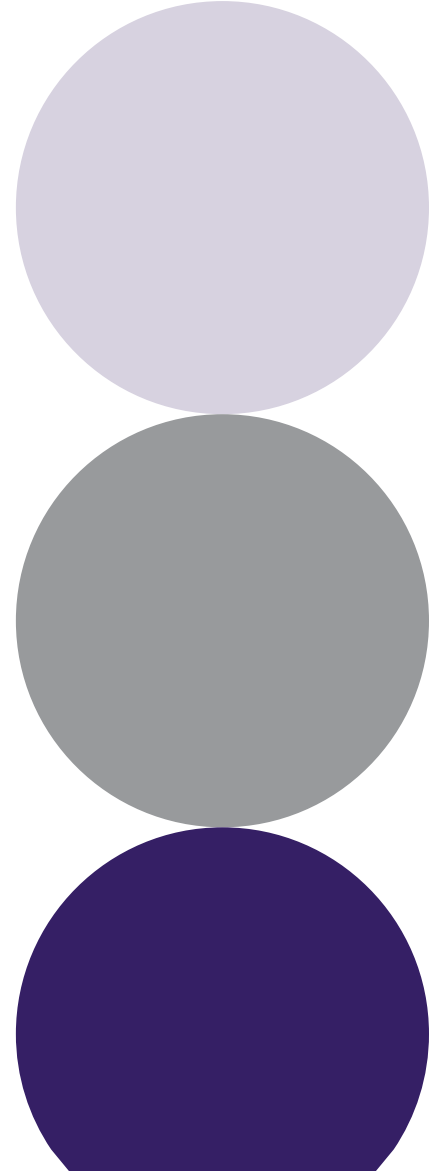


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# Financial Management in a Reduced Service Environment

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# Practice Challenges

- Resisting the urge to plan as though this is a brief practice closure after which all patient volume, cashflow, staffing and processes return to previous levels.
- Adopting a philosophy of zero-based budgeting. Looking at purchasing and staffing anew.
- Making purchasing and staffing decisions based on the business we have or will have in the next few months as opposed to the business we had last year or hope to have next year.



# Strategic Considerations

- At what level can the practice afford to staff/re-staff?
- Which costs can be permanently reduced versus simply deferred?
- What business moves can be made to maximize resources – MD time, lane space, tech time?
  - How can we safely resume our historically profitable optometric and optical services and at what point are they actually profitable again?

***Don't abandon sound business principles.***





# Staffing Levels

- As of today there are still unknowns about the actual calculation for loan forgiveness. There is, however, a break-even point for retaining/bringing back more staff than you need to care for your expected patient level in the next few months.
- For example, four extra people at pay and benefits of \$20/hour
  - Four people \* \$20 \* 40 hours per week is \$3,200/week.
  - You bring these people back for six weeks of the forgiveness period.
  - Six weeks \* \$3,200 is \$19,200 of maximum forgiveness – Likely to get less than 100%
  - Four weeks later you will still be paying and will have spent another \$12,800.
  - How long until you have enough patients to care for to merit the ongoing costs?



# Staffing Terms

- Our reduction in revenue is likely to outlast the period eligible for PPP loan forgiveness.
- There may be “pay rates” that need to be permanently adjusted and not simply deferred.
- Historically generous HR and Time-Off policies may need to be reviewed.
- The most valuable staff members you have are those who “can” and “are willing” to fill multiple roles in your smaller volume practice.
  - Techs who can triage and scribe
  - Surgery schedulers who can staff the phones and check patients in





# Occupancy Costs

- Discuss with your landlord(s) the possibility for an abatement or rent deferrals to find out if an accommodation is possible.
- An abatement of rent over a short period (usually 60 to 90 days). This means that all or a portion of the rent is forgiven and not owed at any point in the future.
- A deferment of rent over the same period. Here, the rent payments are still owed but are delayed to a future date (and usually paid back over time).
- Ask for the benefit to begin after your rent payments during the PPP forgiveness period.



# Accounts Receivable

- Submit claims for current services rapidly and accurately.
- Prioritize staff time on rebilling carriers and working aging insurance responsibility buckets.
- Dedicate staff time to collecting patient responsibility amounts for procedure and surgeries via charge card over the phone.



# Practice Challenges

- We do not know how long the effects of the interruption will continue or whether there will be future interruptions in service.
- Practices came into the crisis with accounts receivable and cash balances but as time passes these reserves dwindle. The most difficult financial period may come after practices are seeing patients on a limited basis but claim proceeds have not been received.
- Stimulus money is coming in the form of loans, grants and advances.





# Know Your Current State

Regardless of the point in the recovery process it is important to:

- Know checking and savings account balances.
- Know current Accounts Receivable balances.
- Be aware of available Lines of Credit.
- Know “how and how much” stimulus money has been used.
- Know how much and when stimulus moneys will need to be repaid.

