



# The Practice Managers' Guide to Business Planning and Benchmarking

McMasters' Medical Practice Management



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## **The Practice Manager's Guide to Business Planning & Benchmarking**

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### **Introduction**

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The Practice Managers' Guide to Business Planning and Benchmarking has been developed to assist both doctors and practice managers understand the potential of their practices. It contains numerous practical tips and advice and identifies the main issues connected to planning and successfully running the practice. It has been identified as an area where practice managers and doctors alike have a keen interest, and a lot of important information is contained in the guide.

Having a well drafted business plan is the first step to success for any type of venture. Without concrete goals or strategies, and a vision of future achievements, it will be difficult to build and grow a new practice.

Setting targets is also an effective way of measuring success, and benchmarking is an area where there is an abundance of speculation and interest. There is little difference between good medicine and good business; when a practice provides a competent professional service, develops personal relationships, and retains patients over the long term, then the business of management is integral to success. Costs need to be reduced, staff productivity needs to be increased, and personal investment in the practice should also be reduced. Benchmarking against other practices is one way for practice owners and managers to identify areas that may need improvement.

This guide introduces the concept of business planning for medical practices and provides readers with essential knowledge required for planning future growth and profits of practices. It also emphasises the need for business plans to reflect the personal preferences and ambitions of individual doctors, ensuring that it accommodates issues of work/life balance.

The guide will also introduce some aspects of benchmarking in the context of general practice, look at why benchmarking is important, and what aspects to consider when looking at benchmarking. It will provide several scenarios of examples for comparisons.

Topics covered in this module include:

- An overview of business plans;
- Getting started;
- Thinking about the patients;
- Thinking about the doctor;
- What a business plan looks like;
- An overview of benchmarking in Australia;
- Internal and external benchmarking;
- Benchmarking guides;
- Benchmarking in the health care environment

Further reading is encouraged on the topics and these will be identified throughout the module.

## 10.1 AN OVERVIEW OF BUSINESS PLANS

A successful medical practice does not happen without effort. It is the result of a good idea, implemented in a systematic way, over a period of time, according to a pre-conceived plan or schedule. This is the case, whether the practice is being started from scratch, or whether it is an older practice entering a new phase of activity and growth. This is also the case, regardless of practice location and competition. A good business plan should reflect the personal preferences and ambitions of the doctors. It accommodates private lives and, by anticipating problems, helps to reduce stress levels.

If there is a plan for what is going to be done and why, the chances are it will be implemented more successfully, and with less angst. For example, a good business plan will cater for peak workloads through the introduction of strategies such as introducing locums, assisting in delivery of patient care. Strategic planning will also assist in identifying appropriate development needs of the practice.

Sometimes the plan is in the doctors' heads. They may have strong views on what will work, and they set about doing it in a deliberate and determined way. That is commendable, and there are many examples where this has worked well and has produced good results. However, the prospects of good results will be greatly increased, and perhaps more importantly, the prospect of bad results will be greatly decreased, if the plan is documented on paper. This should be done in a disciplined and structured way, identifying what should be done and what should not be done, who will do it, and why.

This discipline will focus thoughts on why and how the practice development should be conducted. It leads to a more rigorous pursuit of the practice's goals and aspirations. It provides a set framework for performance assessment for everyone involved in the practice.

There can be many reasons for doctors to draw up a business plan. These can include documenting thoughts in order to check, revise or improve them at a later date, and may be related to many aspects of business management and development; such as attracting new doctors to the practice, or simply advising a lending institution in order to secure funding. The business plan can be instrumental when describing future objectives to a potential partner. This is a useful way to attract doctors to the practice, or to obtain confidence from financial institutions confirming the practice is a good investment, with future plans that will enable it to continue meeting its obligations.



This process is called identifying the audience; if the business plan is being designed for a financial institution the emphasis should be on security for the proposed loan and how it can be serviced. However if it is being composed for a potential partner the emphasis should be more towards security of venture capital and returns on investments. If the business plan is being written for internal use only, it should then place equal emphasis on all components. Identifying the audience

allows informed decisions to be made on the content to be included in the business plan that will satisfy the requirements of the particular audience.

It is always a good idea to analyse and check the plan regularly, which may vary according to clinic activities. For well established clinics experiencing little development or growth, each year at tax time, is an appropriate process. For clinics that are experiencing great change, review of business plans may occur more frequently, as deviations and changes may occur. This is an intrinsic part of developing and maintaining a successful practice.

Doctors can choose to develop their own business plan or they can seek the help of a consultant. There are advantages and disadvantages for both and these are listed in the following table:

|                      | <b>Creating your own plan</b>  | <b>Seeking assistance</b>  |
|----------------------|--|--|
| <b>Advantages</b>    | <ul style="list-style-type: none"> <li>• An intimate knowledge of the plan allows the writer to implement the actions;</li> <li>• A better knowledge of the practice's profitability will increase the understanding of how the practice works;</li> <li>• Business skills will be increased; and</li> <li>• It will cost a lot less than a consultant.</li> </ul> | <ul style="list-style-type: none"> <li>• Professionals will have a far greater knowledge of creating business plans; and</li> <li>• Doctors' time can be better spent consulting while professionals write the plan.</li> </ul>  |
| <b>Disadvantages</b> | <ul style="list-style-type: none"> <li>• A large amount of time will need to be invested in researching and writing the plan; and</li> <li>• Doctors' skills at business plan writing will not be as proficient as a professional.</li> </ul>  | <ul style="list-style-type: none"> <li>• If someone else has written the plan, the doctor may not fully understand it;</li> <li>• The opportunity to gain further knowledge about the potential practice is missed;</li> <li>• The person writing the plan may not have a full understanding of the health industry and the desires of the practice; and</li> <li>• The cost involved will be high.</li> </ul> |

Alternatively, a combination of both options could be viable. The consultant could provide the guidance and expertise that doctors do not generally have for writing a business plan, and the doctor's expertise in the industry can assist in its preparation. Therefore, both the doctor and the consultant will be familiar with the situation.

### **Getting started**

Successfully executed, a business plan should ensure practice profit, hence goodwill is maximised and all viable options available to the practice are encouraged and explored to their fullest extent.

Planning cannot begin if there is not a vision. Formalising the process can help turn abstract concepts and ideas into a practical reality. Formal statements about the visions and plans of the practice are often developed; this enables doctors to enhance their identity and market their plan, which in turn allows them to better manage performance and outcomes. The formalised process is called a vision statement and is usually kept short and simple to contain ideas about the future direction the practice intends taking.

To assist with creating a vision statement, doctors should first establish a set of principles and values that will underpin their practice. A simple tool to assist with the mapping of the practice's values is the "value wheel", as illustrated. The values should be agreed and understood by management and staff as they are an important factor in the success of the practice.

Once the principals, beliefs and values of the practice have been developed the meaning of each value needs to be reflected upon. Questions should be asked such as:

- What each value is about and what it really means;
- Whether it is fully understood by staff and patients; and
- What other ideas are associated with each value.



The values can then be translated into a set of principles and standards of behaviour within the practice, and incorporated into the vision statement.

**Further reading:**

Kron J, 2009, *Australian Doctor*, Rich doc; poor doc, 13 May 2009

**Thinking about the patients**

Medical practices are different to other businesses. The profound emphasis on patient care and support doesn't occur in most other businesses: the dominant purpose of a medical practice is only rarely profit maximisation.

It should never be suggested that patient care and support should be given second place on the practice's list of priorities. The paradox is that a properly constructed and implemented business plan will assist in achieving the goals of patient care and support, and assist the doctors to maximise their income and wealth. In a good practice the two concepts support each other and do not conflict with each other. The market rewards good service.

An ethos of patient care and support should dominate the plan; in the same way client service or customer service should dominate the business plan of any other type of business. If this occurs the medical practice should flourish under all measures of success, including both patient service and practice profitability.

The doctor will need to define the demographics of the practice, and the planning process should be developed around meeting the needs of the type of patients it will be serving. For example, some

practices may be located in an area close to Army Barracks, and therefore have a majority of veteran affairs patients, or may be situated close to several aged care facilities, and chose to concentrate on the needs of these older citizens. Alternatively it could be a new practice in a developing suburb, where the emphasis is on family medicine with more young families and children, or it may be in an industrial estate that is going to treat more workcover related patients. Identifying the potential patient base is an important factor when thinking about the type of services that will be provided. The following quiz can assist in assessing the practice's patients' needs, what should be considered to assist the practice stand out from the others, and useful tips to help maximise opportunities: [Do you understand what motivates your customers?](#)

### **Thinking about the doctor**

A good business plan reflects the personal preferences and ambitions of the doctors. Apart from setting goals and selecting strategies, it also accommodates private lives, and by anticipating problems, helps reduce stress levels. Knowing what the plan is, and why it is implemented, increases the chances of a successful outcome, and with less resistance

The process of preparing a business plan allows the doctors to identify what is important to them, and allows for consideration of their choices and visions. The needs of a young family may dictate the hours the practice is open. An assistant may be required to help after hours, or on weekends. The preferred location of a practice may need to be weighed against the availability of good schools in that area, and the living or career requirements of a spouse. The business plan should be realistic and should be developed with regard to the practical aspects of the clinic demographic, including lifestyle wants and needs of the main stakeholders.

The business plan process often presents a good opportunity for reflection on the priorities of the practitioners, and for ensuring there is consistency between personal and professional goals.

## **10.2 WHAT A BUSINESS PLAN LOOKS LIKE**

There is not one standard format. A business plan is not a precise formula to be strictly adhered to no matter what the circumstances of the doctors are. It is a document with some opportunity for flexibility, reflecting the needs of the people who created it and use it.

Nevertheless, some broad guidelines can be set out to assist in preparing business plans. Within common sense limits, a business plan can be as short or as long as one wishes it to be. It can be filled with detail, or devoted solely to the big picture. The plan should reflect the unique needs of the practice, and since it is their document, should be written by the doctors, using outside assistance if required. Using a template or a precedent can assist in developing a logical and consistent strategy for conducting the practice in both the short and long terms. This is particularly the case if a third party, such as a potential partner or a bank is going to view the document.

When starting from scratch developing a business plan, there is no set sequence that needs to be followed. However, common sense suggests that strategic strategies cannot be identified until organisational strengths have been researched, and the direction of the practice has been determined. Neither can the tactical strategies be determined, until the practice strategic plans for

development have been established. When reviewing a previous plan it is often easier to follow the same template that was originally used, as this has the added benefit of allowing review of the historical developments of the practice.

One suggestion for a medical practice's business plan is set out in the table below.

| <b>Category</b>                   | <b>Contents</b>   |
|-----------------------------------|---|
| <b>1. Background Information</b>  | 1.1 Purpose of Report<br>1.2 Structure of Plan<br>1.3 History of Organisation and Organisation Profile  |
| <b>2. Mission</b>                 | 2.1 Mission<br>2.2 Objectives   |
| <b>3. Practice Position</b>       | 3.1 Market Overview<br>3.2 Competitors<br>3.3 Patients<br>3.4 Summary   |
| <b>4. Organisational Strength</b> | 4.1 Marketing<br>4.2 Management Control<br>4.3 Human Resources<br>4.4 Construction/Operation Technology<br>4.5 Finance  |
| <b>5. Strategic Audit</b>         | 5.1 Situation Analysis Summary<br>5.2 Strengths<br>5.3 Weaknesses<br>5.4 Opportunities<br>5.5 Threats   |
| <b>6. Grand Strategy</b>          | 6.1 Mission Review<br>6.2 Basis for Growth<br>6.3 Sustainable Competitive Advantage   |
| <b>7. Functional Strategies</b>   | 7.1 Alternative Strategies Available<br>7.2 Recommended Strategy<br>7.3 Operations Strategy<br>7.4 Finance Strategy<br>7.5 Marketing Strategy<br>7.6 Resources Strategy |
| <b>8. Implementation</b>          | 8.1 Implementation Strategy<br>8.2 Contingency Factors  |

### **Background information**

This is sometimes called an executive summary, and is an overview of the business plan. It is usually developed after the body of the plan has been drafted, although it is presented first. It sets out the reasons for undertaking the process and highlights the main points by placing them into context.

It sets out the basic information required for its audience, (and should be modified for different audiences) including the practice name, owner's experience, description of the type of practice, the structure of the practice, location and date it was established. This section should also contain an overview of the key activities of the practice, and the variety of services offered, for example, allied health professionals, nursing expertise, pathology, radiology etc. It should include an overview of the target markets of the practice, who the competitors are, and what competitive advantages it has

over them. Then it should determine the projected income and profits from these services, what the capital requirements are, who will be contributing these, and what security will be offered.

### **Mission**

The owner doctor prepares a mission statement, (this is different to a vision statement) and outlines what the practice wants to achieve. An example could be:

*“The practice will provide quality primary health care to the community of Isleworth through a safe accredited environment, emphasising confidentiality, trust and compassion, and working closely with other providers to enable the residents to feel assured of receiving the highest possible care.”*

Having declared what the mission will be, the doctor then sets out how to fulfil the mission by creating objectives. There are frequently more than one objective and examples could include:

*“To assist both clinical and non clinical staff in the area of education to continuously develop their skills”*

Or

*“To commit to providing home visits to the patients of nearby residential aged care facilities”.*

### **Practice position**

This section determines where the practice stands in relation to its competitors, examines what the patients want. It uses an integrated approach to assess the competitive advantages. It closely examines the patient profiles through the use of demographic information provided by market research, and enables the practice to make informed decisions about future actions. It also looks at the competitors’ profiles, and what strategies have been undertaken to fulfil any identified needs.

Market research of both the competitor’s and the practice’s current patients must be relevant, accurate, and objective, to enable decisions to be made relating to the following areas:

- How to promote the practice;
- What pricing structure to use i.e. bulk billing or private fees, and what private fees the competitors are charging etc;
- What extra services to offer, e.g. whether the patients want 24 hour access or specialist services at the practice;
- Whether the patients live locally or cover a wide geographical area; and
- Changes that might enable these services to be established.

### **Organisational strength**

Having examined the competitor and patient profile, it is now time to look at what is happening in the rest of the world, and where the practice may have strengths. There are going to be some factors that can be controlled by the practice, as well as other areas that cannot be controlled. These

could include, but are not exclusive to, technological advances, the economic climate, the availability of specific skills, patient preferences, etc.

Many external factors cannot be controlled, these may include:

- Legislation and political/legal requirements - business licence requirements, property titles and leases, employment law, Medicare rebates, zoning and parking restrictions etc;
- Economic factors - trends in patients behaviour, interest rates and their effect on spending, and economic policies regarding incentives to bulk bill;
- Environmental factors - whether the practice can continue to operate during a pandemic, bush fire, flood etc; and
- Issues with suppliers – does the practice use enough supplies to warrant a 30 day accounts, different pricing structures, and how quickly supplies can be delivered.

Most internal factors, however, can be controlled. These could include:

- Physical resources – the number of staff to be employed, expected patient numbers, rosters and workflow, patient service policies, staff appraisals;
- Financial resources – the amount of working capital required, whether there will be adequate cash flow, access to finance; and
- Business capabilities – available space for increasing the number of doctors, experience and expertise of clinical and non clinical staff, ongoing educational needs, recruitment and selection policies, staff morale and communication.

### **Strategic audit**

When the market research is complete, it is time to determine whether the practice will be able to operate within this environment, and if so what makes the practice special or different from its competitors. This is when a SWOT analysis should be undertaken; it gives the chance to review the strengths, weaknesses, opportunities and threats that will affect the practice.

Questions that could be asked include;

- Whether the practice will have the capacity to operate successfully in this market, considering the competitor analysis and patient profile;
- Whether enough cash is available to set up practice without compromising patient care;
- Whether doctors can be successfully attracted to work in the practice;
- Have all regulations been abided by.

By identifying weaknesses and threats, strengths can be built upon and opportunities will present themselves allowing the practice to change direction if needed.

The SWOT analysis allows the practice to identify what critical success factors are required to enable it to have a competitive advantage. The three main critical success factors include:

- Resources - appropriate premises to operate from, adequate funds to operate successfully, and skilled staff to undertake the work;

- Processes and systems - feedback systems, procedures and policies, operating systems, accounting systems, appropriate patient relationship protocols, patient confidentiality processes; and
- Services being offered - appropriate medical, dental, allied health, nursing consultations, including prices and promotion of these services.

Although the three types of critical success factors are independent, it is important to remember that in order to deliver the right services, appropriate resources and processes must be in place.

**Grand strategy**

This section gives the opportunity to assess how to make the most of what differentiates the practice from others already established, and gives the opportunity to assess the risk of opening a new practice. It is time to review the mission statement, and identify what is important to the practice. It is also important to prioritise the critical success factors already identified; these priorities may be different to other practices, and this is also a point of differentiation:

- Business resources, such as comfortable consulting rooms, ongoing staff training, appropriate equipment, cash flow etc;
- Processes and systems, such as a system for recruitment and retention, systems to ensure cleanliness, processes for admin staff, appropriate backup and restoration of IT/IM, processes for maintaining patient confidentiality etc;
- Services, such as which services are required, value for money structure, how to promote the practice etc.

The risk of the practice failing is fairly low, as there is much greater demand for doctors than supply. There is also scope for diversification, such as adding the services of allied health, nurse practitioners etc, which can give the practice a sustainable competitive advantage over others.

**Functional strategies**

It is now time to identify and develop key activities that will need to be undertaken in order to put the strategies already identified in place. The tasks will need to be broken down and done one at a time. The action plan should have the following characteristics: SMART: –

|                               |  |
|-------------------------------|--|
| <b><u>S</u>pecific</b>        | The strategy states precisely what will be achieved  |
| <b><u>M</u>easurable</b>      | The strategy can be monitored or measured  |
| <b><u>A</u>chievable</b>      | The strategy needs to be achievable. There is no point planning to do something if it is unlikely it will ever occur |
| <b><u>R</u>ealistic</b>       | The strategy must be realistic in order to be achievable   |
| <b><u>T</u>ime orientated</b> | The strategy states a definite time when it should be achieved by  |

This ensures that what is undertaken will in fact be appropriate and achievable, and focus doesn't move from the critical success factors identified. The person responsible for undertaking the tasks and the timelines involved will also need to be identified.

