

Improving Solo Medical Practice Profitability with E-Commerce Purchasing Platforms



DocShop  Pro
MANAGE INVENTORY. • SHOP FOR LESS.

www.DocShopPro.com | (888) 677-0306 | Savings@DocShopPro.com



Today's healthcare environment demands business management skills that focus on revenue production as well as cost savings. At the top of the expense analysis of a typical medical practice is the management of medical supply costs. This paper will focus on strategies that can help reduce those associated costs and increase a practice's profitability.

Medical Group Management Association (MGMA) research shows that overhead expenses typically take up 60% of practice revenue. So, if a physician brings in \$50,000 in revenue each month, his or her monthly overhead should be about \$30,000, according to the benchmarks.

$\text{Revenue} \times .60 = \text{benchmark overhead}$
$\frac{\text{Total operating expenses (minus provider salaries and benefits)}}{\text{total collections}} = \text{actual overhead}$

Economic literature identifies several ways jointly negotiated e-commerce purchasing platforms, such as DocShop Pro™, can yield lower medical supply prices than buyers can obtain on their own. The benefits include increasing a buyer's bargaining strength, increased volume and other discounts, and more intense supplier competition. Evidence indicates that providers may realize total cost savings of 10% to 18% by using such strategies, relative to the

The Explicit and Implicit Costs and Savings Add Up!

Managing inventory is important since this task can be a substantial cost of doing business, and may vary from 10% to 40% of the value of inventory. Inventory costs are basically categorized into three headings:

ORDERING COST

Explicit savings on negotiated medical supplies can be substantial and transfer directly to bottom-line profitability. It's not unusual for a practice to realize 5% to 15% reductions in cost when using an e-commerce platform that has successfully negotiated prices based on nationwide provider volume. Well-designed e-purchasing portals like DocShop Pro™ allow for one-stop shopping through a single platform, thereby also eliminating the human resource cost of visiting multiple vendor sites.

COST OF CAPITAL

This implicit cost includes the costs of investments and interest on working capital that would have otherwise been available if cost reductions were in place.

INVENTORY SHORTAGE COSTS

Inventory shortage costs refer to the costs, some intangible, of running out of stock and not being able to supply patients with the goods they need in a certain timeframe. Most of these costs are difficult to quantify. The effects of a stock shortage, and its cost, mainly relate to lost sales and profits.



About DocShop Pro™

The DocShop Pro™ ePurchasing and Supply Management Program allows you to order directly from major manufacturers and distributors all from one intuitive platform. You can access major supplier catalogs and experience incredible savings via DocShop Pro's negotiated pricing.

Available exclusively to licensed physicians, DocShop Pro users can now manage inventory seamlessly and instantly by utilizing the DocShop Pro Supply Manager. This allows you to create low-inventory thresholds which notify your purchasing director that a product needs to be restocked. With a tablet tracking system that requires no bar codes or printing, anyone in your office can routinely update your supply count, ensuring that whoever is in charge of purchasing knows when they need to reorder.

While negotiated prices may lead to a cost savings of 10%-18% in cost of goods, the implicit costs add to this and can potentially allow for a 20% reduction in total medical supply and inventory management costs. That is a substantial realization of profits for the typical medical practice.

The Business Case

The story you are about to read is true, but the names have been changed to protect the more profitable.

Dr. X is the owner of a solo practitioner medical practice. His medical supply costs were on a runaway path! Dr. X wisely looked into the DocShop Pro™ ePurchasing and Supply Management Program. His practice soon realized the explicit and implicit savings as outlined below.

