FINANCE, MODULE 6

Cost savings 101: the seven leaks

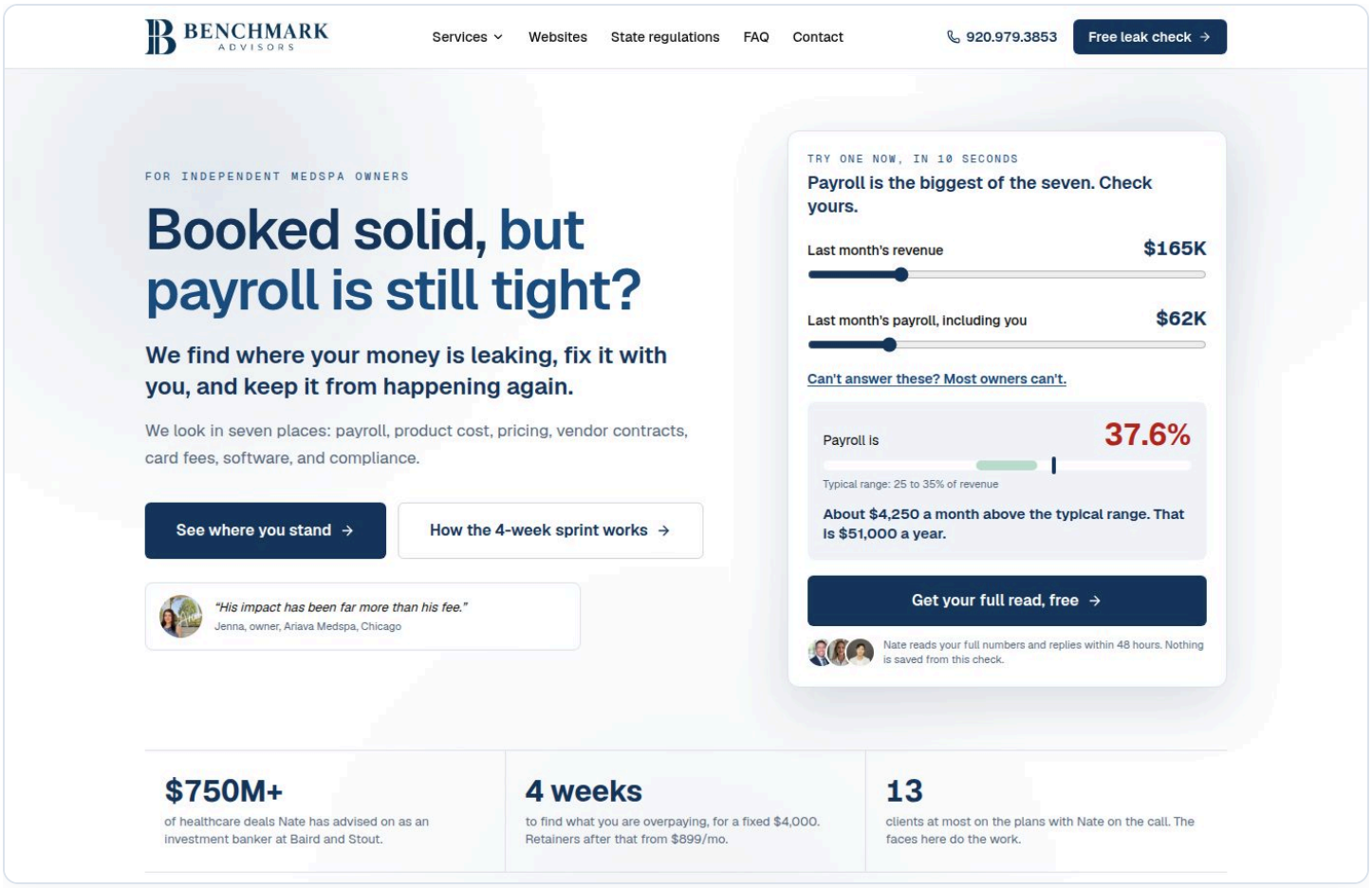
Most clinics that feel tight are not short of revenue. They are leaking it in seven places, and the same seven every time. This is what the 10-Day Sprint looks for, in the order we look, with what you can check yourself this week.

The order matters

Payroll first, because it is the biggest line. Product cost and pricing next, because together they are the margin on every visit. Then the contracts, fees and subscriptions that quietly renew. Compliance last, because a gap there is not a leak, it is a hole.

Leak 1. Payroll

Add up every payroll line: providers, front desk, your own salary, taxes, benefits. Divide by revenue. Most well run clinics land between **25 and 35 percent**. Above 40 percent and there is a structural problem: too many hours on the schedule for the bookings, a commission plan that pays on revenue the clinic does not keep, or an owner salary the clinic cannot carry yet. The fix is rarely a layoff. It is usually the schedule template, the commission base, and hours matched to demand by day.



The payroll check on our homepage does this arithmetic in ten seconds. Under 25% usually means the owner is underpaid on paper; over 35% means the schedule is carrying hours the bookings do not.

