

5 KPIs Every Pharmacy Should Fix & How To Do It

What's A KPI?

A KPI, a key performance indicator, is a business metric used to measure the performance of a particular part of your pharmacy business. By measuring and tracking your KPIs, you know what areas of your pharmacy need attention and which ones are doing good. You can save time and frustration by fixing the most critical KPIs.



DiversifyRx

KPI #1

Inventory Turns

A Fat Inventory = A Skinny Wallet

Your inventory is your largest asset, so any mismanagement will have a big impact. It is best to imagine all the bottles on your shelves as little stacks of cash. If you are struggling with cash flow, chances are, your inventory is too big. You pay for your inventory long before you get paid for the prescriptions you dispense, which creates a negative cash flow. If you sink too much cash into inventory, you won't have enough left in the bank for other bills. Have your staff perform a spring cleaning and return excess inventory according to your wholesaler's guidelines. Then create a daily ordering limit for your staff that is less than your daily COGS. This will decrease your inventory a little each day.

Goal For Inventory Turns: Greater than 20.

KPI #2

Net Profit Percentage

Profit Is Not A 4 Letter Word

Profits have gotten a bad rep lately. Many businesses have put profits before patients. This does not mean that all profit is bad. You must make a profit to stay in business. Your community wants you to make a profit so they can have an awesome pharmacy for years to come. Profit, simplified, is an equation of Revenues (R) minus Expenses (E) equals Profits (P). To get a bigger P you need a bigger R or a smaller E. Our favorite method for getting a bigger R is a patient referral program. Reward your current patients with a \$20 store credit when they refer a new prescription patient to your pharmacy. The best way to reduce your E is to go through a complete list of your expenses and cancel what you are not using anymore, or what is not beneficial any longer. Ask yourself is this expense really worth it or can I get it cheaper.

Goal For Net Profit Percentage: Greater than 4%.

KPI #3

Payroll Ratio

A Great Pharmacy Is Not A 1 Man Job

Revenues and profits have been dropping for pharmacies and pharmacy owners have not decreased their payroll accordingly. While it is never fun to cut hours or people's pay, it is sometimes necessary in order for your pharmacy to survive. Here are 2 tips for reducing your payroll without massive layoffs.

1. Ask employees if anyone wants to reduce their hours temporarily. You may be surprised that one or two will willingly give up some hours.
2. Take a few hours from all employees each week. If you have 10 employees, reducing each employee's hours by 3 hours will save you 30 hours each week.

Goal For Payroll Ratio: Less than 13%, high-performing pharmacies are less than 11%.

KPI #4

Vampire Percentage

Energy Vampires Suck The Life Out Of Your Business

You probably never heard about this KPI before. An energy vampire is an employee who just seems to make the day worse than better. They could do their job well, many times they are the best performer of tasks, and yet they create a stressful environment for everyone else around them. Your staff knows who this person is and so do your patients. Just as the wind can be felt but not seen, you can feel the energy change with a vampire is near. If you are truly unsure if you have any energy vampires take these steps:

1. Ask your staff
2. Ask yourself about each employee, would I rehire this person?

Goal For Energy Vampires: 0%.

KPI #5

Non-PBM Revenue %

Diversification Is The Key To Success

The PBMs keep adding more layers and fees that reduce your profits per prescription. Whether it is DIR fees or effective rate contracts it gets more complicate each year. This is why it is so critical to grow your non-PBM based revenue. Most pharmacies have more than 95 percent of total revenue coming through a typical PBM. This reliance on PBM revenue creates uncertainty and stress for pharmacy owners. Here are our top non-PBM revenue diversification strategies.

- Remote Patient Monitoring
- Direct Billing Worker's Compensation
- Weight Loss Coaching
- CBD
- High-End Supplements

Goal For Non-PBM Revenue: Greater than 15% and as high as you can go.

Ready For More Awesomeness In Your Pharmacy?

Click below to schedule a free introductory KPI Analysis session with DiversifyRx.
We are ready to help you find out what to focus on improving and how to do it.
Get the details about these strategies and more during an introductory call.

[SCHEDULE MY KPI ANALYSIS CALL!](#)