

Helping a Bay Area Oncology Clinic Recover its Profits

We do a lot of work [helping area medical practices](#) refine their business operations to regain their profits. Increasingly, medical offices are feeling the squeeze of the changing economic climate. Increases in operating costs are not being offset by insurance reimbursements, and the cost of drugs and treatments continues to rise. Our job is to help physicians find new ways to improve their business efficiencies, and increase profitability, which often means adopting new business systems or a new approach.

Not long ago, we were approached by a Bay Area oncology practice with falling profits. Unlike most medical practices, oncology practices need to purchase drugs for treatment and then re-sell those prescription infusion drugs to patients. That's a primary source of profit. However, changes in policy by insurance companies and Medicare are making it more difficult to make a profit. Infusion treatments are an essential part of their practice, so how do they restructure their operations to recoup falling margins?

After an in-depth analysis into the oncology practice's problem, we determined the best approach would be to establish an in-house pharmacy that specializes in new oral medications for cancer patients; drugs that are normally available only from specialty pharmacies. This would provide greater convenience to patients, who could get their prescription drugs on site at the time of their appointment, and it would allow the medical group to produce higher margins.

To help establish the new pharmacy, we helped our client form new partnerships with vendors for drug distribution, we established contacts with insurance companies, and installed a new computer system with performance tracking capabilities. We also helped hire a pharmaceutical technician to run the new operation. The result was a win-win for all concerned. An in-house dispensing program was more convenient for both chemotherapy patients and physicians, and it added a critical revenue resource to offset what had been the high-expense aspect of the practice.

In the first year, the new pharmaceutical dispensary is expected to generate \$700,000 in additional revenue.

As with many small businesses, medical offices tend to focus on the practice of medicine, rather than the business of dispensing care. With some in-depth research and a little creativity, we were able to provide a solution to this oncology clinic's business problem by creating a profitable new business model. We also were able to help the client create the new pharmacy, including integrating a new IT system, and upgrade their accounting system to provide easy access to data for real-time decision making. Even simple changes to existing operations can improve profits. The challenge is uncovering those inflection points where making a change can really make a difference.