Check	What to look for
Commission base	Pay on service revenue net of product cost, or on collected revenue, never on gross including retail tax and package sales not yet delivered.
Hours versus bookings	Provider hours by weekday against appointments by weekday. Tuesday morning staffed like Saturday is a leak.
Front desk hours	One desk person per 25 to 30 visits a day is a working rule.
Owner pay	Market rate for the role you actually do (Advanced 4). Overpaying hides profit; underpaying hides a problem.

Leak 2. Product cost

Injectables are the biggest cost after people, typically **25 to 30 percent of revenue** across the clinic, and the one where the leaks are invisible until you count. The three places it goes: paying more per unit than you need to, using more per treatment than you charge for, and waste (expired, dropped, reconstituted and not used). Operations 3 is the count; this is the buying.

- **Manufacturer loyalty and volume programs.** The major neurotoxin and filler makers run tiered pricing and rebate programs. Most clinics are on the wrong tier for their volume, or are not consolidating purchases to reach the next one.
- **Buying groups.** Group purchasing organizations for aesthetics negotiate pricing small clinics cannot. Worth a call once you pass about $10,000 a month in product.
- **Order cadence.** Ordering weekly in small lots costs shipping and misses tiers. Ordering quarterly ties up cash and risks expiry. Monthly, against par levels, is usually right.

Leak 3. Pricing

Price per unit, minus product cost per unit, minus the provider's commission on it, is what the clinic earns on a unit of neurotoxin. Many clinics have never done that arithmetic and are earning less per unit than they think, especially after a supplier increase they did not pass on. Two rules: know your cost per unit to the cent, and reprice within a month of any supplier change. Discounting is pricing too: a "first visit special" that is below cost is marketing spend, and should be counted as such.

> **The Groupon trap.** Deep discount platforms bring patients who came for the price and leave for the next price. The clinic pays product, provider time and a platform cut to acquire a patient who does not return. Marketing 4 has the arithmetic; the short version is that a $99 neurotoxin deal usually loses money on the visit and rarely earns it back.

Leak 4. Vendor contracts

Equipment leases, laser service plans, the booking platform, the phone system, linen, cleaning, waste disposal. Each one renews on its own schedule, usually automatically, usually with an increase. Pull every contract into one list with the renewal date, the notice period and the monthly cost. Then call the three biggest before their notice window closes. A laser service plan alone is often $500 to $1,500 a month and is frequently negotiable, or unnecessary once the warranty runs.

Leak 5. Card processing fees

Divide last month's total processing fees by the volume processed. That is your effective rate. Most clinics run **2.6 to 3.5 percent**; a clinic doing $150,000 a month at 3.2 percent pays $4,800 a month, and a move to 2.6 percent is $900 a month back. Ask for interchange-plus pricing rather than a flat rate, remove the fees you are not using (PCI non-compliance fees, statement fees, monthly minimums), and check whether the processor bundled into your booking software is the expensive one. Surcharging patients is legal in most states within card network rules and never on debit cards; it is also a retention risk, so we usually negotiate the rate instead.

