FINANCE, MODULE 8

# Payroll and provider pay

People are the biggest cost in the clinic and the only one that can also be the biggest asset. After this module you know what payroll should be as a share of revenue, the four ways injectors get paid and what each one does to your margin, what a provider has to produce to earn her seat, and how to tell whether you can afford the next hire.

## The number: 25 to 35 percent

Add every payroll line, including your own salary, payroll taxes and benefits, and divide by revenue. Well run clinics land between 25 and 35 percent. Under 25 usually means the owner is underpaid on paper (which flatters profit and hides a problem at sale, Advanced 4). Over 35 means the schedule carries hours the bookings do not, or the pay plan gives away the margin. The payroll check on our homepage does the arithmetic in ten seconds.

| Harbor Aesthetics, September | Amount | % of revenue |
|---|---|---|
| Provider wages and commissions | 30,000 | 24.0% |
| Front desk and admin | 9,200 | 7.4% |
| Owner salary | 12,500 | 10.0% |
| Payroll taxes and benefits | 5,000 | 4.0% |
| **All payroll** | **56,700** | **45.4%** |

Harbor is at 45 percent in its first year with a full owner salary. Without the owner salary it is 35 percent, the top of the band. The fix is not a layoff; it is the schedule (Operations 2) and the plan design below.

## The four ways injectors get paid

| Plan | How it works | What it does | Watch for |
|---|---|---|---|
| **Hourly only** | A wage for hours worked, no production pay | Predictable cost; no incentive to fill the book or sell the next visit | Fine for a new injector building skill. Add production pay within six months. |
| **Commission on revenue** | A share (often 20 to 30%) of service revenue the injector produces | Strong incentive to produce; pays the injector on price increases and on product cost you cannot control | Base it on service revenue net of product, or use a lower rate. Never on retail tax or undelivered packages. |

| | | | |
|---|---|---|---|
| **Hourly plus production bonus** | A wage, plus a percentage of revenue above a monthly threshold | Covers the injector on slow weeks; rewards a full book; the threshold protects the clinic's margin | Set the threshold at the revenue that covers the wage plus product plus 30%. Review it quarterly. |
| **Tiered commission** | The percentage rises with monthly production | Rewards the top producer; can create a cliff where one appointment moves the whole month's rate | Use marginal tiers (the higher rate applies only above the line), not retroactive ones. |

> **The plan that quietly eats the clinic.** A flat 30 percent commission on gross service revenue, on a service where product is 45 percent of price, leaves 25 percent before card fees, consumables, rent and the desk. Every price increase splits 30/70 in the injector's favor before product. Check the pay plan against the unit table in Finance 7 before signing it, and check the state's rules on commission and fee splitting for clinical staff (Operations 5).

## What a provider has to produce

A working rule: a provider needs to produce about three times her total cost (wage, commission, taxes, benefits) to carry her share of rent, desk, marketing and profit. An injector costing $95,000 a year all in needs about $285,000 of service revenue, which is $24,000 a month, or about $1,100 per booked day at 22 days. Revenue per provider hour on the scorecard (Finance 5) is this number by the hour: at $450 an hour and 30 booked hours a week, she produces $54,000 a month and the arithmetic works with room to spare. At $250 an hour and 20 booked hours, it does not, and the fix is the schedule and the book, not the pay.

## Can you afford the next hire?

1. **Is the current book full?** Room utilization above 75 percent and the rebook rate above 55 percent for two months. If not, fill the book first.
2. **Where do the first 60 days of patients come from?** A new injector with an empty book costs her full wage while producing a third of target. Name the source: overflow from the lead injector, evening blocks, a specific campaign.
3. **Run the three-times test** on the offer you plan to make, at the revenue you expect in month four, not month twelve.
4. **Cash runway after the hire** stays above two months (Finance 9).

## Medical director, front desk, and you

**Medical director.** Required in most states; the cost ranges from a few hundred to a few thousand a month depending on the state's supervision rules and how involved the physician is. It is a compliance cost, not a payroll lever, and the cheap version is often the non compliant version (Operations 5).

**Front desk.** One desk person per 25 to 30 visits a day is a working rule. The desk's production is rebook, retail and membership signups; put those three on their scorecard and pay a small incentive on them (Operations 6).

**You.** Pay yourself market rate for the job you do. If you inject, that is an injector's pay for those hours. If you manage, a manager's. A buyer will rebuild it that way (Advanced 4), and so will a lender.

**Where Benchmark comes in.** Payroll is the first leak the sprint checks. Pay plan design is a service we quote, and reviewing an offer before you make it is a question that is included in every plan. Revenue per provider hour and share by provider are on your scorecard every month.

# Try it yourself

- [ ] Run the payroll check with last month's numbers, once with your salary and once without.
- [ ] Write down each provider's pay plan in one line. Check the base: gross revenue, net of product, or hourly plus bonus.
- [ ] For each provider, all in cost times three against their service revenue. Note who passes.

### Check yourself: Finance 8

**Payroll at 45% of revenue in a first year clinic with a full owner salary most likely means**

Fire someone

Look at the schedule and the pay plan design; the owner salary alone is ten points

Revenue is fine

Without the owner salary it is 35%, the top of the band. The schedule and the plan are the levers.

**A flat 30% commission on gross neurotoxin revenue means that on a $1 price increase**

The clinic keeps $1

The injector gets 30 cents before product is even counted

Nothing changes

Base commission on revenue net of product, or use a lower rate on gross.

**A provider costing $95,000 a year all in should produce about**

$95,000

$285,000

$150,000

Three times all in cost is the working rule.

**Before hiring a second injector, the first check is**

- Whether you can find one
- Whether the current book is full: utilization and rebook for two months
- The pay rate

An injector with an empty book costs a full wage at a third of production.

**Marginal tiers in a commission plan mean**

- The higher rate applies to the whole month once the line is crossed
- The higher rate applies only to revenue above the line
- Rates go down as production rises

Retroactive tiers create a cliff where one appointment changes the whole month's cost.

**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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