Alternative strategies can be examined in this section, and action plans are developed for all areas of the business including:

- Operating strategy - how the practice is going to run, keeping in mind the resources and processes identified earlier;
- Financial strategy - budgets are drawn up for expected income and expenditures, spread sheets for costs, how much patients will be charged, whether they will be charged privately or bulk billed, whether it is appropriate to consider a second or even third doctor, fixed costs compared to variable costs, breakeven point etc;
- Marketing strategy - signage, advertising in local papers, word of mouth, website, community involvement etc; and
- Resources strategy - how many doctors will work, how many support staff will be required, what alternative services will be offered, what awards staff will work under etc.

### **Implementation**

Having identified all the activities and tasks required to achieve the goals set, it is time to put it all into operation. Contingency plans should be included in case alternatives are required.

It is fair to say this template is a very detailed business plan for a medical practice. Many practices prefer something less formal and rigid. However, it is useful to refer to this style as a model for subsequent discussions and explanations. Some business plans have exceeded thirty A4 pages of single spaced typing: this may sound a lot but in reality it is not, and it is surprising how much detail can be forthcoming once the process has begun.

### **10.3 ISSUES THAT NEED TO BE ADDRESSED IN EACH BUSINESS PLAN**

A basic business plan will address the following basic themes:

- Establish where the practice is going;
- Confirm where the practice is currently;
- Consider where the practice could be;
- Examine how to get there; and
- Discover when you have arrived.

#### **Where the practice is going**

The business plan will establish the vision for the practice, and identify the direction for future plans. It will identify what sets it apart from other practices, and what the desired goals and achievements will be, giving it differentiation and direction.

#### **Where the practice is now**

For existing practices, it is important to confirm the current situation. This will entail confirming what the practice's past record, strategy and focus was. It can then reflect on whether it has done as well

as it should have, having regard to the purpose or vision of the practice. If it has not, then establishing why outcomes have not been achieved will help in future planning? Important areas for any business to consider include:

- Management, direction and control;
- Marketing;
- Operations;
- Finance;
- Human resources;
- Quality of management; and
- Other strengths and weaknesses.

### **Where the practice could be**

Consideration should be given to what the big picture or grand strategy is for the practice. It is acceptable to be a little idealistic here, as everything must begin as an idea. Consider, as a minimum, the matters effecting goodwill set out at **non mandatory module 2 Part B** of this manual. As these are the factors that impact practice goodwill, it makes sense to consider each of them when preparing the business plan.

### **How to get there**

Given the current situation of the practice, the plan will need to include ways of achieving its identified goals, and how to become the practice of its vision. This is the sharp end of the business plan. It is here the real detail sets in and actual tactical plan's and proposed actions are formulated, setting out the key issues of who, when, what and how.

### **Knowing when you are there**

Plan controls and assessment criteria are needed to measure the success of the practice, having regard to the objectives that have been set for it. These should include financial and non-financial criteria. For more information about how to write a business plan visit the following document: [Business Planning Writing Guide](#).

A business plan has been developed for Wyalkatchem Medical Practice in conjunction with the Shire of Wyalkatchem, and can be viewed at appendix 1 at the end of this module. A further example of a business plan for a sports medicine practice can be found at appendix 2 at the end of this module. These samples are very different but have the basic components required in a business plan and show how doctors can be flexible with what is included.

### **A final thought**

Before starting a business plan, patients could be asked what they desire from the medical practice and whether their needs are currently being met.

Perhaps a simple questionnaire could be sent to a few patients. Remember, this is not the Government Actuary, so be selective about who is asked. Make sure the sample is fairly representative and sufficiently large for the results to be reliable and meaningful. These questions should reflect the matters that affect goodwill discussed in **Non mandatory module 2 Part B** of this manual.

## 10.4 BENCHMARKING OVERVIEW

The simple definition of a benchmark is a standard which performance can be measured against. It provides a snapshot of costs, time analysis or output relating to a specific area of the practice, and the result will give a comparison of how market leaders are performing, show the industry average for similar practices and allow practices to compare their performance against these criteria. The outcomes can form the basis for forming a business case to make improvements or changes. The following quote<sup>1</sup> summarises the two essential features of benchmarking - that data is collected to establish best practice and compare organisations, and following comparison, changes can be implemented to improve performance:

*“...the process of continuously comparing and measuring an organisation with business leaders anywhere in the world to gain information which will help the organisation to take action to improve its performance.”*

Benchmarking became popular in Australia in the early 1990s following endorsement by the Australian Quality Awards and the Commonwealth Government's Best Practice Demonstration Program. Of Australia's top 500 companies, 70% were either benchmarking by 1992 or intending to benchmark<sup>2</sup>. However, the health industry, particularly general practice, shows no evidence of following these trends.

Practice managers are often unaware of how their practice performs in comparison to other similar practices. The result of this lack of knowledge could have some very negative outcomes, and mean less than adequate staff performance, forgone revenue, spiralling costs, low staff morale, and poor patient satisfaction. Benchmarking tools can assist by comparing practices with those in a similar situation, offering the opportunity to evaluate the practice's operational, financial, and patient satisfaction performance, by focusing on underperforming areas.

### **Internal benchmarking**

There are a number of approaches to benchmarking. Internal benchmarking is verification of milestones developed within the practice, and leads to comparison of progress against the business plan objectives. Where the practice perceives to be performing to its highest standards, it may still be failing to measure up to average industry standards, whilst being unaware that its models are uncompetitive. However, internal benchmarking provides a method of collecting information and processing it, in order to assess performance and assist with strategic decision making.

Most practices undertake some form of performance measurement and there are two main categories for internal benchmarking. They are business function performance measurement, where processes and procedures are examined, and business operation performance measurement, where the outcomes are measured.

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<sup>1</sup> American Productivity and Quality Centre, 1993, *The Benchmarking Management Guide*, Productivity Press, Cambridge, Massachusetts, p4

<sup>2</sup> Macneil J, Rimmer M, & Testi J, 1993, *Raising the standards – Benchmarking and best practice in Australia: Progress in the top 500 enterprises*, Monash University, Melbourne

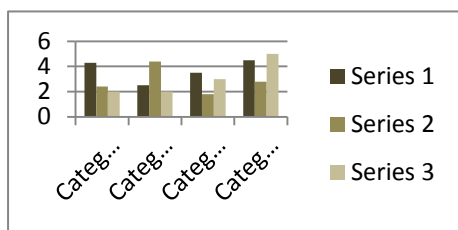
| Business Function Performance Measurement   | Business Operation Performance Measurement   |
|---|--|
| <ul style="list-style-type: none"> <li>Processes and procedures</li> <li>Sales and marketing</li> <li>Human resource management</li> <li>Finance</li> </ul> | <ul style="list-style-type: none"> <li>Direct costs and expenses</li> <li>Prices and profitability</li> <li>Quality assurance</li> <li>Customer service</li> </ul> |

Typical internal benchmarks used by general practices include:

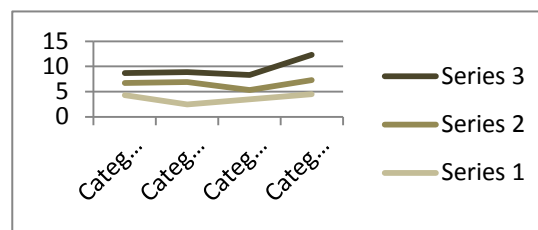
- Fees per doctor per year;
- Fees per doctor per hour;
- Number of patients seen per hour;
- Number of patients seen per week;
- Total expenses per doctor per annum;
- Cost of keeping the practice open;
- Break even number of patients per day;
- Ratio of private to bulk billing

The information can be presented in a number of formats including graphs and tables. Some examples of these are set out below:

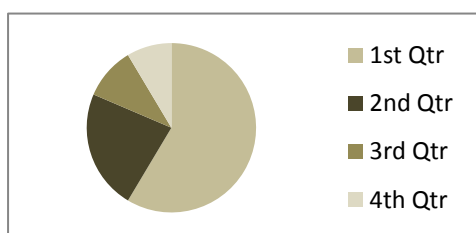
Column graph



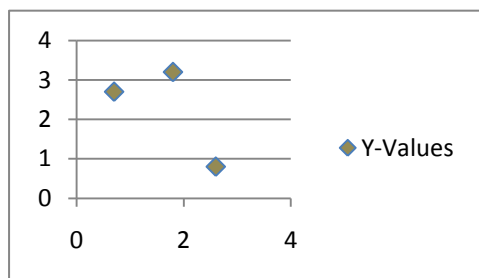
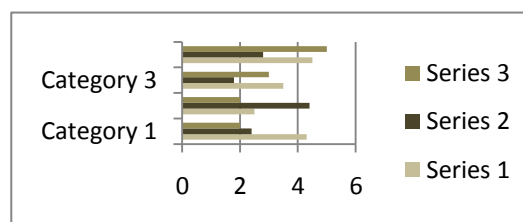
Line graph



Pie Chart

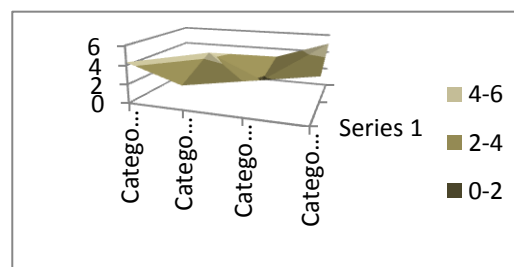


Bar graph

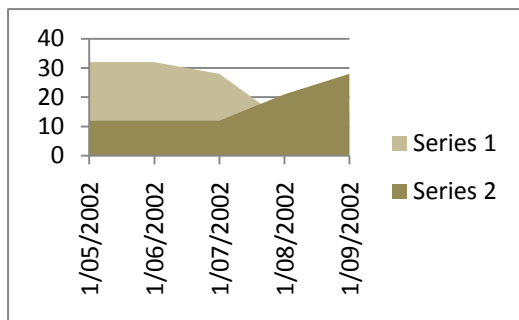


chart

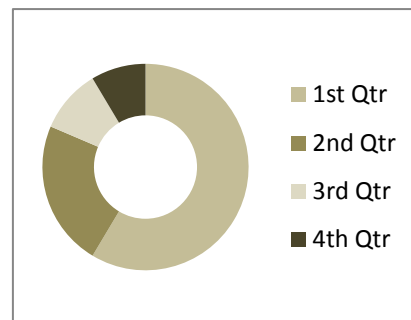
Scatter



Surface chart



Area Chart



Doughnut chart

Column table

| Doctor A   |        |         |         |                     |
|------------|--------|---------|---------|---------------------|
|            | May 10 | June 10 | June 09 | Reasons for changes |
| Income     | 35,000 | 32,000  | 34,000  |                     |
| Expenses   | 15,750 | 14,400  | 15,300  |                     |
| Difference | 19,250 | 17,600  | 18,700  |                     |

Information for internal benchmarking can be gathered from historical figures kept from previous periods, practice objectives, or local conditions. The key is to be consistent, and set achievable targets. Internal benchmarking is an acceptable guide to measuring practice performance, although should not be used as the sole technique for implementing change.

**External benchmarking**

External benchmarking measures organisations in the same industry against each other. No practice is too small to be involved in benchmarking. When undertaking external benchmarking, especially in the healthcare field, most practices will have the same or similar technology, and all are governed by the same external legislation and Medicare payment schemes, therefore giving practices a base of similarities. However, when comparing one practice with another it is important to recognise subtle differences, such as the size and location of the practice. Larger practices in metropolitan areas are usually able to open longer hours, and offer more services than their rural counterparts. Larger practices will, on average, have lower overhead costs, and higher staff productivity, than smaller practices. These factors combine to offer higher productivity, and therefore, higher profits per principal, so should be taken into consideration when making comparisons. A further difficulty arises when practices see themselves as competitors, and become reluctant to release information for fear of losing their competitive advantage.

Over recent years measurement of financial improvement has not featured as a high priority for practices concentrating on quality improvement, with more emphasis being placed on clinical improvements. When providing benchmarking data for practices it is essential that the quality of the data is accurate: for this reason there is a serious shortage of financial benchmarking data available for health care providers to work with. However, McMasters has specialised in doctors', especially general practitioners, and dentist's finances for many years, ensuring the figures provided in this document are accurate and current.

## 10.5 BENCHMARKING GUIDES

Tasks, activities, and performance are the main activities measured in practices. The four basic methods for measuring these are costs, profit, quality, and time.



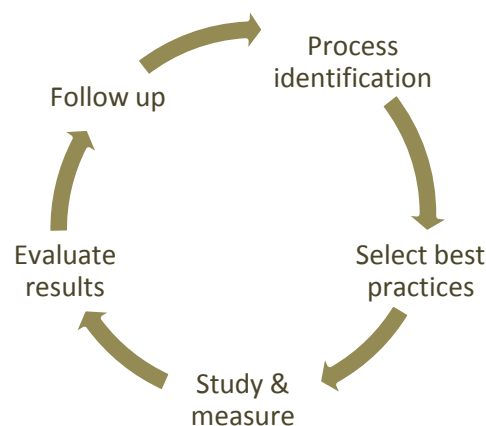
|                |   |
|----------------|---|
| <b>Costs</b>   | Relates to expenses incurred in consulting, such as doctors' service fees, support staff wages, practice expenses including utilities, consumables and stationery, administrative expenses etc. |
| <b>Profits</b> | Refers to the amount left over after payment has been received for services rendered, and all the expenses have been paid.  |
| <b>Quality</b> | Relates to the characteristics of meeting and maintaining the requirements and expectations of the patients and the manner they are perceived.  |
| <b>Time</b>    | Efficiencies relating to the numbers of patients seen per hour, per session, per day etc.   |

Although most practices commonly use financial methods to benchmark activities, some would argue that not all tasks are measurable. However, all activities undertaken within the practice can be measured, if not financially, then in non-financial terms, or a combination of both. The key to benchmarking is collecting, assessing and forecasting historic, current and anticipated performance. The types of benchmarking and their relationships are unlimited. The following table sets out some examples:

| <b>Activity</b>    | <b>Measurement</b>  |
|--------------------|---|
| Services delivered | <ul style="list-style-type: none"> <li>• The number of new services introduced over a period of time;</li> <li>• The number of new services expected to be introduced over a period of time;</li> <li>• The revenue received from new services as a percentage of all services offered;</li> <li>• The cost and time used in developing new services against the budgeted costs;</li> <li>• The revenue received from new services compared to the budget;</li> </ul> |

|                                |  |
|--------------------------------|--|
|                                | <ul style="list-style-type: none"> <li>• The total profit contribution from development of new services</li> </ul>   |
| Sales and Marketing            | <ul style="list-style-type: none"> <li>• Dollar consultation fees value per doctor;</li> <li>• Dollar income value per additional fee earners e.g. nurses, allied health, specialists etc;</li> <li>• Dollar value of additional income (PIP, SIP etc) per fee earner;</li> <li>• Dollar gross profit on consultation fees per fee earner;</li> <li>• Average number of patients per doctor;</li> <li>• Average number of patients for the entire practice;</li> <li>• Average waiting time per practitioner;</li> <li>• Total marketing costs;</li> <li>• Total marketing costs as a percentage of gross profit;</li> <li>• Ratios of private and bulk billed patients;</li> <li>• The percentage of bad or doubtful debts</li> </ul> |
| Administrative expenses        | <ul style="list-style-type: none"> <li>• Total administrative expenses as a percentage of gross profit;</li> <li>• Administrative wages as a percentage of consultation fees;</li> <li>• Identification of rising or falling costs;</li> <li>• Cost of mandatory employment expenses as a percentage of full employment expenses</li> </ul>  |
| Occupational health and safety | <ul style="list-style-type: none"> <li>• Number of hours lost to accidents, incidents and mishaps;</li> <li>• The number, type and cause of accidents, incidents and mishaps;</li> <li>• Number of sick leave hours compared to total working hours;</li> </ul>  |
| Human resource management      | <ul style="list-style-type: none"> <li>• Hours of training undertaken;</li> <li>• Cost of training as a percentage of total payroll or gross profit;</li> <li>• Number of disciplinary interviews compared to total staff employed;</li> <li>• Number of non fee earning staff compared to fee earners;</li> <li>• Human resource management costs compared with gross profit</li> </ul>   |

There are five steps to undertaking benchmarking that run in a continuous cycle:



**Process identification** involves recognising a business function or process that requires reviewing or improving. Focusing on key performance outcomes will help narrow down the functions to choose from. A team will need to be established to undertake the collection of information and data from as many sources as possible, both internal and external.

Identification of **best practice** entities is the most difficult step in the external benchmarking process. The practices being compared need to have the same, or very similar, characteristics and demographics, otherwise the comparisons will not be relevant.

**Examining or measuring** the performance of the best practice entity allows comparisons to be made. The four primary comparison measures are costs, profits, quality and time issues.