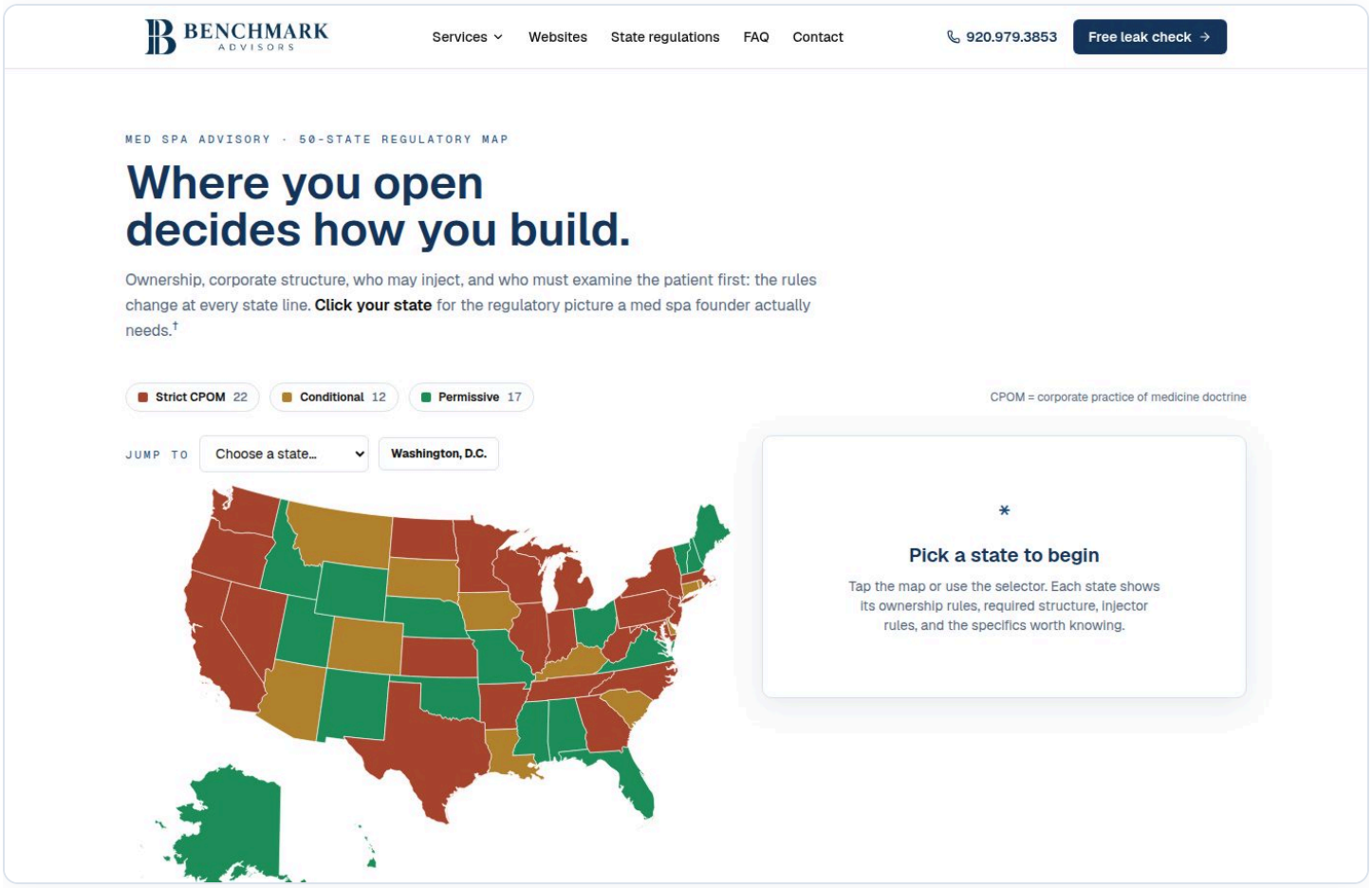
Leak 6. Software

List every subscription on the card statements: booking, EMR, marketing automation, email, texting, reviews, scheduling, forms, storage, design tools, the second and third one you tried and never cancelled. A typical single location clinic carries $1,500 to $3,000 a month in software, and a third of it is either duplicated or unused. Cut the duplicates, downgrade the seats, and put every renewal on one calendar.

Leak 7. Compliance

Not a cost you save; a cost you avoid. The compliance check in the sprint covers your medical director agreement, supervision and delegation, who may perform which treatment, good faith exams, licenses, and consent forms, against your state's rules. A gap here is a

fine, a board complaint, or a buyer walking away in diligence. We flag gaps for your attorney to confirm; it is not legal advice.



Our state map: the starting point for what your state requires. The American Med Spa Association (AmSpa) publishes state by state legal summaries and is the reference we check against.

What it adds up to

Two examples from clients, with permission and rounded: one clinic cut more than $3,000 a month in expenses; another kept $4,000 to $7,000 a month after a vendor deal. The pattern is the same every time: nobody was careless, the leaks were just spread across seven places nobody looked at together.

> **Where Benchmark comes in.** The sprint is these seven, in ten days: the first three days get the numbers straight, days four to eight find the leaks with a dollar figure on each and run the compliance check, and day ten is the read and the 90 day plan. The leak report is yours whether or not you continue; the renegotiating and cancelling happens with you in the first month of the plan.

Try it yourself

- [ ] Payroll divided by revenue for last month. Write the percentage next to the 25 to 35 range.
- [ ] Processing fees divided by processing volume. Write your effective rate.

- [ ] List every subscription on last month's card statements. Circle the ones nobody logged into.
- [ ] Find the renewal date and notice period on your laser service plan.

Check yourself: Finance 6

Payroll at 42% of revenue most often means

Staff are overpaid

Hours on the schedule do not match bookings, or the commission base is wrong

Revenue is fine, ignore it

The fix is usually the schedule template and the plan design, not a layoff.

Your effective card processing rate is

The rate on the contract

Total fees divided by volume processed

The interchange rate

The contract rate leaves out the add-on fees. Fees divided by volume is what you actually pay.

The supplier raised neurotoxin by $1 a unit in August. It is now November and prices have not moved. What happened to margin?

Nothing

It fell by $1 a unit on every unit since August

It rose, because revenue is up

Reprice within a month of any supplier change. The units already injected are gone.

A $99 neurotoxin deal on a discount platform is best treated as

Revenue

Marketing spend, and measured on whether those patients return

A membership

The visit usually loses money. It only pays if the patient comes back at full price, which most do not.

The compliance check is

Legal advice

A review of your agreements, supervision and consents against your state's rules, flagged for your attorney

Optional

We find the gaps; your attorney confirms them. A gap is a fine or a buyer walking away.

Pick an answer for each question.

Want this done, not just explained?

The 10-Day Sprint finds the leaks for $1,000, one time. After that, on the plan, the scorecard keeps coming and at least one growth initiative is executed with you every month. Plans from $2,299 a month. Everything in this module is part of that work.

See the sprint and pricing | Text Nate

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