Financial Reports & Data Aesthetic Surgeons Need to See

By Cheryl Toth, MBA

We frequently find that aesthetic surgeons make expensive business decisions based on hunches or staff suggestions instead of data. And when we ask which reports the surgeon reviews each month, we are often told, "the P&L," if anything. This is often followed by:

1. *"I keep asking my manager for reports but I still don't receive them."*
2. *"The staff said the computer can't run that report/provide that information."*
3. *"I was told our report data isn't accurate."*
4. *"I'm not sure which reports I'm supposed to look at every month."*

Here's what we have to say about all this:

1. If you constantly ask for reports that are rarely or never delivered, you have a serious managerial performance problem. An effective manager understands the importance of generating monthly reports. He or she can capably do so, as well as interpret them and their application to the practice. If your manager won't generate the reports because he or she is "too busy," "forgot," or doesn't know how—well, these answers indicate a need for training or performance improvement or a refresher on job responsibilities and priorities. Or, the practice may need a new manager.
2. Blaming the computer system indicates a lack business acumen and professionalism. Or simply that your team has limited problem-solving skills. None of these things are good.
3. If you can't trust the data in your system, you need to have a serious discussion with the vendor to figure out why.
4. This is an honest answer! If you are not sure which reports to review, read on, and use this article to make changes in your office.

Start with a Data Dashboard

As the business owner and the highest revenue generator in the practice, the surgeon should not be expected to analyze report details. That is what you pay a manager for. He or she should summarize data points and indicators for faster review and decision-making by the surgeon.

A simple way to do this is to create a Data Dashboard into which the manager enters critical data points—also called "metrics"—each month. Metrics are to business management what vital signs are to clinical management. If all metrics are within a normal or expected range, the practice is healthy. If one or more is out of range, it's time to take a deeper look and figure out why.

Put key financial metrics from your accountant and your practice management system reports onto one page, such as the example below. And if your practice collects fees for anesthesiologists or an ASC, make sure these dollar amounts are not included in Total Revenue, nor factored into Operating Overhead. Unless you employ an anesthesiologist or own the ASC, these amounts are collections, *not revenue.* They are a net zero expense for purposes of patient convenience. So always subtract them from revenue. *(see chart below)*

Many surgeons are surprised when we suggest that they review the number of days they take off each month. But tracking surgeon days off helps easily explain revenue ups and downs. Panicky statements such as *"Why was revenue down so much the last few months? We'd better up our Ad Words budget right now!"* become moot if data indicate that the surgeon scheduled five, four-day weekends during the same period.

Request a Monthly Report Packet

Ask for the following to be printed and delivered to your desk no later than the 10th of the month, for the previous month's data. Standardizing the report list and delivery deadline makes generating and reviewing these reports a monthly habit.

Monthly Financial Report/Why Review It?

Profit & Loss

This is the highest-level financial report in a practice and is essentially

(P&L) Statement

Your "Financial H&P." It provides a bird's eye view of the overall financial health of the practice, including all revenue and expenses shown in dollars and percentages, and against previous periods and current budget.

Cost Center Details

Cost center accounting is an industry-standard method for analyzing revenue, expenses, and allocated operating overhead for a business unit such as skin care, spa, laser,

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Data Dashboard for Dr. Wonderful

	Current Month		Year to Date	
	This Yr	Last Yr	This Yr	Last Yr
Total Revenue (Less: refunds and pre-payments, and money collected for/paid to the ASC and anesthesiology)				
Aesthetic Revenue				
As a % of Total Revenue	%	%	%	%
Insurance Revenue				
As a % of Total Revenue	%	%	%	%
Total Operating Expenses (Less: physician compensation)				
Net Income (Revenue – Expenses)				
Operating Overhead Percent (Total Expenses/Total Operating Revenue)	%	%	%	%
Injectible Revenue				
Laser Revenue				
Net Product Revenue				
Marketing & Advertising Ratio (Total Marketing & Advertising Costs/Net Collected Revenue)	%	%	%	%
Number of MD Days Off				

Financial Reports

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or the surgery suite. Review the P&L statement for each cost center to understand the financial picture of each. Looking at this accurately is essential for making strategic decisions, and keeps the surgeon from believing staff statements such as *"Oh yes, skin care (or laser, or fillers) is profitable—the schedule is full."*

Revenue By Procedure

This report is essential for thinking strategically about revenue growth. Review this report to understand where the highest and lowest percentage of revenue comes from, as well as trends and dips. For instance: If laser procedures are trending down, is that an overall market trend or is there a new competitor, or is it due to a specific issue in your practice? If it is a practice issue, what might be causing it and how will you adjust? Is there an opportunity to cull past laser patients and make a special offer? Or is it time to remove laser services all together and focus on another revenue priority?