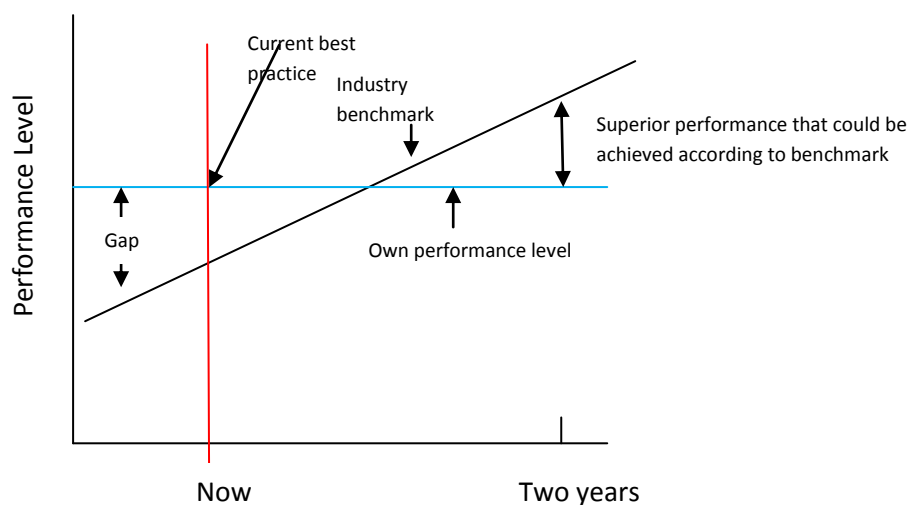
**Evaluating the results** will identify differences between two practices, allow for analysis of performance gaps and allow for improvement methods to be developed.

**Following up** and monitoring issues identified allows for continual improvements and quality control.

Reality dictates that not all benchmarking activities will follow this cycle, and frequently parts of the process will be discarded. There are five different styles for benchmarking and the following table sets them out, explaining some of the characteristics of each:

| Style of benchmarking           | Characteristics   |
|---------------------------------|---|
| Process driven benchmarking     | This entails strictly following the five steps in a disciplined and thorough manner. It risks overlooking practice culture, and failing to take into consideration staff and patient feedback                         |
| Data driven benchmarking        | Databases are consulted to make comparisons. There is a risk that demographic differences will not be accounted for in the data normalisation process, and adjustments will be made to areas that are not appropriate |
| People driven benchmarking      | This puts the benchmarking teams in focus and allows them to shape the policies. There is a high amount of staff involvement; however structure and discipline may be forsaken as a result.                           |
| Strategy driven benchmarking    | Focusing on strategies enables the critical success factors to be analysed, however it does not involve the team as much. The team often recognises the gaps and can assist in applying solutions.                    |
| Hybrid approach to benchmarking | This is a mixed strategy with a disciplined approach to process. Data analysis is used, team involvement in learning and implementation is encouraged, as well as a strategic focus on critical success factors.      |

Benchmarking exists to identify a performance gap at a particular point in time, which allows action to be taken to close the gap. Best practice organisations will continue to raise their standards of performance. The following diagram<sup>3</sup> illustrates the motivation for benchmarking and closing gaps.



### Benchmarking Specifically for the Health care Environment

The aim of benchmarking is continual improvement, which leads to improved profit. Some areas of the practice can be improved and it is the role of the practice manager to understand which elements can be controlled. Improving one element will improve profits, however improving several elements will increase profits by a substantial amount more. A simple example is attempting to increase the number of patients; this would not only require improvements in marketing strategies, but also be followed by an increase in the number of enquiries being converted to actual appointments. Through implementing a process of integrating reception staff, nurses and doctors to focus on providing an improved competitive service the practice will improve both elements and increase patient numbers, resulting in increased profits.



| Dynamic Equation    | Example | Explanation                                     |
|---------------------|---------|---|
| New marketing leads | 1,000   | Increased marketing campaign                    |
| x                   |         |   |
| Conversion Rate     | 12%     | Percentage actually converted to patient visits |
| =                   |         |   |
| New patients        | 120     | Increased number of patients                    |
| x                   |         |   |
| Average Sale        | \$55.00 | Average price for consultation                  |
| =                   |         |   |
| Increased profit    | \$6,600 | Increased profit                                |

<sup>3</sup> Graetz F, Rimmer M, Lawrence A, & Smith A, 2006, *Managing Organisational Change, 2<sup>nd</sup> Australasian Edition*, John Wiley & Sons Australia Ltd, Qld.

Effective practice management requires an understanding of financial performance. In order to identify the current performance of the practice and assess the possible impact of any changes on performance and profitability it is essential to have a comprehension of benchmarking for continuous improvement, and best practice performance.

The measures mentioned earlier stated benchmarking should focus on cost, profit, quality and time issues; however, quality and time relate to internal benchmarks. At this point the focus will be on financial performance measures with external benchmarking. Comparing financial data will enable favourable and unfavourable performance trends to be identified within the practice, and provide indicators of the practice's performance against others.

When comparing the practice against others, there are a number of factors to weigh up when considering how the average was calculated. These include:

- How large or small the sample size was;
- Whether each practice from the sample group uses the same accounting methods;
- Whether the figures are skewed by a larger number of large or small practices in the sample group;
- The size of the practice being compared could be larger or smaller than the average in the sample group;
- The practices in the sample group could be from different specialties; and
- The average figures may be relevant to a different financial period.

Using net profit of \$100,000 before tax as a comparison is meaningless, unless it is related to the income figure of \$1,000,000, when it could be stated that net profit earned from income is 10%. The information is still meaningless, unless the figures are being compared to a practice of similar size, in a similar location and with similar services.

**Further reading:**

Australian Doctor 2007, *GPs Compared with other Professions*. 27 June 2007

Australian Doctor 2007, *GPs Compared with other Specialists*. 27 June 2007

Kron J, 2007, Australian Doctor, *Working Hard for the Money*, 27 June 2007

The following tables identify a number of de-identified practices that have been categorised into size, location and specialty to enable benchmarking to be undertaken:

| <b>Rural General Practices<br/>Small – Solo practices</b>     |                                  |                           |                  |
|---|----------------------------------|---------------------------|------------------|
|   | <b>Practice 1<br/>Queensland</b> | <b>Practice 2<br/>NSW</b> | <b>Averages</b>  |
| Professional fees   | \$360,858                        | \$838,892                 | \$599,875        |
| Other income  | \$ 69,480                        | \$ 8,644                  | \$ 39,062        |
| Total Income  | \$430,338                        | \$847,536                 | \$638,937        |
| Depreciation  | \$ 9,803                         | \$ 13,722                 | \$ 11,762        |
| Other Expenses  | \$ 33,395                        | \$328,058                 | \$180,726        |
| Total Expenses  | \$ 43,198                        | \$341,780                 | \$192,489        |
| <b>Net Profit from<br/>ordinary activities<br/>before tax</b> | <b>\$387,140</b>                 | <b>\$505,756</b>          | <b>\$446,448</b> |

| <b>Metropolitan General Practices<br/>Small – Solo practices</b> |                                |                                |                                |                                |                  |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|------------------|
|  | <b>Practice 1<br/>Victoria</b> | <b>Practice 2<br/>Victoria</b> | <b>Practice 3<br/>Victoria</b> | <b>Practice 4<br/>Victoria</b> | <b>Averages</b>  |
| Professional Fees  | \$544,100                      | \$812,189                      | \$379,689                      | \$786,515                      | \$630,623        |
| Other Income   | \$ 17,424                      | \$ 1,303                       | \$ 296                         | -                              | \$ 6,341         |
| Total Income   | \$561,524                      | \$813,492                      | \$379,985                      | \$786,515                      | \$636,964        |
| Depreciation   | \$ 4,776                       | \$ 8,445                       |                                | \$ 10,646                      | \$ 7,955         |
| Superannuation   | \$206,030                      | \$ 89,769                      | \$137,219                      | \$149,329                      | \$145,586        |
| Other Expenses   | \$336,624                      | \$398,114                      | \$242,567                      | \$401,405                      | \$344,677        |
| Total Expenses   | \$547,430                      | \$496,328                      | \$379,786                      | \$561,380                      | \$498,218        |
| <b>Net Profit from<br/>ordinary activities<br/>before tax</b>    | <b>\$ 14,094</b>               | <b>\$317,164</b>               | <b>\$ 199</b>                  | <b>\$225,135</b>               | <b>\$138,746</b> |

| <b>Rural General Practices<br/>Medium – 2 – 5 Doctors</b> |                                |                                |                           |                           |                           |                                |                    |
|---|--------------------------------|--------------------------------|---------------------------|---------------------------|---------------------------|--------------------------------|--------------------|
|   | <b>Practice 1<br/>Victoria</b> | <b>Practice 2<br/>Victoria</b> | <b>Practice 3<br/>NSW</b> | <b>Practice 4<br/>QLD</b> | <b>Practice 5<br/>QLD</b> | <b>Practice 6<br/>Victoria</b> | <b>Averages</b>    |
| Professional fees   | \$2,587,167                    | \$1,202,717                    | \$1,723,301               | \$1,702,264               | \$1,176,532               | \$549,138                      | \$1,490,186        |
| Other Income  | \$ 38,160                      | \$ 30,878                      | \$ 9,728                  | \$ 117,329                | \$ 428,405                | \$134,893                      | \$126,565          |
| <b>Total Income</b>                                       | <b>\$2,549,007</b>             | <b>\$1,233,595</b>             | <b>\$1,733,029</b>        | <b>\$1,819,593</b>        | <b>\$1,604,937</b>        | <b>\$684,031</b>               | <b>\$1,616,751</b> |
| Consumables   | \$ 100,040                     | \$ 33,879                      | \$ 11,967                 | \$ 27,744                 | \$ 58,913                 | \$ 16,772                      | \$41,552           |
| Depreciation  | \$ 9,991                       | \$ 6,284                       | \$ 24,124                 | \$ 10,281                 | \$ 21,364                 | \$ 15,584                      | \$14,604           |
| Rent  | \$ 15,126                      | \$ 117,353                     | \$ 83,079                 | \$ 38,852                 | \$ 47,058                 | \$ 21,269                      | \$53,789           |
| Salaries & Super  | \$ 669,724                     | \$ 268,496                     | \$ 336,468                | \$ 340,871                | \$ 317,272                | \$321,673                      | \$375,750          |
| Other Expenses  | \$ 397,977                     | \$ 70,982                      | \$ 657,408                | \$ 488,523                | \$ 699,055                | \$ 70,190                      | \$397,355          |
| <b>Total Expenses</b>                                     | <b>\$1,192,858</b>             | <b>\$ 496,994</b>              | <b>\$1,113,046</b>        | <b>\$ 906,271</b>         | <b>\$1,143,662</b>        | <b>\$445,488</b>               | <b>\$883,050</b>   |
| <b>Net Profit from ordinary activities before tax</b>     | <b>\$1,356,149</b>             | <b>\$ 736,601</b>              | <b>\$ 619,983</b>         | <b>\$ 913,322</b>         | <b>\$ 461,275</b>         | <b>\$222,756</b>               | <b>\$733,701</b>   |

| <b>Metropolitan General Practice<br/>Medium – 2 – 5 Doctors</b> |                                |                                |                                |                                |                                |                                |                    |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------|
|   | <b>Practice 1<br/>Victoria</b> | <b>Practice 2<br/>Victoria</b> | <b>Practice 3<br/>Victoria</b> | <b>Practice 4<br/>Victoria</b> | <b>Practice 5<br/>Victoria</b> | <b>Practice 6<br/>Victoria</b> | <b>Averages</b>    |
| Professional fees   | \$763,345                      | \$960,207                      | \$1,399,964                    | \$ 925,746                     | \$1,587,382                    | \$589,914                      | \$1,037,759        |
| Other Income  | \$ 8,044                       | -                              | \$ 21,294                      | \$ 375,919                     | \$ 301,205                     | \$ 45,781                      | \$150,448          |
| <b>Total Income</b>   | <b>\$771,389</b>               | <b>\$960,207</b>               | <b>\$1,421,528</b>             | <b>\$1,301,665</b>             | <b>\$1,888,587</b>             | <b>\$635,695</b>               | <b>\$1,188,207</b> |
| Consumables   | \$142,696                      | \$ 1,306                       | \$ 24,536                      | \$ 14,028                      | \$ 8,802                       | \$ 22,550                      | \$35,653           |
| Depreciation  | \$ 42,715                      | \$ 23,241                      | \$ 8,039                       | \$ 11,674                      | \$ 15,986                      | \$ 5,739                       | \$17,899           |
| Rent  | \$ 33,810                      | \$ 32,112                      | -                              | \$ 28,837                      | \$ 2,606                       | \$ 24,207                      | \$24,314           |
| Salaries & Super  | \$106,599                      | \$271,261                      | \$201,813                      | \$ 195,806                     | \$ 142,856                     | \$176,114                      | \$182,408          |
| Other Expenses  | \$462,816                      | \$421,150                      | \$616,804                      | \$ 141,083                     | \$ 393,645                     | \$ 71,099                      | \$351,099          |
| <b>Total Expenses</b>   | <b>\$788,636</b>               | <b>\$749,070</b>               | <b>\$851,192</b>               | <b>\$ 391,428</b>              | <b>\$ 563,895</b>              | <b>\$ 299,709</b>              | <b>\$611,373</b>   |
| <b>Net Profit from ordinary activities before tax</b>           | <b>(\$17,247)</b>              | <b>\$211,137</b>               | <b>\$570,336</b>               | <b>\$ 910,237</b>              | <b>\$1,324,692</b>             | <b>\$ 335,986</b>              | <b>\$576,834</b>   |

| <b>Rural General Practice<br/>Large – 6 or more Doctors</b> |                        |                    |                    |                        |                    |
|---|------------------------|--------------------|--------------------|------------------------|--------------------|
|   | Practice 1<br>Victoria | Practice 2<br>NSW  | Practice 3<br>QLD  | Practice 4<br>Victoria | Averages           |
| Professional fees   | \$4,737,101            | \$4,665,533        | \$3,534,562        | \$5,695,935            | \$4,658,282        |
| Other Income  | \$ 923,847             | \$ 408,539         | \$ 455,024         | \$ 626,374             | \$ 603,446         |
| Total Income  | \$5,660,948            | \$5,074,072        | \$3,989,586        | \$6,322,309            | \$5,261,728        |
| Consumables   | \$ 178,144             |                    | \$ 89,554          | \$ 79,601              | \$ 115,766         |
| Depreciation  | \$ 94,757              |                    | \$ 35,482          | \$ 46,347              | \$ 58,862          |
| Rent  | \$ 418,776             |                    | \$ 263,843         | \$ 150,094             | \$ 277,571         |
| Salaries & Super  | \$2,474,478            |                    | \$ 871,014         | \$1,993,117            | \$1,779,536        |
| Other Expenses  | \$1,548,432            |                    | \$ 605,204         | \$2,025,785            | \$1,393,140        |
| Total Expenses  | \$4,714,587            | \$2,659,159        | \$1,865,097        | \$4,294,944            | \$3,624,875        |
| <b>Net Profit from ordinary activities before tax</b>       | <b>\$ 946,361</b>      | <b>\$2,414,913</b> | <b>\$2,124,489</b> | <b>\$2,027,365</b>     | <b>\$1,636,853</b> |

| <b>Metropolitan General Practice<br/>Large – 6 or more Doctors</b> |                                |                                |                           |                                |                   |
|--|--------------------------------|--------------------------------|---------------------------|--------------------------------|-------------------|
|  | <b>Practice 1<br/>Victoria</b> | <b>Practice 2<br/>Victoria</b> | <b>Practice 3<br/>QLD</b> | <b>Practice 4<br/>Victoria</b> | <b>Averages</b>   |
| Professional fees  | \$1,097,534                    | \$3,226,796                    | \$1,936,492               | \$ 737,601                     | \$1,749,605       |
| Other Income   | \$ 59,,689                     | \$ 583,211                     | \$ 198,172                | \$ 80,977                      | \$ 230,512        |
| Total Income   | \$1,157,223                    | \$3,810,007                    | \$2,134,664               | \$ 818,578                     | \$1,980,117       |
| Consumables  | \$ 13,530                      | \$ 94,013                      | \$ 49,377                 | \$ 42,240                      | \$ 49,790         |
| Depreciation   | \$ 10,891                      | \$ 43,274                      | \$ 13,791                 | \$ 14,132                      | \$ 20,522         |
| Rent   | \$ 82,044                      | \$ 105,402                     | \$ 107,456                | \$ 103,942                     | \$ 99,711         |
| Salaries & Super   | \$ 556,426                     | \$1,648,437                    | \$ 710,361                | \$ 296,598                     | \$ 802,955        |
| Other Expenses   | \$ 490,350                     | \$1,614,401                    | \$ 663,642                | \$ 110,776                     | \$ 719,792        |
| Total Expenses   | \$1,153,241                    | \$3,505,527                    | \$1,544,627               | \$ 567,688                     | \$1,692,770       |
| <b>Net Profit from ordinary activities before tax</b>              | <b>\$ 3,982</b>                | <b>\$ 304,480</b>              | <b>\$ 590,037</b>         | <b>\$ 250,890</b>              | <b>\$ 287,347</b> |

| <b>Metropolitan Dental Practice<br/>Medium – 2 -5 Practitioners</b> |                                |                                |                                |                   |
|---|--------------------------------|--------------------------------|--------------------------------|-------------------|
|   | <b>Practice 1<br/>Victoria</b> | <b>Practice 2<br/>Victoria</b> | <b>Practice 3<br/>Victoria</b> | <b>Averages</b>   |
| Professional fees   | \$1,167,565                    | \$ 821,967                     | \$ 410,491                     | \$ 800,007        |
| Other Income  | \$ 10,732                      | \$ 5,674                       | \$ 1,150                       | \$ 5,852          |
| <b>Total Income</b>   | <b>\$1,178,297</b>             | <b>\$ 827,641</b>              | <b>\$ 411,641</b>              | <b>\$ 805,859</b> |
| Consumables   | \$ 158,343                     | \$ 68,109                      | \$ 24,252                      | \$ 83,568         |
| Depreciation  | \$ 22,502                      | \$ 3,885                       | \$ 1,972                       | \$ 9,453          |
| Rent  | \$ 44,013                      | -                              | -                              | \$ 14,671         |
| Salaries & Super  | \$ 221,023                     | \$ 437,296                     | \$ 187,102                     | \$ 281,807        |
| Other Expenses  | \$ 147,757                     | \$ 128,609                     | \$ 25,425                      | \$ 100,597        |
| <b>Total Expenses</b>   | <b>\$ 593,638</b>              | <b>\$ 637,899</b>              | <b>\$ 238,751</b>              | <b>\$ 490,096</b> |
| <b>Net Profit from<br/>ordinary activities<br/>before tax</b>       | <b>\$ 584,659</b>              | <b>\$ 189,742</b>              | <b>\$ 172,890</b>              | <b>\$ 315,763</b> |

| <b>Metropolitan Vet clinic<br/>Solo Practice</b>          |                   |
|---|-------------------|
| Professional fees   | \$237,234         |
| Other Income  | \$4,676           |
| <b>Total Income</b>                                       | <b>\$241,910</b>  |
| Consumables   | \$124,709         |
| Depreciation  | \$50              |
| Rent  | -                 |
| Salaries & Super  | \$38,479          |
| Other Expenses  | \$128,524         |
| <b>Total Expenses</b>                                     | <b>\$291,762</b>  |
| <b>Net Profit from ordinary<br/>activities before tax</b> | <b>(\$49,852)</b> |

**Further reading:**

South Australian Rural Doctors Benchmarking Project: [South Australia Rural General Practice Benchmarking](#)

Graetz F, Rimmer M, Lawrence A & Smith A, 2006, *Managing Organisational Change, 2<sup>nd</sup> Australasian Edition*, John Wiley & Sons Australia Ltd, Qld, pp 310 - 314

**Appendix 1<sup>4</sup>**

Business Plan Wyalkatchem Medical Practice

Shire of Wyalkatchem

Phone Number: 9681 1166 Website:

[www.wyalkatchem.wa.gov.au](http://www.wyalkatchem.wa.gov.au) Email:

[ceo@wyalkatchem.wa.gov.au](mailto:ceo@wyalkatchem.wa.gov.au)

ABN 47 096 937 882



Prepared September 2008

By

SEAN FLETCHER  
Chief Executive Officer

Adopted by

Wyalkatchem Shire Council at the OMC on X

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<sup>4</sup> This business plan has been developed for Wyalkatchem Medical Practice in conjunction with the Shire of Wyalkatchem

### Purpose of the business plan

The purpose of the business plan is to serve as a management tool regarding the setting up and running of the Wyalkatchem Medical Centre by the Shire of Wyalkatchem in partnership with Dr Christopher Sudell and Mrs Jenny Sudell.