# Keeping Track of Cash

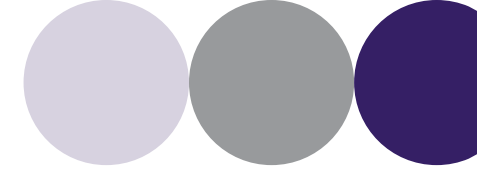
It is important to keep track of moneys that will need to be repaid.



ACCOUNTS	3/27/2020	4/3/2020	4/10/2020	4/17/2020	4/24/2020	5/1/2020
Operations Checking Account	\$ 293,000	\$ 378,000	238,000	258,000	176,000	
Savings Account	24,000	24,000	24,000	24,000	26,000	
PPP Loan Account	-	-	-	-	375,000	
Savings Account CMS Grant	-	-	75,000	75,000	75,000	
Savings Account CMS Advanced Pmts	-	-	-	155,000	155,000	
<b>Total Cash Balances</b>	<b>\$ 317,000</b>	<b>\$ 402,000</b>	<b>\$ 337,000</b>	<b>\$ 512,000</b>	<b>\$ 807,000</b>	
O/S Checks	(75,000)	(80,000)	(80,000)	(45,000)	(80,000)	
<b>Total Available Cash</b>	<b>\$ 242,000</b>	<b>\$ 322,000</b>	<b>\$ 257,000</b>	<b>\$ 467,000</b>	<b>\$ 727,000</b>	
O/S Payables	(18,000)	(59,000)	(81,549)	(124,009)	(80,000)	
<b>Total Book Cash</b>	<b>\$ 224,000</b>	<b>\$ 263,000</b>	<b>\$ 175,451</b>	<b>\$ 342,991</b>	<b>\$ 647,000</b>	
<b>Less Stimulus Related Debts:</b>						
PPP Loan Debt	-	-	-	-	(375,000)	
CMS Advanced Payments	-	-	-	(155,000)	(155,000)	
<b>Total Debts</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (155,000)</b>	<b>\$ (530,000)</b>	
<b>Total Book Cash, Net</b>	<b>\$ 224,000</b>	<b>\$ 263,000</b>	<b>\$ 175,451</b>	<b>\$ 187,991</b>	<b>\$ 117,000</b>	

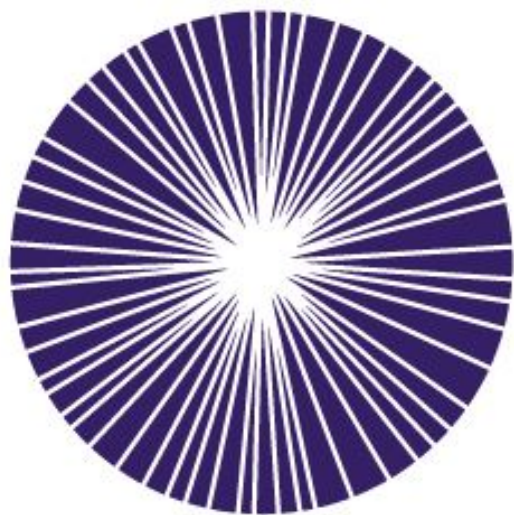


# Projecting Cash



COVID CRISIS	PPP Loan								
CASH WORKSHEET	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	Week 14
Percentage of Normal Patient Volume - See Notes	15%	25%	25%	35%	35%	40%	40%	60%	60%
Adjusted Cash Flow	4/24/2020	5/1/2020	5/8/2020	5/15/2020	5/22/2020	5/29/2020	6/5/2020	6/12/2020	6/19/2020
Beginning Balance	467,000	727,000	729,500	734,500	663,250	672,500	525,750	559,500	433,250
Daily Receipts All Sources	50,000	30,000	10,000	18,750	31,250	31,250	43,750	43,750	50,000
Staff Payroll EOW	(35,000)			(45,000)		(60,000)		(65,000)	
OD Payroll EOW	-			-		-		(20,000)	
Associate MD Payroll EOW	(20,000)			(20,000)		(20,000)		(20,000)	
Shareholder Draws - EOW	(20,000)			(20,000)		(40,000)		(40,000)	
Health Benefits Costs	(17,000)				(17,000)				(17,000)
Accounts Payable Paid	(50,000)	(10,000)	(5,000)	(5,000)	(5,000)	(15,000)	(10,000)	(25,000)	(5,000)
Rent Paid		(17,500)				(35,000)			
Mortgage Payments	(8,000)					(8,000)			
Other Expenditures	(15,000)								
PPP Loan Received	375,000								
Medicare Advance Pmts Rec'd									
CMS Grant									
Line of Credit Proceeds									
Ending Cash Balance	727,000	729,500	734,500	663,250	672,500	525,750	559,500	433,250	461,250





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