5 Causes Of Crappy Pharmacy Cash Flow & How To Fix Them

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Cash Flow Is Anxiety #1 For Owners

You are not alone! Pharmacy owners everywhere are getting squeezed tighter and tighter. Yes, profits dropping will certainly have an impact on cash flow, AND profits and cash flow are 2 entirely different components of your pharmacy. Cash flow is the inflow and outflow of cash and can be controlled by savvy pharmacy owners.

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Cause #1

Inventory Too High

Your inventory is your largest asset and your biggest impact on cash flow. Picture your inventory as hundreds of stacks of cash on your pharmacy shelves. If you have a bottle on your shelf that means you can't have that cash in your bank account. By decreasing your inventory, you will be able to use that cash in other ways. Here are 2 quick tips for taming your inventory monster.

1. Conduct a big spring cleaning and return excess inventory to your wholesaler according to their rules.
2. Set a daily ordering limit for your staff that is less than your daily COGS.

Most pharmacies that we work with have approximately $50,000 in excess inventory. That's real money!

Cause #2

PBM Based Revenue Percentage Is Too High

We all know that PBMs are squeezing prescription profits down to nothing and even negative. Between their effective rate contracts, DIR fees, and ever-changing rules, it can be tough to win through the PBMs. This is why you must diversify your revenue away from PBM influence. Here are our favorite methods for doing this in a retail pharmacy.

1. Remote Patient Monitoring Services
2. Weight Loss Coaching
3. Pharmacogenetic Testing
4. Point Of Care Testing
5. Paid Consulting Services

Cause #3

DIR Fees Too High

Even 1 penny is too high, but we need to be realistic that these fees will probably be around for a long while. You must not take a passive approach. Here at DiversifyRx, we have seen too often that just 1 errant patient costs a pharmacy thousands of dollars. Yes, 1 patient can cause your DIR fees to be 5, 7, or even $9,000 higher. By understanding your contracts and how the score is calculated, you can do a lot to mitigate these fees to be as low as possible. Here are our best tips.

1. Program your fees into your software so you know a more accurate profit at the time of dispensing.
2. Leverage a system such as Amplicare to drill down into your fees by plan and patient so you know exactly who is costing you thousands of dollars.

Cause #4

Payroll Too High

After your inventory, your next largest drain on cash flow is your payroll. You can't default on this expense or you will have seriously big problems immediately. Most pharmacy owners have not adjusted their payroll to keep up with the lower revenue, profits, and volume that have plagued the industry recently. Fixing this cause can get emotional. It can help to have an outsider guide you based on the numbers, then you can decide what to implement. You can manage your payroll dollars without massive layoffs or draconian cuts. Here are a few tips for you.

1. Ask for any volunteers that want to temporarily shorten their hours.
2. Get your staff excited about generating new revenue.
3. Make cuts across the board, take an hour or two from each employee once or twice a week.

Cause #5

Pay Bills Too Early

Paying bills early may seem like a responsible good thing to be doing. However, if you are tight on cash, letting that cash leave your bank account before it absolutely must do so, is only straining your cash flow even more. Instead, set up your bills for payment based on the due date AND any built-in grace period. If you have a bill that is due on the 30th and it isn't considered late until the 15th, then pay that bill closer to the 15th. Take advantage of all the grace time that you can. These extra days will make an enormous difference in your daily bank account balance.

Ready For More Awesomeness In Your Pharmacy?

Click below to schedule a free cash flow strategy session with DiversifyRx.
We are here to help you operate your pharmacy in a strategic, profitable way.
Dive into some possible strategies and tips during an introductory call.

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