The Plan also serves as an operational guide regarding the running of the Practice.

### Background

With the retirement of the current doctor on 28 November 2008, the Shire of Wyalkatchem in conjunction with the Shire of Koorda purchased the existing practice from Dr Frank Kubicek. The purchase was done so that a replacement doctor could be guaranteed for the Wyalkatchem, Koorda and Dowerin communities. As part of this process, it has been agreed that the Shire of Wyalkatchem will retain responsibility for the new Wyalkatchem Medical Practice, with financial support provided by the Shire of Koorda and, to a lesser extent, the Shire of Dowerin.

After discussions with the Wheatbelt GP Network and subsequent preparation of the report: Wyalkatchem Medical Practice Business Plan (2008) and the conducting of a Risk Management Strategy Workshop by Local Government Insurance Services that led to the release of the Shire of Wyalkatchem Risk Management Plan (2008), the Shire Council made the decision at its Ordinary Meeting of Council on 17 August 2008 for the Shire of Wyalkatchem to manage the Wyalkatchem Medical Practice in partnership with Dr Christopher Sudell and Mrs Jenny Sudell.

As such, the business plan (the Plan) for the Wyalkatchem Medical Practice (the Practice) was prepared during August and September 2008 by Sean Fletcher, the Shire of Wyalkatchem's Chief Executive Officer. The Plan has been developed in consultation with Dr Christopher Sudell and Mrs Jenny Sudell, Mr Kim Isbister, the Deputy Chief Executive Officer at the Shire of Wyalkatchem and Mr Matthew Gifellon, the Finance and Administration Officer at the Shire of Wyalkatchem. Other persons to have input into the Plan include Mrs Marg Hemsley and Ms Jo Burgess from Local Government Insurance Services, Mr Michael Keeble Chief Executive Officer of the Wheatbelt GP Network and the Elected Members that serve on the Council of the Shire of Wyalkatchem.

The Plan was released for public comment within the Wyalkatchem Community from X to X.

### Summary

The Wyalkatchem Medical Practice is a general medical practice with a pharmacy and will provide primary health services to the local communities of Wyalkatchem, Koorda and Dowerin.

The competitive advantage of the Practice is that it will provide a primary health service to not only Wyalkatchem, but Koorda and Dowerin as well. It may even attract patients from the wider region. With the pharmacy located with the Practice and the opportunity to include other allied health services and alignment with the local hospital, the Practice will serve as a focal point for health provision in the upper Central Wheatbelt and the Northern Wheatbelt.

The Wyalkatchem Medical Practice marketing strategy seeks to optimise its position as a central hub between the Wyalkatchem, Koorda and Dowerin communities. The Wyalkatchem Medical Practice will provide the following health services to the Wyalkatchem, Koorda and Dowerin communities:

- Consultation by a resident general practitioner;
- Support services from a nurse practitioner;
- Pharmaceuticals both in prescription form and non prescription items;
- Supportive health strategies; and
- Emergency and routine consult to patients at the WyalkatchemKoorda Hospital. These services are supported by the WA Country Health Service.

It is anticipated that the skills, ability and demeanour of Dr Sudell and Mrs Sudell will more than adequately promote the Practice.

Other promotional strategies include:

- regular information to the Wyalkatchem, Koorda and Dowerin communities;
- holding of healthy eating and cooking workshops; and
- regular consultation with local feedback groups.

The anticipated revenue for the next five years is as follows:

| Year          | 2008/2009      | 2009/2010      | 2010/2011        | 2011/2012        | 2012/2013        |
|---------------|----------------|----------------|------------------|------------------|------------------|
| Consultations | 185,872        | 331,702        | 344,307          | 356,357          | 371,324          |
| Pharmacy      | 270,925        | 483,485        | 501,858          | 519,423          | 541,239          |
| WACHS         | 52,500         | 93,690         | 97,250           | 100,654          | 104,881          |
| Incentives    | 42,851         | 76,469         | 79,375           | 82,153           | 85,604           |
| Rent          | 1,050          | 1,874          | 1,945            | 2,013            | 2,098            |
| <b>Total</b>  | <b>553,198</b> | <b>987,220</b> | <b>1,024,735</b> | <b>1,060,601</b> | <b>1,105,146</b> |

Although the pharmacy sales figures show that it is a key component of the revenue for the Practice, the reality is that the viability of the Practice will rely on the payments made by the WA Country Health Service for services provided at the Wyalkatchem Koorda Hospital and the incentive payments for health initiatives implemented by the doctor.

## 1 The business

### 1.1 Mission statement

The Wyalkatchem Medical Practice is a partnership between the Shire of Wyalkatchem and Dr Christopher Sudell and Mrs Jenny Sudell with the aim of providing primary health care in the Shires of Wyalkatchem, Koorda and Dowerin.

Apart from providing the services of a general practitioner and pharmacy, it is also intended to provide health promotion and education for the younger generation on matters such as substance misuse, smoking, alcohol, teenage pregnancy, sexually transmitted diseases, sunsafe campaigns, mental health well-being, obesity, and many other issues that affect young people.

The Practice will also work in with other primary health care providers in the Central and Northern Wheatbelt region as well as other allied health services.

The Practice will also work closely with the St John Ambulance, services for the elderly, youth groups and local religious organisations.

### 1.2 Project outcomes

Short term aims (02 years).

In the short term the ideas for development of the practice include the following:

- Formation of a patient participation group.
- Strong support for the continuation of Wyalkatchem Koorda District Hospital and links with hospital staff
- Continuation of Dispensing after application for relevant licences.

- Provision for the local community to purchase over the counter medication, for simple ailments, normally available at pharmacies but currently unavailable locally.
- Coordination of weekend emergency cover arrangements with local GPs to provide a 1 in 3 roster.
- Promote healthy eating, offering practical advice, to patients who have specific dietary requirements, such as the overweight, patients with metabolic disorders and the diabetic population.
- Encourage more clinics with visiting specialists to attend the hospital or Medical Centre as it is felt that the modern building and facilities may attract them to the town. This may prevent long and costly journeys to other towns for patients.
- Encourage visiting allied medical services such as Physiotherapy, Podiatry, Speech Therapy, Occupational Therapy etc. This would also include setting up a scheme to enable patients who do have to visit specialist clinics in other areas to access a transport sharing facility if they chose.
- Raise \$15,000 for an ISTAT onsite blood testing machine. (Results within 15 minutes).
- Be a training facility for doctors and student nurses.

Medium term (3 - 10 years).

The initial contract with Dr Sudell is two years. However, it is anticipated that this will continue on a long term basis. This period will see many of the initiatives introduced by Dr Sudell and Mrs Sudell mature and become a key part of developing a happy and healthy community in Wyalkatchem, Koorda and Dowerin.

The exact terms of Dr Sudell's contract will need to be discussed within the last six months of its term and will depend on the feedback from the community, the list size and the profitability of the Practice. The Practice is a long term investment and an additional source of revenue which will further enhance the district's facilities.

Long term (10 - 15 years).

There is no doubt that there will be an increase in population in the Shire after two decades of decline. This will be in response to the overflow expected as Perth and the surrounding areas grow. By the Year 2050, it is expected that there will be an additional one million people living in Western Australia with 10% looking to make their home in the Wheatbelt. In conjunction with this, the initiatives planned for Wyalkatchem means that there will be demand from this group to relocate to the Wyalkatchem Community (Shire of Wyalkatchem, 2008). These demographic changes will inevitably require further medical staff which are difficult to attract to rural areas.

The other consideration is that In another 10 years time the population will have aged resulting in a disproportionately high numbers of elderly patients and the Shire needs to cater for this eventuality (Sudell, C. 2008).

It would appear that at this point in time general practitioners (GPs) tend to want to work either in large practices in the cities where they feel supported by their colleagues or single handed in rural communities where they can enjoy a degree of autonomy and care for their own list of patients. It is likely to be easier in the future to attract additional singlehanded GPs to developing local towns with out of hours cross cover arrangements than to develop one central group practice at Wyalkatchem running remote clinics (Sudell, C. 2008).

### 1.3 Name, address and contact details

|                            |  |
|----------------------------|--|
| Name and Address           | The Wyalkatchem Medical Practice 3 Honour Avenue Wyalkatchem WA 6485             |
| Postal Address             | PO Box 135 Wyalkatchem WA 6485   |
| Telephone number           | 9681 1140  |
| Fax number                 | 9681 1270  |
| Website address            | <a href="http://www.wyalkatchem.wa.gov.au">www.wyalkatchem.wa.gov.au</a>         |
| Email                      | <a href="mailto:general@wyalkatchem.wa.gov.au">general@wyalkatchem.wa.gov.au</a> |
| Australian Business Number | 47 096 937 882   |

### 1.4 Description of business activity, commencement date, commencement capital and business structure

#### Description of business activity

The Wyalkatchem Medical Practice is a general medical practice with a pharmacy. This means that the Practice will provide the following services to the local communities of Wyalkatchem, Koorda and Dowerin:

- Consultation by a resident general practitioner;
- Support services from a nurse practitioner;
- Pharmaceuticals both in prescription form and non prescription items;
- Supportive health strategies; and
- Emergency and routine consult to patients at the WyalkatchemKoorda Hospital. These services are supported by the WA Country Health Service.

#### Commencement date

The Wyalkatchem Medical Practice will commence on Monday 1 December 2008.

#### Commencement capital

The Wyalkatchem Medical Practice is cash backed by the Shire of Wyalkatchem and the Shire of Koorda. The Shire of Dowerin will also provide some financial support. It is expected that the Practice will turn over \$553,198 in 2008/2009 and have costs of \$557,781. The initial start up capital or cash required will be \$75,000 and is for the purposes of ensuring that there is an initial cashflow for the Practice.

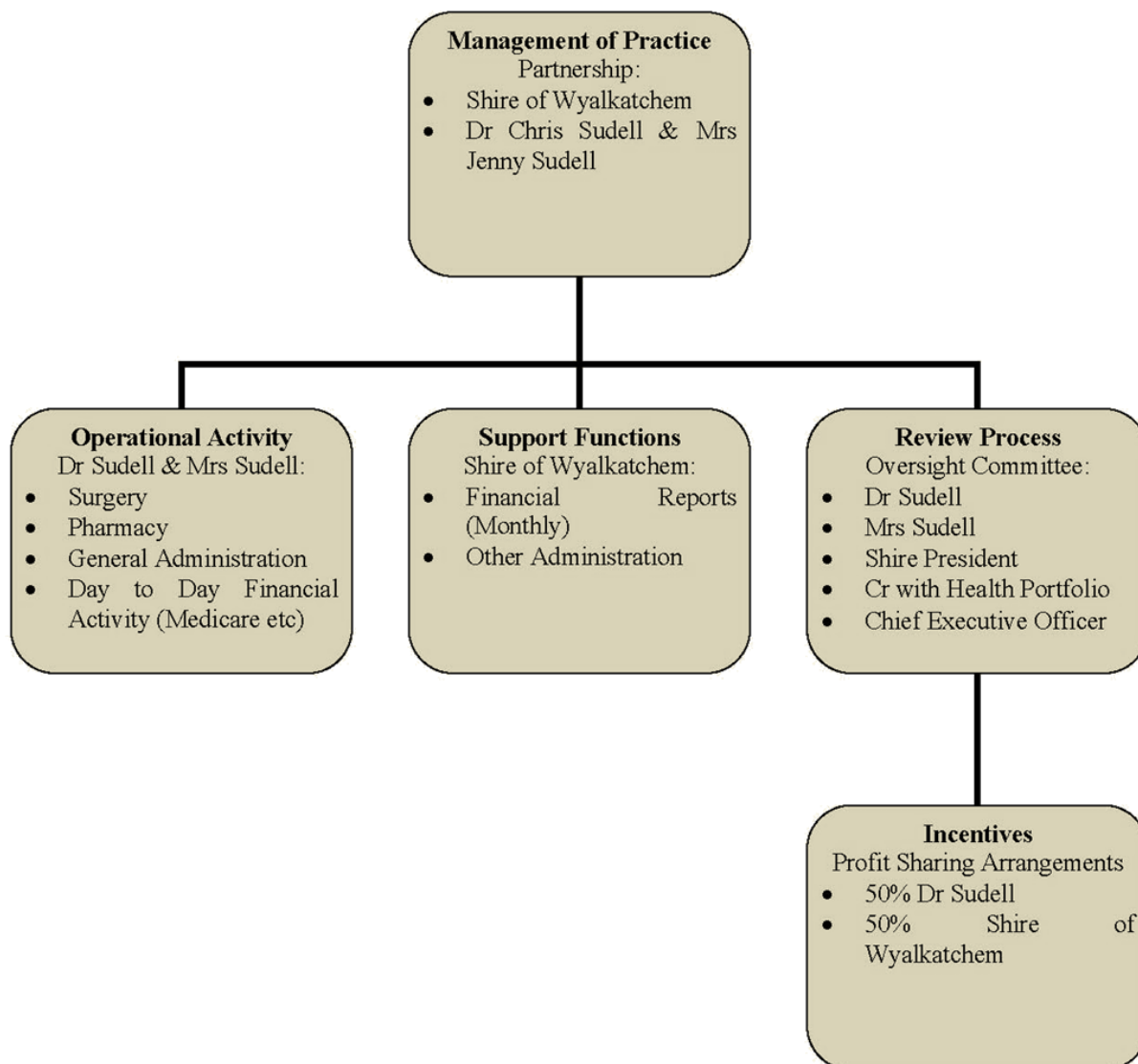
A new medical centre consisting of three consulting rooms has been constructed adjacent to the Wyalkatchem Koorda Hospital. The Shires of Wyalkatchem and Koorda will also pay for the fitout of the new Practice. Dr Sudell and Mrs Sudell will be providing some of the medical equipment.

The Shires of Wyalkatchem and Koorda also purchased the Wyalkatchem Practice from Dr Frank Kubicek. Existing fittings and furniture along with the medical software and initial pharmacy stock are included in the purchase price.

Additional capital fit out costs are not expected to exceed \$30,000.

**Project structure**

The management structure that the Wyalkatchem Medical Practice will operate under is one of a partnership arrangement. The areas of responsibility are set out as follows:



**Diagram One: Management Structure Wyalkatchem Medical Practice**

As can be seen in Diagram One, the Shire of Wyalkatchem will work in partnership with Dr Sudell and Mrs Sudell. Dr Sudell and Mrs Sudell will be responsible for the day to day running of the Practice. The Shire will provide financial management support and other administrative support as required.

An oversight committee will be established made up of Dr Sudell, Mrs Sudell and Shire representatives. The oversight committee will meet once a month and review the performance of the Practice, both from a social viewpoint and economic viewpoint. This will give Dr Sudell and Mrs Sudell a chance to discuss key health initiatives that have been introduced as well as any new strategies that they would like to trial then implement. It will also give the oversight committee a chance to look at the financial performance of the practice, the impact on the Shire’s financial reserves and how the Practice can be expanded.

The profit sharing arrangement is as per Dr Sudell’s contract of employment with the Shire.

### 1.5 Competitive advantage

The competitive advantage of the Practice is that it will provide a primary health service to not only Wyalkatchem, but Koorda and Dowerin as well. It may even attract patients from the wider region. With the pharmacy located with the Practice and the opportunity to include other allied health services and alignment with the local hospital, the Practice will serve as a focal point for health provision in the upper Central Wheatbelt and the Northern Wheatbelt.

### 1.6 Owner or Operators' profiles

#### Shire of Wyalkatchem

The Shire of Wyalkatchem owns the Wyalkatchem Medical Practice with support from the Shire of Koorda. The profiles of the key staff are:

#### Mr Sean Fletcher

Is the Chief Executive Officer of the Shire of Wyalkatchem and has overall responsibility for the Practice. Sean has appropriate executive management skills and expertise along with formal post graduate qualifications in management. He has also been involved in the setting up of and running of medical practices previously.