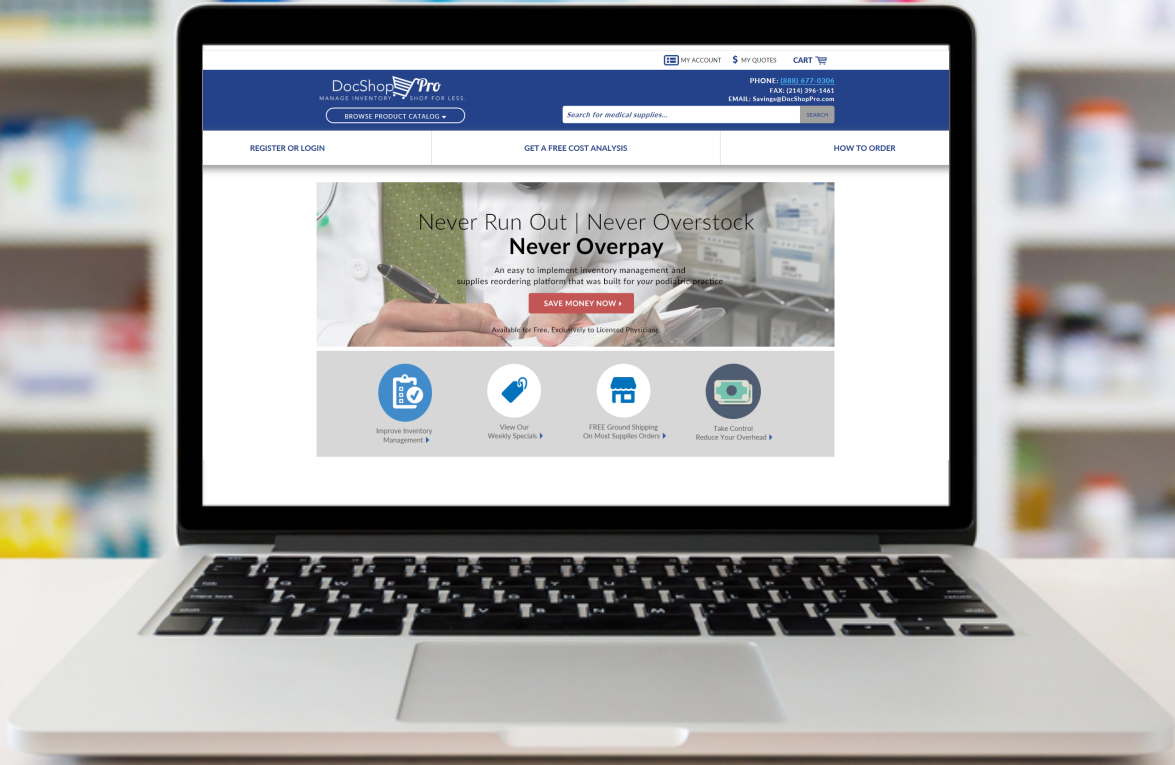
	September	October	November
Previous Spending	\$4,027.15	\$3,298.59	\$4,550.17
Human Resource Ordering Cost	\$105.00	\$98.00	\$95.00
Total Costs Per Month	\$4,132.15	\$3,396.59	\$4,645.17
Total Cost Per Quarter			\$9,290.34

Spending with DocShop Pro™	\$3,634.31	\$2,702.89	\$3,292.79
Human Resource Ordering Cost	\$45.00	\$38.00	\$29.00
Total Costs Per Month	\$3,679.31	\$2,740.89	\$3,321.79
Total Cost Per Quarter			\$6,643.58

Total Quarterly Savings Using DocShop Pro™			\$2,646.76
Total Annual Savings Using DocShop Pro™			\$10,587.04

By using DocShop Pro™, Dr. X saved an astounding 28.5% on medical supplies and is on track for total annual savings of over \$10,000. This savings goes straight to his bottom line. And DocShop Pro's inventory management system prevented him from overstocking and under stocking -- saving him even more money and preventing lost sales!





DocShop Pro

MANAGE INVENTORY. SHOP FOR LESS.

To find out how much you can save using DocShop Pro, call **(888) 677-0306** or email **Savings@DocShopPro.com** for a complimentary cost analysis on your current medical supplies.