Adjustments & Discounts

This report provides the granular detail of all the charges that were adjusted off of standard fees. These include multiple procedure and other discounts, complimentary consultations, product promotions, adjustments for bad debt, and small balances. Review this report with great interest and ask the manager to explain large dollar amounts.

Product Inventory

You make a significant investment in the products you carry. By asking for the report every month, staff will realize you are paying attention—reducing the opportunity for products to "go missing." Ask the accountant to put a standard inventory counting and value management process in place. Most practice management systems have an inventory module that makes this easy.

Credit Balances

Credit balances are a financial liability and as such, you need to know how much you owe, and to whom, on a monthly basis. Then research, verify, and refund credits every month. Ideally, this report total should be as close to zero as possible.

No Shows

You might not consider the No Show report a financial report, but we do. No shows are pickpockets—the more of them there are, the less revenue you make. Reviewing the no show rate every month is the first step toward designing a plan for reducing it.

Ask For Data in Pictures

Some data requires the context of time to have relevance and make sense. Important when reviewing current revenue, for example, is its comparison to revenue from historical periods and projected budgets. If all you review is the revenue line on the profit and loss statement each month, you're looking at the data in a silo, which doesn't drive good decisions. What you want to know about revenue are things such as:

- How does revenue this month compare to the same month last year?
- What are our poorest revenue and best revenue periods?
- Are we on track to meet projections for the year?

Graphs enable easier and deeper analysis of data such as revenue by procedure, laser and skin care patient volumes, no shows, and product sales. *(Figure 1 illustrates a graph displaying No Shows.)* Smart managers use Excel or the analytics feature in their practice management system to create graphs, making it easier to spot trends. Talk with your manager or system vendor. And if your manager does not know how to make Excel graphs, pay for training. It's time and money well spent.

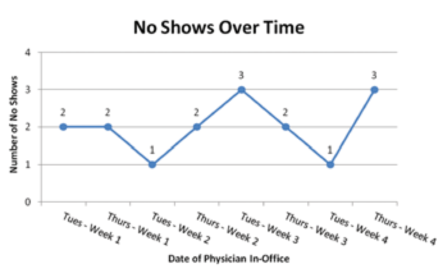

Figure 1. Reviewing data graphically makes trends much easier to spot.

Keep an Eye on ROI

"ROI" stands for *Return on Investment*. It's reported as a dollar amount or percent that indicates the amount of money or percentage return you made in revenue, against the amount you spent. As an example: 80% ROI is a poor outcome; 164% ROI is a great outcome.

Ask your manager to prepare an ROI statement for all campaigns, programs, and significant expenditures, such as a new laser. Don't accept anecdotal comment such as *"Our medispa event was really successful—we booked 10 new consults!" or "A lot of patients tell us they saw our ad in Urban Lifestyle Magazine."* These are hunches, not facts, and using them as data points for your next big program or capital expense is a bad idea. The only rational way to evaluate the success of your business initiatives is to take a look at objective data and base future decisions on what you find.

Ask your manager to prepare ROI statements for things such as:

- **Each Advertising/Marketing Campaign**—Your ability to track ROI for campaigns is dependent on the front desk asking and entering each patient's referral source—and your referral source categories being highly detailed in the computer. If there is no option for "Symphony Ad" or "Spring Skin Promo Email" for them to select in the computer, you won't be able to track the ROI.
- **Search Engine Optimization (SEO)**—Most vendors and agencies will calculate this for you. Call yours to inquire.
- **Events**—Insist on an ROI report for every event. Once an Excel spreadsheet has been set up, all the manager has to do is plug in the event costs and associated revenue.

If your manager doesn't know how to calculate ROI, ask the accountant to provide skill building and training.

Few aesthetic surgeons relish the thought of spending hours analyzing data each month. But with a bit of planning and the development of a Data Dashboard, your manager can deliver the right metrics and reports for making sound business decisions based on rational data and good judgment.

Cheryl Toth, MBA is a Leadership & Implementation Coach with KarenZupko & Associates. She is passionate about leveraging technology to work smarter, improving the patient experience, and coaching practice leaders to thrive in the midst of chaos and change. Cheryl brings 20+ years of consulting, management, training, and product management to her projects.