#### Mr Kim Isbister

Is the Deputy Chief Executive Officer of the Shire of Wyalkatchem. Kim has appropriate qualifications in management as well as line management experience and is a qualified risk manager. He has a number of staff that will support him with the financial management of the Practice. Additional administrative support may be required.

#### Partners

Both Dr Sudell and Mrs Sudell have run a number of successful medical practices in the United Kingdom previously.

Dr Christopher Sudell Dr Sudell is a qualified UK general practitioner (MB ChB University of Sheffield). Chris has a range of supplementary qualifications and experience and has worked extensively as a GP that includes the setting up and management of a number of medical practices. Chris is registered with the WA Medical Board and is eligible for membership with the Royal College of Surgeons.

#### Mrs Jenny Sudell

Mrs Sudell Is a qualified nurse practitioner and experienced practice manager. Jenny's experience includes the establishment and management of a number of medical practices in conjunction with Dr Sudell.

### 1.7 Major stakeholders

The major stakeholders regarding the Wyalkatchem Medical Practice are:

- The Shire of Koorda;
- The Shire of Dowerin;
- The WA Country Health Service;
- The Wheatbelt GP Network;
- The Wyalkatchem Koorda Hospital;
- Wyalkatchem St John Ambulance Sub Branch;
- Wyalkatchem Police Station;

- Wyalkatchem Emergency Services including the Town and Bush Brigades;
- Wyalkatchem Districts High School;
- Wyalkatchem Business Community;
- Local Government Insurance Services;
- The Kununoppin Hospital;
- The Trayning Medical Practice, the Goomalling Medical Practice and Cunderdin Medical Practice;
- and
- The Shires of Trayning, Mukinbudin, Mount Marshal, Nungarin and Merredin;

#### 1.8 Business advisors

(List here your support team – your reader will be interested to see the composition and calibre of the team you have chosen and the support you have available)

Banker National Australia Bank (Address) (Address)  
(Telephone and fax numbers) (email address and website)

Accountant Munroe, Wylie and Anderson (Address)  
(Address) (Telephone and fax numbers) (email address and website)

Lawyer McCleods (Address) (Address) (Telephone and fax numbers) (email address and website)

Insurance broker Local Government Insurance Services  
(Address) (Address) (Telephone and fax numbers) (email address and website)

Advisors WA Country Health Service (Address)  
(Address) (Telephone and fax numbers) (email address and website)

Industry Associations Wheatbelt GP Network (Address)  
(Address) (Telephone and fax numbers) (email address and website)

### 1.9 Current performance (project/organisation/business)

The following financial figures are based on the breakeven projections for 2008/2009 provided in the Wyalkatchem Medical Practice Business Plan developed by the Wheatbelt GP Network (2008). These figures are based on the previous performance of the Wyalkatchem Surgery owned by Dr Frank Kubicek.

The performance figures for 2008/2009 are:

|                |                 |
|----------------|-----------------|
| Revenue:       | \$456,797       |
| Cost of Sales: | \$193,901       |
| Gross Profit:  | \$262,896 (58%) |
| Reserves       | \$0 (0%)        |

It should be noted that the Shire has a medical reserve that is used to fund additional costs or expenses if required. Shire of Koorda also meets half of any additional costs. The Shire of Dowerin will make appropriate contributions in future. The five year financial forecast is provided in Section 4.3 of this business plan.

## 2 Marketing plan

The Wyalkatchem Medical Practice marketing strategy seeks to optimise its position as a central hub between the Wyalkatchem, Koorda and Dowerin communities. Of course this may lead to patients coming in from further afield to access the health services provided by the Practice. The research in the Wheatbelt GP Network Report (2008) clearly shows that the respondents expect that this range of services is provided locally.

### Service Range Analysis

The Wyalkatchem Medical Practice will provide both essential and non essential health services to the Wyalkatchem, Koorda and Dowerin communities.

The survey conducted by the Wheatbelt GP Network (2008) clearly indicates that these communities expect general practitioner and pharmaceutical services to be provided locally.

### Essential Services

- Consultation by a resident general practitioner. Dr Sudell will provide GP consulting services to Wyalkatchem for four days per week and half a day each per week at Koorda and Dowerin respectively;
- Support services from a nurse practitioner. Mrs Sudell will provide a range of support services including, but not limited to suturing, diabetic testing and information and healthy eating;
- Prescription pharmaceuticals both in prescription form and non prescription items;
- Emergency and routine consult to patients at the WyalkatchemKoorda Hospital. These services are supported by the WA Country Health Service.

Non Essential Services

- Other supportive health strategies:
- Non prescription pharmaceuticals such as cold and flu tablets health and hygiene products

Competitor Analysis

The Wyalkatchem Medical Practice is not in competition as such, but rather compliments other general health practitioners and allied health service providers in the Central and North Eastern Wheatbelt. Other general practices in the region include:

- The Shire of Goomalling Medical Practice. This is 56kms from Wyalkatchem, a further 45kms from Koorda and 26kms from Dowerin;
- The Kununoppin Medical Practice. This is 60kms from Wyalkatchem;
- The Merredin Medical Practice. This is 115kms from Wyalkatchem;
- There are a number of practices in Northam which is 100kms from Wyalkatchem.

Essential Services

SWOT analysis

The following is a strengths, weaknesses, opportunities and threats or SWOT analysis of the Wyalkatchem Medical Practice:

|   |  |
|---|--|
| <p>Strengths</p> <ol style="list-style-type: none"> <li>1.Very experienced general practitioner</li> <li>2.Very experienced clinical nurse and practice manager</li> <li>3.Financial backing of the Wyalkatchem, Koorda and Dowerin local governments</li> <li>4.Main players understand community health needs</li> <li>5.Brand new facility that requires little maintenance</li> <li>6.Has a pharmacy</li> </ol> | <p>Weaknesses</p> <ol style="list-style-type: none"> <li>1.Requires full time receptionist</li> <li>2.Requires part time administration officer</li> <li>3.Additional demand on Shire staff</li> <li>4.Staff will require training in use of software and medical practice protocol and procedure</li> </ol> |
| <p>Opportunities</p> <ol style="list-style-type: none"> <li>1.Will need accreditation</li> <li>2.Located next to WyalkatchemKoorda Hospital</li> <li>3.Attract allied health services e.g. physiotherapy, podiatry, counselling etc</li> <li>4.Additional patients</li> </ol>   | <p>Threats</p> <ol style="list-style-type: none"> <li>1.Possible amalgamation of local governments in the area</li> </ol>  |

The identified strengths and weaknesses are internal to the Practice and reflect the key things that are going on within this business. Dr Sudell and Mrs Sudell are key to the success and viability of the Practice. Both have started and run a number of medical practices in the UK. Both understand local communities very well and are committed to being a part of the fabric that makes up the Wyalkatchem, Koorda and Dowerin communities. The Practice itself will be established in the newly completed Medical Centre. This is a modern facility with three consulting rooms that is adjacent to the WyalkatchemKoorda hospital. As a new facility, very little maintenance will be required and hence funding can be put aside now for any future works or upgrades. The other strength is that the Practice has a pharmacy which will be developed further so that satisfactory stocks of prescription medicines are available as well as non prescription items that are provided by most modern pharmacies.

The initial weakness is finding the right support staff for the practice. However, these positions will be advertised and should be filled by members of the local community. Of concern is the additional demand on Shire staff to provide support services. However, a 0.5 FTE will be employed out of funding from the Practice to assist Shire staff. Both, Dr Sudell, Mrs Sudell and their staff will require training in medical software and the Medicare system. This is not expected to be an onerous process.

The opportunities and threats are external to the management of the Practice. The opportunities are where the Practice can take advantage of other products or services provided by others. By seeking accreditation in three to six months after commencement of the Practice will lead to increased revenue. A new facility located next to the Hospital with a connecting walkway has the potential to increase the number of patients and attract allied health professionals. Amalgamation or restructuring of local governments in the area is a very real threat. The impact that this would have on the Practice is the creation of uncertainty. In particular, when a number of practices could then be operating in a larger local government area.

### 2.1 Target market

To better understand the needs of the community and the medical services the Shire has compiled the following community portrait (Shire of Wyalkatchem, 2008). This portrait is also indicative of the other communities within Koorda and Dowerin.

#### Population

In the August 2006 Census, 564 residents were counted in Wyalkatchem 278 females and 286 males. The ABS estimates that the Shire’s population is 601. The median age was 42 years, which was two years older than the Midlands and four years older than the 2001 Census. In terms of generations, the breakdown is as follows:

| Generation               | 2006 | 2001 | %Change |
|--------------------------|------|------|---------|
| 04 Years                 | 27   | 55   | 50      |
| Children (514 Years)     | 99   | 124  | 25      |
| Gen Y (1529 Years)       | 62   | 77   | 15      |
| Gen X (3044 Years)       | 119  | 128  | 9       |
| Baby Boomers(4559 Years) | 113  | 141  | 28      |
| Wartime (6074 Years)     | 96   | 111  | 15      |
| Veteran (7589 Years)     | 42   | 40   | +2      |
| Elderly                  | 6    | 10   | 40      |

#### Households

Households are the fundamental unit of a community. In 2006, Wyalkatchem residents lived in 228 households of which 65% were family households and 35% were lone persons or shared households of unrelated people. On average, the family households have 3.06 people. There are 135 couples without children, 235 couples with children and 48 one parent families. The average size of the nuclear family is 3.7 people.

#### Housing

There are 224 separate dwellings, eight semi detached dwellings and four other dwellings or a total of 236 dwellings in Wyalkatchem. This is down from 255 dwellings in 2001. Overall, 49% of dwellings were fully owned, with 10% in the process of being purchased and 25% rented. The average monthly mortgage payment is \$692, which is 32% less than the Midlands. The median mortgage is \$400\$549. The average weekly rent is \$69.

#### Community Capital

The longer residents have lived in one place, the stronger are their community networks and is also an indication of community stability. Those who have lived in the same home for five years or more is 318 persons, up 2.9% on 2001. Those who have lived between one and five years is 141 persons, down 3.4%. In other words there is a stable community ageing in place. Overall there were 147 new residents to the locality since 2001. 184 residents do voluntary work. This is made

up of 93 women and 91 men. Residents needing disability assistance was 31. One person in nine provides disability care.

#### Education

In 2006, there were 109 school students living in Wyalkatchem, of whom 9 were at preschool, 71 were in primary school and 29 were at high school. There were 9 at TAFE and 3 at University.

#### Local Economy

The average income is \$544 per week. This is an increase of 25% on 2001. In 2006, 28% of adults were low income, 34% were middle income and 32% are on high income. Average family incomes are \$965 or \$197 a week lower than in the Midlands. There were 268 residents in the workforce. The unemployment rate was 4.5%. Rural industry employs 39% of workers, education 12%, public administration 10%, health 7% and transport 7%.

#### Community Cultures

People's ancestry is a good indicator of their cultural heritage. While many people now give their heritage as Australian (51% in Wyalkatchem), they are a minority in most places.

#### Wheatbelt GP Network Survey 2008

A survey was also conducted by the Wheatbelt GP Network (2008) of the local communities to provide further information. The results are summarised as follows:

- Patients spend on average 20 minutes travelling time to get to and from the current surgery;
- Each patient spends on average \$48.75;
- Very few travel from Wyalkatchem to other towns for general practitioner or pharmaceuticals;
- The majority of the respondents were adamant that the Shire should take an active role in providing health care to residents. It should do "whatever it takes" to ensure continuation of healthcare provision.

#### 2.2 Marketing outcomes

The relevant outcomes for the Practice include:

- market penetration – to provide existing services to the existing market (patients) within Wyalkatchem, Koorda and Dowerin;
  - market development or extension – to provide existing services to new markets if applicable;
- and
- product development – that includes providing new services to the existing community markets.

#### Service strategy

The Practice will offer both products and services that will maximise its ability to be a sustainable business.

#### Price strategy – (profitability, competition, market share and image)

The price strategy is reflected by health regulatory requirements including the Medicare Scheme and the Pharmaceutical Benefits Scheme. With the Medicare Scheme, the Practice has the option to bulk bill, use private billing or a combination of both.

#### Promotion strategy

Word of mouth is a very powerful. It is anticipated that the skills, ability and demeanour of Dr Sudell and Mrs Sudell will more than adequately promote the Practice.

Other promotional strategies include:

- regular information to the Wyalkatchem, Koorda and Dowerin communities;
- holding of healthy eating and cooking workshops; and
- regular consultation with local feedback groups.

Place (distribution) strategy

The consulting services will be provided at the Wyalkatchem Medical Centre and clinics at Koorda and Dowerin in purpose built health facilities.

Pharmaceuticals will be dispensed at the Wyalkatchem Medical Centre and the clinics if appropriate.

3 Operational strategy

The following includes detail on how the Practice will work, including information on the premises, plant, equipment and people required to product products and services.

3.1 Premises

A new medical centre has been built by the Shire of Wyalkatchem that will allow the provision of consulting and pharmaceutical services. The Medical Centre has three consulting rooms, laundry, dispensary, secure pharmaceutical store and covered walk way to the WyalkatchemKoorda Hospital.

This means that there is room for allied health service provision as well.

3.2 Plant and equipment

The Practice will be starting from new, but is replacing a privately owned practice in Wyalkatchem due to the retirement of the current doctor. Some furniture, plant and equipment may be inherited from the current doctor. Dr Sudell is also providing furniture, plant and equipment that he has brought out from the UK. It is difficult to put a written down value on these items at this point in time.

The list of furniture, plant and equipment still required is listed below:

Schedule of assets to be purchased over the next three years

The following lists reflect items that have not been provided by Dr Sudell (Sudell, J. 2008).

Information Technology Assets

| Asset  | Year 1 \$ | Year 2 \$ | Year 3 \$ |
|--|-----------|-----------|-----------|
| Computers (Server, 3x Towers, 2 x laptops, flat screens, 4 x prescription printers, 3 x colour printers, 1 x pharmacy label printer) | \$15,000  | 0         | 0         |
| Photocopier  | \$25,000  | 0         | 0         |
| Eftpos Machines  | \$2,500   | 0         | 0         |
| Total  | \$42,500  | \$0       | \$0       |

Notes to the above

These costs are met out of the existing medical reserve.

Medical Instruments

| Asset                                | Year 1 \$ | Year 2 \$ | Year 3 \$ |
|--------------------------------------|-----------|-----------|-----------|
| Liquid Nitrogen Storage Canister     | \$2,000   | 0         | 0         |
| Liquid Nitrogen guns and applicators | \$2,000   | 0         | 0         |
| Disposable cryocautery kit           | \$1,000   | 0         | 0         |
| Minor Surgery Packs                  | \$2,000   | 0         | 0         |
| Glucometers                          | \$2,000   | 0         | 0         |
| 3 Height Charts                      | \$500     | 0         | 0         |
| Total                                | \$9,500   | \$0.      | \$0.      |

Furniture

| Asset                        | Year 1 \$ | Year 2 \$ | Year 3 \$ |
|------------------------------|-----------|-----------|-----------|
| 3 Examination couches        | \$1,200   | 0         | 0         |
| 3 Examination lamps          | \$1,250   | 0         | 0         |
| Vaccine Fridge               | \$3,500   | 0         | 0         |
| Steel trolleys x 2           | \$2,000   | 0         | 0         |
| Desks x 2                    | \$2,000   | 0         | 0         |
| Ergonomic Chairs x 6         | \$1,000   | 0         | 0         |
| Waiting Room Chairs          | \$1,000   | 0         | 0         |
| Clocks x 3                   | \$200     | 0         | 0         |
| Scales x 3                   | \$600     | 0         | 0         |
| 4 Drawer Filing Cabinets x 3 | \$2,250   | 0         | 0         |
| Bookcases                    | \$2,000   | 0         | 0         |
| Phone System and Phones      | \$3,500   | 0         | 0         |
| Total                        | \$20,500  | \$0       | \$0       |

Notes to the above (Medical Instruments & Furniture)

The capital items regarding the medical equipment and furniture are additional capital start up costs totalling \$30,000 met by the Shire.

### 3.3 Personnel (human resources) strategy

The staff that make up and support the Wyalkatchem Medical Practice including an overview of skills and responsibilities are: Full Time General Practitioner Qualified doctor that provides consulting services.

Full Time Clinical/Practice Manager Qualified Nurse Practitioner that can provide both clinical and day to day management of the Practice.

#### Full Time Receptionist/Administration Officer/PA

First point of contact for patients. Will be required to provide day to day administration as well as be the PA. It is anticipated that this can be a management trainee position. Part Time Receptionist/Administration Officer/Medical Secretary Provides coverage for the full time receptionist. Part Time Administration Support Officer (based at the Shire Office) The Shire will be providing accounting services to the Practice.

#### Strategic alliances

At this point there are no strategic alliances. However, it is anticipated that the Practice will link in and liaise with, as well as, support other practices in the Wheatbelt.

### 4 Financial strategy

#### 4.1 Financial outcomes

##### Financial Objective 1

- To grow the Practice at 5% per annum over the next three years.

## 4.2 Capital structure

### Financial Resources to Setup and Open the Practice

#### Purchase of Existing Practice

The Shire's of Wyalkatchem and Koorda made a contribution of \$50,000 each to purchase the Practice. Construction of Medical Centre A new medical centre to house the Practice has been built at a cost of \$545,000. Transition Costs for New Doctor The support package for the new doctor has cost \$85,000. Half of this cost has been met by the

Shire of Koorda and includes provision of housing, a new car, furniture and other items.

Start Up Funds The initial funds required to commence the Practice is \$75,000 for cashflow purposes. Fit out Costs Remaining costs expected for fitting out the new Practice is expected to be \$30,000.

### Financial Resources to Operate the Practice

The financial resources to operate the Practice will come from a number of sources:

- Medicare Rebates for consulting services;
- Private Billing for consulting services;
- WA Country Health Service (WACHS) for the provision of services in the Hospital;
- Incentive payments for various health support schemes;
- Rent from other allied health users of the Medical Centre; and
- Shire's own resources if required.

### 4.3 Financial forecasts

#### Cashflow

The cashflow is designed to show if any cash injections are required to be put into the Practice. In this instance the cashflow for the Practice is based on the Wheatbelt GP Network Report (2008) and is projected on a conservative basis and is shown on a per annum basis over the next five years instead of per month.

| Year        | 2008/2009  | 2009/2010 | 2010/2011 | 2011/2012 | 2012/2013 |
|-------------|------------|-----------|-----------|-----------|-----------|
| (3) Cash In | (1) 75,000 | 46,417    | 56,915    | 68,190    | 71,209    |

|         |         |         |         |         |         |          |         |         |         |         |
|---------|---------|---------|---------|---------|---------|----------|---------|---------|---------|---------|
| Surgery | 185,872 | 331,702 | 344,307 | 356,357 | 371,324 | Pharmacy | 270,925 | 483,485 | 501,858 | 519,423 |
| 541,239 | Other   | 96,401  | 172,033 | 178,570 | 184,821 | 192,583  |         |         |         |         |

|                      |  |         |           |           |           |           |  |  |  |  |
|----------------------|--|---------|-----------|-----------|-----------|-----------|--|--|--|--|
| <b>Total Cash In</b> |  | 628,198 | 1,033,637 | 1,081,650 | 1,128,791 | 1,176,355 |  |  |  |  |
|----------------------|--|---------|-----------|-----------|-----------|-----------|--|--|--|--|

#### Cash Out

|                        |  |         |         |           |           |           |  |  |  |  |
|------------------------|--|---------|---------|-----------|-----------|-----------|--|--|--|--|
| Capital Outlay         |  | 30,000  | 0       | 0         | 10,000    | 0         |  |  |  |  |
| Cost of Goods (Pharm)  |  | 193,901 | 346,030 | 359,180   | 371,751   | 387,364   |  |  |  |  |
| Salaries & OnCosts     |  | 249,981 | 446,108 | 463,060   | 479,267   | 499,396   |  |  |  |  |
| Administration         |  | 86,399  | 154,185 | 160,045   | 165,646   | 172,604   |  |  |  |  |
| Building & Gardens     |  | 6,500   | 10,900  | 10,900    | 10,900    | 10,900    |  |  |  |  |
| Return on Investment   |  | 0       | 0       | 0         | 0         | 0         |  |  |  |  |
| Repay Startup Cash (2) |  | 15,000  | 15,000  | 15,000    | 15,000    | 15,000    |  |  |  |  |
| <b>Total Cash Out</b>  |  | 581,781 | 976,722 | 1,013,460 | 1,057,582 | 1,091,205 |  |  |  |  |
| Profit to Doctor       |  | 0       | 4,499   | 5,275     | 5,018     | 5,941     |  |  |  |  |
| <b>Cash Balance</b>    |  | 46,417  | 56,915  | 68,190    | 71,209    | 85,150    |  |  |  |  |

#### Notes to the Above

- 1 The cash in figure for 2008/2009 represents the initial start up capital (cash) to assist the Practice get underway with its cashflow.
- 2 Repay Startup Cash is the \$75,000 invested in 2008/2009 by the Shire to help get the Practice underway and is paid back over five years at \$15,000 per annum.
- 3 Figures for 2008/2009 are 7/12 of the expected income and expense for a normal year as the Practice is commencing 1 December 2008.
- 4 Doctor receives 50% of the profit (surplus) from the Practice. The balance goes to the Shire.

Profit and Loss (Income Statement)

The following figures have their basis on the expected projections found in the Wheatbelt GP Network Report (2008).

| Year                          | 2008/2009      | 2009/2010       | 2010/2011       | 2011/2012       | 2012/2013       |
|-------------------------------|----------------|-----------------|-----------------|-----------------|-----------------|
|                               | (1)            |                 |                 |                 |                 |
| <b>Income</b>                 |                |                 |                 |                 |                 |
| Sales                         |                |                 |                 |                 |                 |
| Surgery                       | 185,872        | 331,702         | 344,307         | 356,357         | 371,324         |
| Pharmacy                      | 270,925        | 483,485         | 501,858         | 519,423         | 541,239         |
| <b>Total Income</b>           | <b>456,797</b> | <b>815,187</b>  | <b>846,165</b>  | <b>875,780</b>  | <b>912,563</b>  |
| <b>Cost of Sales</b>          |                |                 |                 |                 |                 |
| Pharmaceuticals               |                |                 |                 |                 |                 |
| Total Cost of Sales           | 193,901        | 346,030         | 359,180         | 371,751         | 387,364         |
| <b>Gross Profit</b>           | <b>262,896</b> | <b>469,157</b>  | <b>486,985</b>  | <b>504,029</b>  | <b>525,199</b>  |
|                               | 193,901        | 346,030         | 359,180         | 371,751         | 387,364         |
| <b>Expenses</b>               |                |                 |                 |                 |                 |
| Salaries & OnCosts            | 249,981        | 446,108         | 463,060         | 479,267         | 499,396         |
| Office Running Costs          | 86,399         | 154,185         | 160,045         | 165,646         | 172,604         |
| Building & Gardens            | 6,500          | 10,900          | 10,900          | 10,900          | 10,900          |
| <b>Total Expenses</b>         | <b>342,880</b> | <b>611,193</b>  | <b>634,005</b>  | <b>655,813</b>  | <b>682,900</b>  |
| <b>Operating Profit</b>       | <b>-79,984</b> | <b>-142,036</b> | <b>-147,020</b> | <b>-151,784</b> | <b>-157,701</b> |
| <b>Other Income</b>           |                |                 |                 |                 |                 |
| WACHS                         | 52,500         | 93,690          | 97,250          | 100,654         | 104,881         |
| Incentives                    | 42,851         | 76,469          | 79,375          | 82,153          | 85,604          |
| Rent other Services           | 1,050          | 1,874           | 1,945           | 2,013           | 2,098           |
| <b>Total Other Income</b>     | <b>96,401</b>  | <b>172,033</b>  | <b>178,570</b>  | <b>184,820</b>  | <b>192,583</b>  |
| <b>Other Expenses</b>         |                |                 |                 |                 |                 |
| Capital Purchases (3)         | 6,000          | 6000            | 6000            | 8,000           | 8000            |
| Startup costs (Amortised) (4) |                |                 |                 |                 |                 |
| <b>Surplus/(Deficit) (2)</b>  | <b>-4,583</b>  | <b>8,997</b>    | <b>10,550</b>   | <b>10,036</b>   | <b>11,882</b>   |
|                               | 15,000         | 15,000          | 15,000          | 15,000          | 15,000          |
| <b>Total Other Expenses</b>   | <b>21,000</b>  | <b>21,000</b>   | <b>21,000</b>   | <b>23,000</b>   | <b>23,000</b>   |

Notes to the Above

- Figures for 2008/2009 are 7/12 of the figures for a full year. This reflects the start date of 1 December 2008.
- There is a loss (deficit) of \$4,583 expected in the first year. A profit then occurs in subsequent years. 50% of the profit is payable to the doctor. The other 50% will be used by the Shire to pay back the Doctor transition costs.
- Capital purchases reflect depreciation of \$30,000 over five years (i.e. \$6,000 per year) for the initial capital outlay for medical plant and equipment. This is then updated in 2011/2012 with a further capital injection of \$10,000, which is then taken over five years (i.e. \$2,000 per year).
- The startup cash of \$75,000 are amortised (fixed) at a repayment of \$15,000 per annum.
- Depreciation and loans for the Wyalkatchem Medical Centre are treated as part of the Shire's expense and not charged against the Practice.

## Balance Sheet

The Balance Sheet reflects anticipated assets, liabilities and equity of the Practice during the next five years:

Year 2008/2009 2009/2010 2010/2011 2011/2012 2012/2013

|                                     |                |                |               |               |               |
|-------------------------------------|----------------|----------------|---------------|---------------|---------------|
| <b>Current Assets</b>               |                |                |               |               |               |
| Cash                                | 75,000         | 0              | 0             | 0             | 0             |
| Trade & Other Receivables           | 30,000         | 30,000         | 30,000        | 30,000        | 30,000        |
| Inventories                         | 50,000         | 50,000         | 50,000        | 50,000        | 50,000        |
| <b>Total Current Assets</b>         | <b>155,000</b> | <b>80,000</b>  | <b>80,000</b> | <b>80,000</b> | <b>80,000</b> |
| <b>NonCurrent Assets</b>            |                |                |               |               |               |
| Other Receivables                   | 0              | 0              | 0             | 0             | 0             |
| Inventories                         | 0              | 0              | 0             | 0             | 0             |
| Property Plant & Equipment          | 24,000         | 18,000         | 12,000        | 14,000        | 6,000         |
| Infrastructure                      | 0              | 0              | 0             | 0             | 0             |
| <b>Total NonCurrent Assets</b>      | <b>24,000</b>  | <b>18,000</b>  | <b>12,000</b> | <b>14,000</b> | <b>6,000</b>  |
| <b>Total Assets</b>                 | <b>179,000</b> | <b>98,000</b>  | <b>92,000</b> | <b>94,000</b> | <b>86,000</b> |
| <b>Current Liabilities</b>          |                |                |               |               |               |
| Trade & Other Payables              | 30,000         | 30,000         | 30,000        | 30,000        | 30,000        |
| Long Term Borrowings                | 0              | 0              | 0             | 0             | 0             |
| Provisions (leave)                  | 0              | 0              | 0             | 0             | 0             |
| <b>Total Current Liabilities</b>    | <b>30,000</b>  | <b>30,000</b>  | <b>30,000</b> | <b>30,000</b> | <b>30,000</b> |
| <b>NonCurrent Liabilities (1)</b>   |                |                |               |               |               |
| Long Term Borrowings 1              | 60,000         | 45,000         | 30,000        | 15,000        | 0             |
| Long Term Borrowings 2              | 68,000         | 51,000         | 34,000        | 17,000        | 0             |
| Provisions (leave)                  | 0              | 0              | 0             | 0             | 0             |
| <b>Total NonCurrent Liabilities</b> | <b>128,000</b> | <b>96,000</b>  | <b>64,000</b> | <b>32,000</b> |               |
| <b>Total Liabilities</b>            | <b>158,000</b> | <b>126,000</b> | <b>94,000</b> | <b>62,000</b> | <b>30,000</b> |
| <b>Net Assets</b>                   | <b>21,000</b>  | <b>28,000</b>  | <b>2,000</b>  | <b>32,000</b> | <b>56,000</b> |
| <b>Equity</b>                       |                |                |               |               |               |
| Owners Equity                       | 55,584         | 32,494         | 7,275         | 26,982        | 50,059        |
| Retained Equity (2)                 | 4,584          | 4,494          | 5,275         | 5,018         | 5,941         |
| <b>Total Equity</b>                 | <b>51,000</b>  | <b>28,000</b>  | <b>2,000</b>  | <b>32,000</b> | <b>56,000</b> |

### Notes to the Above

1 In noncurrent liabilities, Long Term Borrowings 1 reflects the \$15,000 repayment per annum for the \$75,000 start up costs. Long Term Borrowings 2 reflects the \$17,000 repayment per annum for the \$85,000 that the Shires of Wyalkatchem and Koorda spent to relocate the new doctor to Wyalkatchem.

2 Retained Equity is the surplus/deficit from the Profit and Loss statement.

## References

Local Government Insurance Services (2008). Shire of Wyalkatchem Risk Management Plan for Medical Centre. Wyalkatchem.

Shire of Wyalkatchem. (2008). Plan for the Future 20082028. Wyalkatchem

Sudell, C. (2008). General Practice Wyalkatchem, Koorda and Dowerin "A Vision for the Future" Discussion Document. Wyalkatchem

Sudell, J. (2008). Shire of Wyalkatchem Medical Centre Consultation Document. Wyalkatchem

Wheatbelt GP Network (2008). Wyalkatchem Medical Practice Business Plan. Northam

Each of the above references can be found on the Shire of Wyalkatchem website:  
[www.wyalkatchem.wa.gov.au](http://www.wyalkatchem.wa.gov.au)

## Appendix 2<sup>5</sup>

### Sample business Plan for a Sports Medicine Clinic

- **1.0 Executive Summary**
  - Mission
  - Objectives
- **2.0 Company Summary**
  - Start-up Summary
  - Company Ownership
- **3.0 Services**
- **4.0 Market Analysis Summary**
  - Market Segmentation
- **5.0 Strategy and Implementation Summary**
  - Competitive Edge
  - Marketing Strategy
  - Sales Forecast
- **6.0 Personnel Plan**
- **7.0 Financial Plan**
  - Break-even Analysis
  - Projected Profit and Loss
  - Projected Cash Flow
  - Projected Balance Sheet
  - Business Ratios

## Appendix

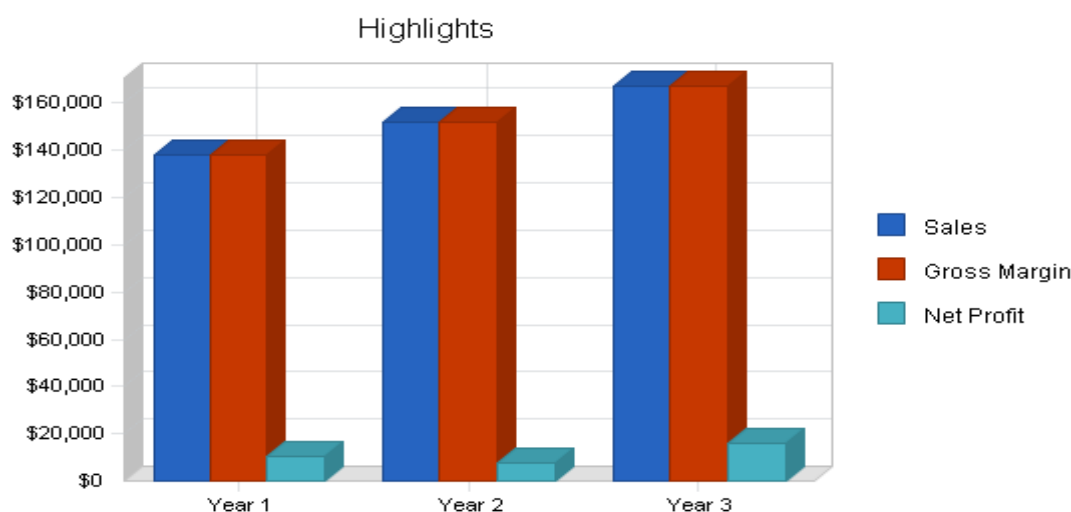
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<sup>5</sup> Source adapted from: [www.BPlans.com](http://www.BPlans.com)

## Executive Summary

The Sharp Edge Sports Medicine Clinic will soon open to serve the greater Melbourne metro area. Dr. Ken Sharp, a sports medicine doctor for six years with the Melbourne Wellness Centre, will be joining with Dr Ivan Edge to establish their own practice in the Centre. Drs. Sharp and Edge are establishing within the Centre that will have the city's best and most respected sports injury specialists. Their addition to the Centre's specialists was sought by the group of sport injury physicians that created the Centre.

These physicians represent over 70% of Dr. Sharp and Edge's referrals. In his new practice, Dr. Sharp and Edge will be able to focus exclusively on sport injury referrals which will increase in their new location in the Centre.



### 1.1 Mission

The mission of Sharp Edge Sports Medicine is to promote the well-being of the athletes in the Melbourne community by providing accessible, quality sports medicine care for athletes of all ages, utilising a service system that emphasises trust, respect, confidentiality, and compassion. We are committed to quality care that is provided in a collaborative effort with a physician's overall health strategies and an array of medical services. We are further committed to the philosophy that we exist for the client/patient.

### 1.2 Objectives

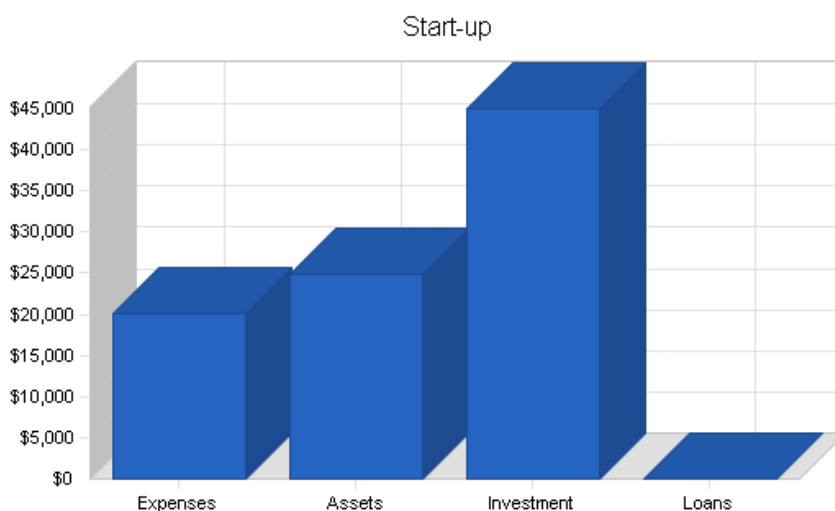
- To continuously develop, strengthen, and improve sports medicine services offered by the Centre.
- To strengthen the Centre's commitment to sports medicine services.
- Increase referrals from the Centre's physicians.
- Build referral into repeat clients.

## 2.0 Company Summary

Sharp Edge Sports Medicine is a practice started by Dr. Ken Sharp and Dr Ivan Edge in the newly opened Centre. Sharp Edge Sports Medicine will provide quality services to athletes of all ages and work in conjunction with the Centre's physicians.

### 2.1 Start-up Summary

It is estimated that start-up expenses will be \$20,000. An additional amount of \$25,000 will be required as start-up assets. The start-up costs are to be financed by Dr. Sharp and Edge's personal funds.



| Start-up                        |                 |
|---------------------------------|-----------------|
| <b>Requirements</b>             |                 |
| <b>Start-up Expenses</b>        |                 |
| <b>Legal</b>                    | \$0             |
| <b>Stationery etc.</b>          | \$300           |
| <b>Brochures</b>                | \$500           |
| <b>Consultants</b>              | \$0             |
| <b>Insurance</b>                | \$800           |
| <b>Rent</b>                     | \$1,500         |
| <b>Research and Development</b> | \$0             |
| <b>Expensed Equipment</b>       | \$4,000         |
| <b>Leased Equipment</b>         | \$13,000        |
| <b>Other</b>                    | \$0             |
| <b>Total Start-up Expenses</b>  | <b>\$20,100</b> |

|   |                 |
|---|-----------------|
| <b>Start-up Assets</b>                    |                 |
| Cash Required                             | \$24,900        |
| Other Current Assets                      | \$0             |
| Long-term Assets                          | \$0             |
| <b>Total Assets</b>                       | <b>\$24,900</b> |
| <b>Total Requirements</b>                 | <b>\$45,000</b> |
| <b>Start-up Funding</b>                   |                 |
| Start-up Expenses to Fund                 | \$20,100        |
| Start-up Assets to Fund                   | \$24,900        |
| <b>Total Funding Required</b>             | <b>\$45,000</b> |
| <b>Assets</b>                             |                 |
| Non-cash Assets from Start-up             | \$0             |
| Cash Requirements from Start-up           | \$24,900        |
| Additional Cash Raised                    | \$0             |
| Cash Balance on Starting Date             | \$24,900        |
| <b>Total Assets</b>                       | <b>\$24,900</b> |
| <b>Liabilities and Capital</b>            |                 |
| <b>Liabilities</b>                        |                 |
| Current Borrowing                         | \$0             |
| Long-term Liabilities                     | \$0             |
| Accounts Payable (Outstanding Bills)      | \$0             |
| Other Current Liabilities (interest-free) | \$0             |

|   |            |
|---|------------|
| <b>Total Liabilities</b>                    | \$0        |
| <b>Capital</b>                              |            |
| <b>Planned Investment</b>                   |            |
| <b>Dr. Meeks</b>                            | \$45,000   |
| <b>Investor 2</b>                           | \$0        |
| <b>Other</b>                                | \$0        |
| <b>Additional Investment Requirement</b>    | \$0        |
| <b>Total Planned Investment</b>             | \$45,000   |
| <b>Loss at Start-up (Start-up Expenses)</b> | (\$20,100) |
| <b>Total Capital</b>                        | \$24,900   |
| <b>Total Capital and Liabilities</b>        | \$24,900   |
| <b>Total Funding</b>                        | \$45,000   |

## 2.2 Company Ownership

Sharp Edge Sports Medicine is owned by Dr. Ken Sharp and Dr Ivan Edge.

## 3.0 Services

Dr. Sharp and Edge's philosophy is that optimal health and performance can be attained through the proper balance of exercise, nutrition, and care of the body's framework (skeleton). In addition, maintaining a state of good health depends on a normally functioning nervous system. The most important and delicate organs of this nervous system are supported and protected by the skull and spinal vertebrae, when misaligned these structures can irritate and interfere with the nerve impulses. As doctors of sports medicine, they locate these points of interference and correct the spinal misalignments, so the body can re-establish its balance and heal itself to the best of its ability.

Sharp Edge Sports Medicine offers treatment for various conditions including, but not limited to:

- athletic injuries;
- low back and leg pain
- neck and arm pain;
- headaches;
- shoulder, knee, and foot pain.

#### 4.0 Market Analysis Summary

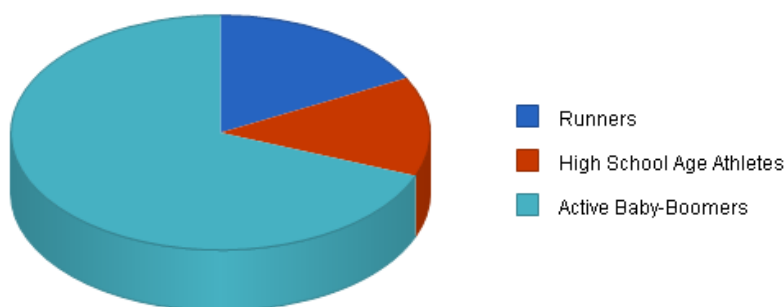
The sports medicine field is a crowded one in any metro area and Melbourne is no exception. There are over 60 practicing in the greater Melbourne community. A majority are generalists with only a handful that specialise with a particular client group. Dr. Sharp and Edge’s specialty is athletic injuries, especially runners. Melbourne has a large and committed running community. Each year there are numerous running events the entire city participates in. In addition to runners, there are high school aged athletes that need treatment for sport injuries. The third large group of potential clients is the active baby-boomers who are becoming more athletic as they get older and want to be pain-free.

#### 4.1 Market Segmentation

Sports medicine will focus on the following market segments:

- runners;
- high school age athletes;
- active baby-boomers.

Market Analysis (Pie)



| Market Analysis                 |                  |        |        |        |        |        |             |
|---------------------------------|------------------|--------|--------|--------|--------|--------|-------------|
|                                 |                  | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |             |
| <b>Potential Customers</b>      | <b>Growth</b>    |        |        |        |        |        | <b>CAGR</b> |
| <b>Runners</b>                  | 15%              | 5,000  | 5,750  | 6,613  | 7,605  | 8,746  | 15.00%      |
| <b>High School Age Athletes</b> | 15%              | 4,000  | 4,600  | 5,290  | 6,084  | 6,997  | 15.00%      |
| <b>Active Boomers</b>           | <b>Baby-</b> 10% | 20,000 | 22,000 | 24,200 | 26,620 | 29,282 | 10.00%      |

|              |        |        |        |        |        |        |        |
|--------------|--------|--------|--------|--------|--------|--------|--------|
| <b>Total</b> | 11.63% | 29,000 | 32,350 | 36,103 | 40,309 | 45,025 | 11.63% |
|--------------|--------|--------|--------|--------|--------|--------|--------|

## 5.0 Strategy and Implementation Summary

Sharp Edge Sports Medicine is uniquely positioned to be successful in treating sports injuries. The following subsections will outline these advantages.

### 5.1 Competitive Edge

Dr. Sharp and Dr Edge both avid runners are the most visible sport injury specialists in Melbourne. They support the city's numerous charity runs and have spoken to many athletic groups and organisations about preventing sport injuries.

Dr. Sharp and Dr Edge have also developed an extensive network of contact with physicians that specialise in sport injuries. Over half of their referrals come from these doctors. This is a strong competitive edge with competitors. In addition, their strong reputation for exceptional service has resulted in growing base of loyal clients who will follow to his new practice.

But the strongest competitive advantage for Sharp Edge Sports Medicine is that it is the only sport medicine service in the Centre. As stated before, the centre will become the dominant service provider for sport injuries. Dr. Sharp and Dr Edge will become the doctors to see with a sport-related injury.

### 5.2 Marketing Strategy

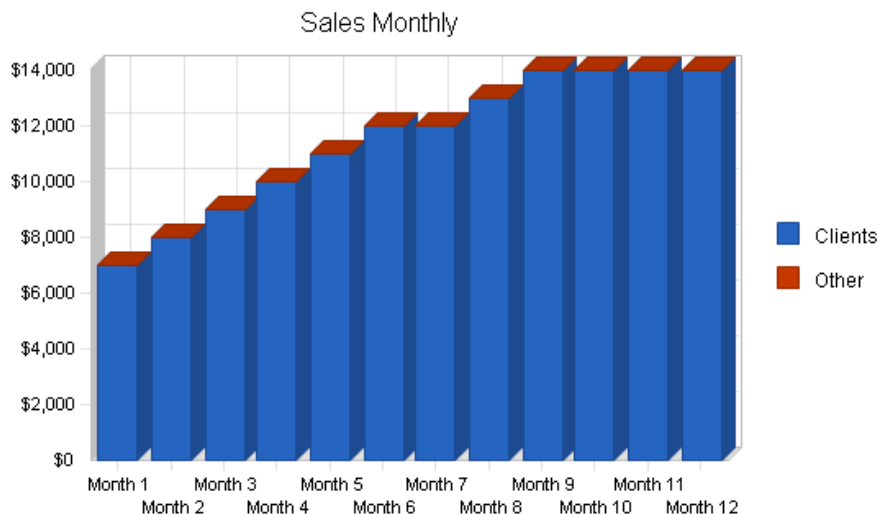
Though Sharp Edge Sports Medicine has a strong referral base for clients, it will still be important to market the services.

Dr. Sharp and Dr Edge will continue to speak to local groups on preventing sport injuries. The key is to keep them in the public as the sports injury experts.

In addition, Sharp Edge Sports Medicine will sponsor an annual run in the city in support of high school athletics.

### 5.3 Sales Forecast

The following table and chart highlight the sales forecast for three years.



| Sales Forecast                       |           |           |           |
|--------------------------------------|-----------|-----------|-----------|
|                                      | Year 1    | Year 2    | Year 3    |
| <b>Sales</b>                         |           |           |           |
| <b>Clients</b>                       | \$138,000 | \$151,800 | \$166,980 |
| <b>Other</b>                         | \$0       | \$0       | \$0       |
| <b>Total Sales</b>                   | \$138,000 | \$151,800 | \$166,980 |
| <b>Direct Cost of Sales</b>          | Year 1    | Year 2    | Year 3    |
| <b>Clients</b>                       | \$0       | \$0       | \$0       |
| <b>Other</b>                         | \$0       | \$0       | \$0       |
| <b>Subtotal Direct Cost of Sales</b> | \$0       | \$0       | \$0       |

## 6.0 Personnel Plan

The Sports medicine staff will consist of Dr. Sharp and Edge, one full-time receptionist/clerical staff member and a half-time bookkeeper.

| Personnel Plan  |          |          |          |
|-----------------|----------|----------|----------|
|                 | Year 1   | Year 2   | Year 3   |
| <b>Dr. Edge</b> | \$48,000 | \$58,000 | \$68,000 |

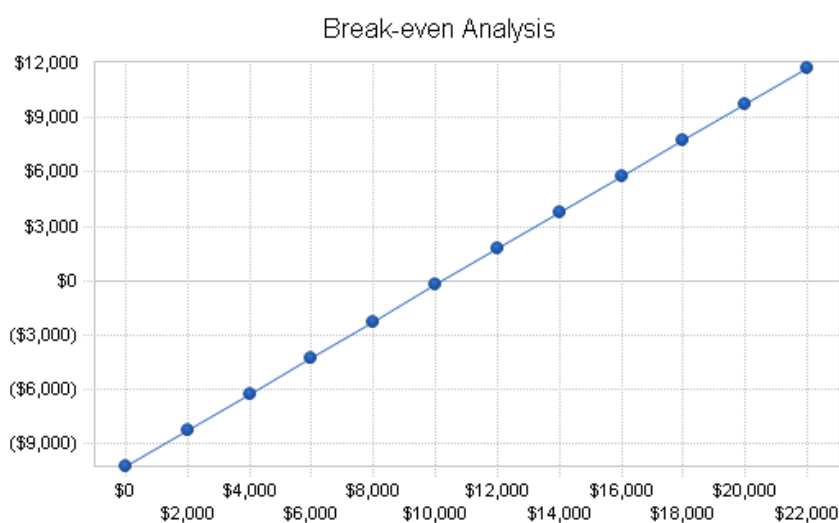
|                              |          |           |           |
|------------------------------|----------|-----------|-----------|
| <b>Receptionist/Clerical</b> | \$24,000 | \$28,000  | \$33,000  |
| <b>Bookkeeper</b>            | \$13,500 | \$15,000  | \$17,000  |
| <b>Other</b>                 | \$0      | \$0       | \$0       |
| <b>Total People</b>          | 3        | 3         | 0         |
| <b>Total Payroll</b>         | \$85,500 | \$101,000 | \$118,000 |

## 7.0 Financial Plan

The following is the financial plan for Sharp Edge Sports Medicine.

### 7.1 Break-even Analysis

The monthly sales break-even point is shown in the following table and chart.

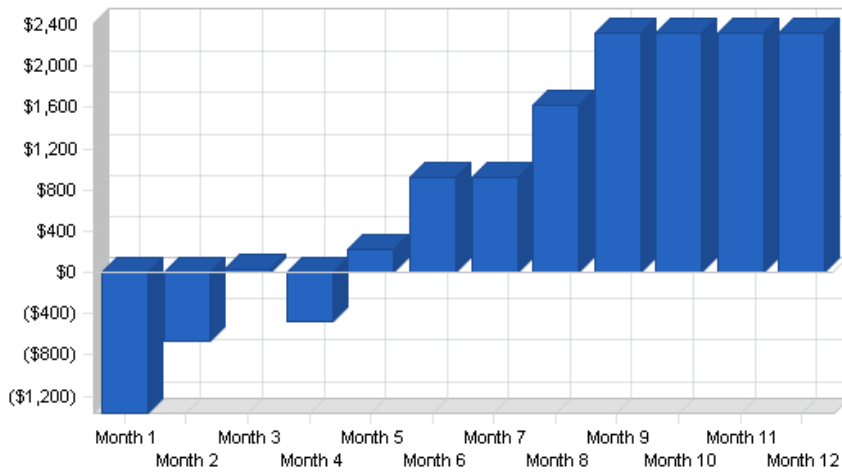


| Break-even Analysis                  |          |
|--------------------------------------|----------|
| <b>Monthly Revenue Break-even</b>    | \$10,244 |
| <b>Assumptions:</b>                  |          |
| <b>Average Percent Variable Cost</b> | 0%       |
| <b>Estimated Monthly Fixed Cost</b>  | \$10,244 |

### 7.2 Projected Profit and Loss

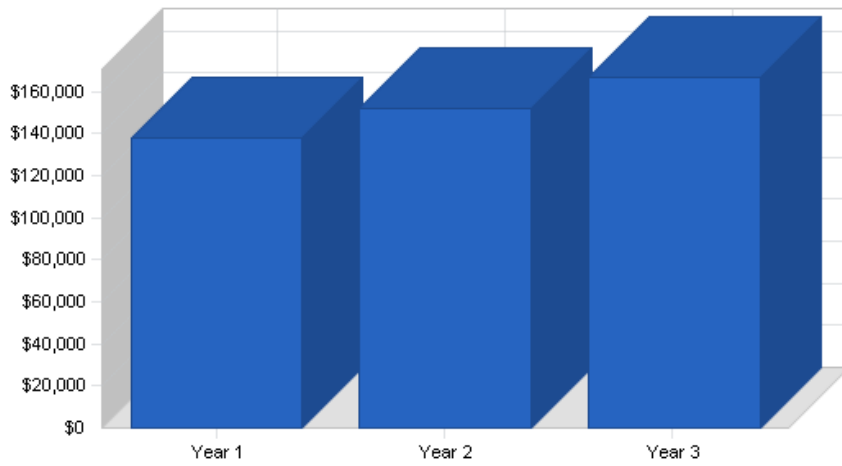
The following is the projected profit and loss for three years.

Profit Monthly



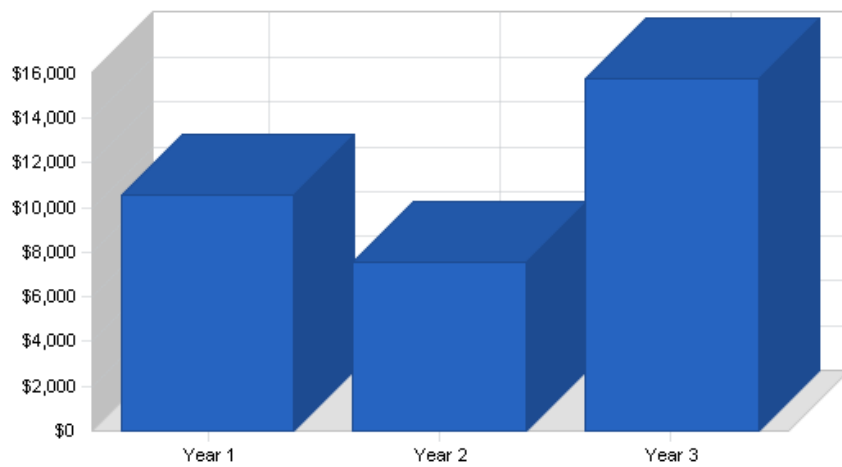
[CLICK TO ENLARGE](#) 

Gross Margin Yearly



[CLICK TO ENLARGE](#) 

Profit Yearly

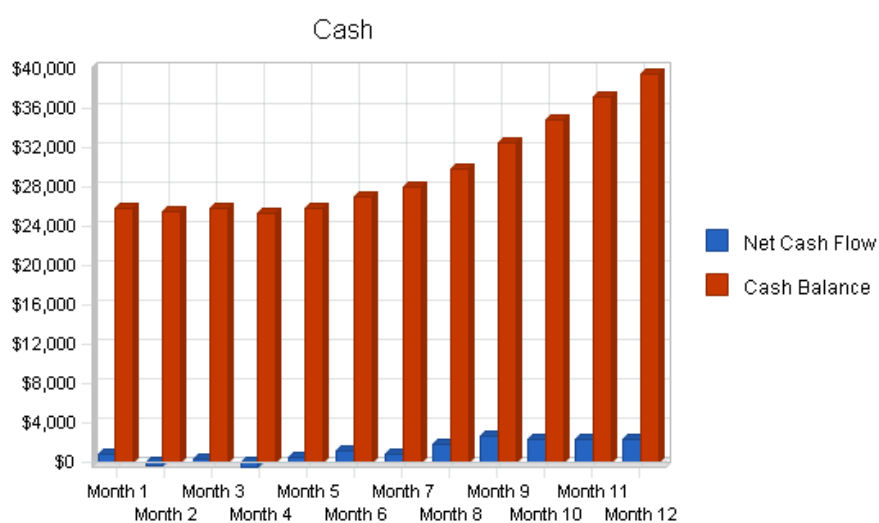


| <b>Pro Forma Profit and Loss</b>              |           |           |           |
|---|-----------|-----------|-----------|
|   | Year 1    | Year 2    | Year 3    |
| <b>Sales</b>                                  | \$138,000 | \$151,800 | \$166,980 |
| <b>Direct Cost of Sales</b>                   | \$0       | \$0       | \$0       |
| <b>Other Production Expenses</b>              | \$0       | \$0       | \$0       |
| <b>Total Cost of Sales</b>                    | \$0       | \$0       | \$0       |
| <b>Gross Margin</b>                           | \$138,000 | \$151,800 | \$166,980 |
| <b>Gross Margin %</b>                         | 100.00%   | 100.00%   | 100.00%   |
| <b>Expenses</b>                               |           |           |           |
| <b>Payroll</b>                                | \$85,500  | \$101,000 | \$118,000 |
| <b>Sales and Marketing and Other Expenses</b> | \$4,800   | \$5,000   | \$5,000   |
| <b>Depreciation</b>                           | \$0       | \$0       | \$0       |
| <b>Leased Equipment</b>                       | \$0       | \$0       | \$0       |
| <b>Utilities</b>                              | \$0       | \$0       | \$150     |
| <b>Insurance</b>                              | \$1,800   | \$1,800   | \$1,800   |
| <b>Rent</b>                                   | \$18,000  | \$18,000  | \$1,800   |
| <b>Payroll Taxes</b>                          | \$12,825  | \$15,150  | \$17,700  |
| <b>Other</b>                                  | \$0       | \$0       | \$0       |
| <b>Total Operating Expenses</b>               | \$122,925 | \$140,950 | \$144,450 |
| <b>Profit Before Interest and Taxes</b>       | \$15,075  | \$10,850  | \$22,530  |
| <b>EBITDA</b>                                 | \$15,075  | \$10,850  | \$22,530  |
| <b>Interest Expense</b>                       | \$0       | \$0       | \$0       |
| <b>Taxes Incurred</b>                         | \$4,523   | \$3,255   | \$6,759   |

|                         |          |         |          |
|-------------------------|----------|---------|----------|
| <b>Net Profit</b>       | \$10,553 | \$7,595 | \$15,771 |
| <b>Net Profit/Sales</b> | 7.65%    | 5.00%   | 9.44%    |

### 7.3 Projected Cash Flow

The following is the projected cash flow for three years.



| Pro Forma Cash Flow                          |           |           |           |
|--|-----------|-----------|-----------|
|  | Year 1    | Year 2    | Year 3    |
| <b>Cash Received</b>                         |           |           |           |
| <b>Cash from Operations</b>                  |           |           |           |
| <b>Cash Sales</b>                            | \$138,000 | \$151,800 | \$166,980 |
| <b>Subtotal Cash from Operations</b>         | \$138,000 | \$151,800 | \$166,980 |
| <b>Additional Cash Received</b>              |           |           |           |
| <b>Sales Tax, GST Received</b>               | \$0       | \$0       | \$0       |
| <b>New Current Borrowing</b>                 | \$0       | \$0       | \$0       |
| <b>New Other Liabilities (interest-free)</b> | \$0       | \$0       | \$0       |

|  |           |           |           |
|--|-----------|-----------|-----------|
| <b>New Long-term Liabilities</b>                 | \$0       | \$0       | \$0       |
| <b>Sales of Other Current Assets</b>             | \$0       | \$0       | \$0       |
| <b>Sales of Long-term Assets</b>                 | \$0       | \$0       | \$0       |
| <b>New Investment Received</b>                   | \$0       | \$0       | \$0       |
| <b>Subtotal Cash Received</b>                    | \$138,000 | \$151,800 | \$166,980 |
| <b>Expenditures</b>                              | Year 1    | Year 2    | Year 3    |
| <b>Expenditures from Operations</b>              |           |           |           |
| <b>Cash Spending</b>                             | \$85,500  | \$101,000 | \$118,000 |
| <b>Bill Payments</b>                             | \$37,914  | \$43,687  | \$34,031  |
| <b>Subtotal Spent on Operations</b>              | \$123,414 | \$144,687 | \$152,031 |
| <b>Additional Cash Spent</b>                     |           |           |           |
| <b>Sales Tax, VAT, HST/GST Paid Out</b>          | \$0       | \$0       | \$0       |
| <b>Principal Repayment of Current Borrowing</b>  | \$0       | \$0       | \$0       |
| <b>Other Liabilities Principal Repayment</b>     | \$0       | \$0       | \$0       |
| <b>Long-term Liabilities Principal Repayment</b> | \$0       | \$0       | \$0       |
| <b>Purchase Other Current Assets</b>             | \$0       | \$0       | \$0       |
| <b>Purchase Long-term Assets</b>                 | \$0       | \$0       | \$0       |
| <b>Dividends</b>                                 | \$0       | \$0       | \$0       |
| <b>Subtotal Cash Spent</b>                       | \$123,414 | \$144,687 | \$152,031 |
| <b>Net Cash Flow</b>                             | \$14,586  | \$7,113   | \$14,949  |
| <b>Cash Balance</b>                              | \$39,486  | \$46,599  | \$61,548  |

#### 7.4 Projected Balance Sheet

The following is the projected balance sheet for three years.

| <b>Pro Forma Balance Sheet</b>      |                   |                  |                  |
|-------------------------------------|-------------------|------------------|------------------|
|                                     | Year 1            | Year 2           | Year 3           |
| <b>Assets</b>                       |                   |                  |                  |
| <b>Current Assets</b>               |                   |                  |                  |
| Cash                                | \$39,486          | \$46,599         | \$61,548         |
| Other Current Assets                | \$0               | \$0              | \$0              |
| <b>Total Current Assets</b>         | <b>\$39,486</b>   | <b>\$46,599</b>  | <b>\$61,548</b>  |
| <b>Long-term Assets</b>             |                   |                  |                  |
| Long-term Assets                    | \$0               | \$0              | \$0              |
| Accumulated Depreciation            | \$0               | \$0              | \$0              |
| <b>Total Long-term Assets</b>       | <b>\$0</b>        | <b>\$0</b>       | <b>\$0</b>       |
| <b>Total Assets</b>                 | <b>\$39,486</b>   | <b>\$46,599</b>  | <b>\$61,548</b>  |
| <b>Liabilities and Capital</b>      |                   |                  |                  |
| <b>Current Liabilities</b>          |                   |                  |                  |
| Accounts Payable                    | \$4,033           | \$3,551          | \$2,730          |
| Current Borrowing                   | \$0               | \$0              | \$0              |
| Other Current Liabilities           | \$0               | \$0              | \$0              |
| <b>Subtotal Current Liabilities</b> | <b>\$4,033</b>    | <b>\$3,551</b>   | <b>\$2,730</b>   |
| <b>Long-term Liabilities</b>        | <b>\$0</b>        | <b>\$0</b>       | <b>\$0</b>       |
| <b>Total Liabilities</b>            | <b>\$4,033</b>    | <b>\$3,551</b>   | <b>\$2,730</b>   |
| <b>Paid-in Capital</b>              | <b>\$45,000</b>   | <b>\$45,000</b>  | <b>\$45,000</b>  |
| <b>Retained Earnings</b>            | <b>(\$20,100)</b> | <b>(\$9,548)</b> | <b>(\$1,953)</b> |
| <b>Earnings</b>                     | <b>\$10,553</b>   | <b>\$7,595</b>   | <b>\$15,771</b>  |

|                                      |          |          |          |
|--------------------------------------|----------|----------|----------|
| <b>Total Capital</b>                 | \$35,453 | \$43,048 | \$58,819 |
| <b>Total Liabilities and Capital</b> | \$39,486 | \$46,599 | \$61,548 |
| <b>Net Worth</b>                     | \$35,453 | \$43,048 | \$58,819 |

## 7.5 Business Ratios

The following table outlines some of the more important ratios from the Offices of Physicians industry. The final column, Industry Profile, details specific ratios based on the industry as it is classified by the Standard Industry Classification (SIC) code, 8011.

| Ratio Analysis  |         |         |         |                  |
|---|---------|---------|---------|------------------|
|   | Year 1  | Year 2  | Year 3  | Industry Profile |
| <b>Sales Growth</b>                                   | 0.00%   | 10.00%  | 10.00%  | 5.90%            |
| <b>Percent of Total Assets</b>                        |         |         |         |                  |
| <b>Other Current Assets</b>                           | 0.00%   | 0.00%   | 0.00%   | 50.50%           |
| <b>Total Current Assets</b>                           | 100.00% | 100.00% | 100.00% | 60.80%           |
| <b>Long-term Assets</b>                               | 0.00%   | 0.00%   | 0.00%   | 39.20%           |
| <b>Total Assets</b>                                   | 100.00% | 100.00% | 100.00% | 100.00%          |
| <b>Current Liabilities</b>                            | 10.21%  | 7.62%   | 4.43%   | 39.80%           |
| <b>Long-term Liabilities</b>                          | 0.00%   | 0.00%   | 0.00%   | 14.10%           |
| <b>Total Liabilities</b>                              | 10.21%  | 7.62%   | 4.43%   | 53.90%           |
| <b>Net Worth</b>                                      | 89.79%  | 92.38%  | 95.57%  | 46.10%           |
| <b>Percent of Sales</b>                               |         |         |         |                  |
| <b>Sales</b>  | 100.00% | 100.00% | 100.00% | 100.00%          |
| <b>Gross Margin</b>                                   | 100.00% | 100.00% | 100.00% | 0.00%            |
| <b>Selling, General &amp; Administrative Expenses</b> | 92.35%  | 95.00%  | 90.56%  | 57.10%           |

|   |          |          |          |        |
|---|----------|----------|----------|--------|
| <b>Advertising Expenses</b>             | 3.48%    | 3.29%    | 2.99%    | 0.40%  |
| <b>Profit Before Interest and Taxes</b> | 10.92%   | 7.15%    | 13.49%   | 2.00%  |
| <b>Main Ratios</b>                      |          |          |          |        |
| <b>Current</b>                          | 9.79     | 13.12    | 22.55    | 1.37   |
| <b>Quick</b>                            | 9.79     | 13.12    | 22.55    | 1.12   |
| <b>Total Debt to Total Assets</b>       | 10.21%   | 7.62%    | 4.43%    | 53.90% |
| <b>Pre-tax Return on Net Worth</b>      | 42.52%   | 25.20%   | 38.30%   | 6.90%  |
| <b>Pre-tax Return on Assets</b>         | 38.18%   | 23.28%   | 36.61%   | 15.00% |
| <b>Additional Ratios</b>                | Year 1   | Year 2   | Year 3   |        |
| <b>Net Profit Margin</b>                | 7.65%    | 5.00%    | 9.44%    | n.a    |
| <b>Return on Equity</b>                 | 29.77%   | 17.64%   | 26.81%   | n.a    |
| <b>Activity Ratios</b>                  |          |          |          |        |
| <b>Accounts Payable Turnover</b>        | 10.40    | 12.17    | 12.17    | n.a    |
| <b>Payment Days</b>                     | 27       | 32       | 35       | n.a    |
| <b>Total Asset Turnover</b>             | 3.49     | 3.26     | 2.71     | n.a    |
| <b>Debt Ratios</b>                      |          |          |          |        |
| <b>Debt to Net Worth</b>                | 0.11     | 0.08     | 0.05     | n.a    |
| <b>Current Liab. to Liab.</b>           | 1.00     | 1.00     | 1.00     | n.a    |
| <b>Liquidity Ratios</b>                 |          |          |          |        |
| <b>Net Working Capital</b>              | \$35,453 | \$43,048 | \$58,819 | n.a    |
| <b>Interest Coverage</b>                | 0.00     | 0.00     | 0.00     | n.a    |
| <b>Additional Ratios</b>                |          |          |          |        |
| <b>Assets to Sales</b>                  | 0.29     | 0.31     | 0.37     | n.a    |

|                                  |      |       |       |     |
|----------------------------------|------|-------|-------|-----|
| <b>Current Debt/Total Assets</b> | 10%  | 8%    | 4%    | n.a |
| <b>Acid Test</b>                 | 9.79 | 13.12 | 22.55 | n.a |
| <b>Sales/Net Worth</b>           | 3.89 | 3.53  | 2.84  | n.a |
| <b>Dividend Payout</b>           | 0.00 | 0.00  | 0.00  | n.a |

**Appendix**

**Sales Forecast**

|                                      |    | Month 1 | Month 2 | Month 3 | Month 4  | Month 5  | Month 6  |
|--------------------------------------|----|---------|---------|---------|----------|----------|----------|
| <b>Sales</b>                         |    |         |         |         |          |          |          |
| <b>Clients</b>                       | 0% | \$7,000 | \$8,000 | \$9,000 | \$10,000 | \$11,000 | \$12,000 |
| <b>Other</b>                         | 0% | \$0     | \$0     | \$0     | \$0      | \$0      | \$0      |
| <b>Total Sales</b>                   |    | \$7,000 | \$8,000 | \$9,000 | \$10,000 | \$11,000 | \$12,000 |
| <b>Direct Cost of Sales</b>          |    |         |         |         |          |          |          |
| <b>Clients</b>                       |    | \$0     | \$0     | \$0     | \$0      | \$0      | \$0      |
| <b>Other</b>                         |    | \$0     | \$0     | \$0     | \$0      | \$0      | \$0      |
| <b>Subtotal Direct Cost of Sales</b> |    | \$0     | \$0     | \$0     | \$0      | \$0      | \$0      |

| <b>Personnel Plan</b>        |    |         |         |         |         |         |         |
|------------------------------|----|---------|---------|---------|---------|---------|---------|
|                              |    | Month 1 | Month 2 | Month 3 | Month 4 | Month 5 | Month 6 |
| <b>Dr. Meeks</b>             | 0% | \$4,000 | \$4,000 | \$4,000 | \$4,000 | \$4,000 | \$4,000 |
| <b>Receptionist/Clerical</b> | 0% | \$2,000 | \$2,000 | \$2,000 | \$2,000 | \$2,000 | \$2,000 |

|                      |    |         |         |         |         |         |    |
|----------------------|----|---------|---------|---------|---------|---------|----|
| <b>Bookkeeper</b>    | 0% | \$0     | \$0     | \$0     | \$1,500 | \$1,500 | \$ |
| <b>Other</b>         | 0% | \$0     | \$0     | \$0     | \$0     | \$0     | \$ |
| <b>Total People</b>  |    | 3       | 3       | 3       | 3       | 3       |    |
| <b>Total Payroll</b> |    | \$6,000 | \$6,000 | \$6,000 | \$7,500 | \$7,500 | \$ |

### General Assumptions

|                                | Month 1 | Month 2 | Month 3 | Month 4 | Month 5 | Month 6 | M |
|--------------------------------|---------|---------|---------|---------|---------|---------|---|
| <b>Plan Month</b>              | 1       | 2       | 3       | 4       | 5       | 6       |   |
| <b>Current Interest Rate</b>   | 10.00%  | 10.00%  | 10.00%  | 10.00%  | 10.00%  | 10.00%  | 1 |
| <b>Long-term Interest Rate</b> | 10.00%  | 10.00%  | 10.00%  | 10.00%  | 10.00%  | 10.00%  | 1 |
| <b>Tax Rate</b>                | 30.00%  | 30.00%  | 30.00%  | 30.00%  | 30.00%  | 30.00%  | 3 |
| <b>Other</b>                   | 0       | 0       | 0       | 0       | 0       | 0       |   |

### Pro Forma Profit and Loss

|                                  | Month 1 | Month 2 | Month 3 | Month 4  | Month 5  | Month 6  |
|----------------------------------|---------|---------|---------|----------|----------|----------|
| <b>Sales</b>                     | \$7,000 | \$8,000 | \$9,000 | \$10,000 | \$11,000 | \$12,000 |
| <b>Direct Cost of Sales</b>      | \$0     | \$0     | \$0     | \$0      | \$0      | \$0      |
| <b>Other Production Expenses</b> | \$0     | \$0     | \$0     | \$0      | \$0      | \$0      |
| <b>Total Cost of Sales</b>       | \$0     | \$0     | \$0     | \$0      | \$0      | \$0      |
| <b>Gross Margin</b>              | \$7,000 | \$8,000 | \$9,000 | \$10,000 | \$11,000 | \$12,000 |

|   |        |           |         |         |          |          |          |
|---|--------|-----------|---------|---------|----------|----------|----------|
| <b>Gross Margin %</b>                         |        | 100.00%   | 100.00% | 100.00% | 100.00%  | 100.00%  | 100.00%  |
| <b>Expenses</b>                               |        |           |         |         |          |          |          |
| <b>Payroll</b>                                |        | \$6,000   | \$6,000 | \$6,000 | \$7,500  | \$7,500  | \$7,500  |
| <b>Sales and Marketing and Other Expenses</b> |        | \$400     | \$400   | \$400   | \$400    | \$400    | \$400    |
| <b>Depreciation</b>                           |        | \$0       | \$0     | \$0     | \$0      | \$0      | \$0      |
| <b>Leased Equipment</b>                       |        | \$0       | \$0     | \$0     | \$0      | \$0      | \$0      |
| <b>Utilities</b>                              |        | \$0       | \$0     | \$0     | \$0      | \$0      | \$0      |
| <b>Insurance</b>                              | 15000% | \$150     | \$150   | \$150   | \$150    | \$150    | \$150    |
| <b>Rent</b>                                   |        | \$1,500   | \$1,500 | \$1,500 | \$1,500  | \$1,500  | \$1,500  |
| <b>Payroll Taxes</b>                          | 15%    | \$900     | \$900   | \$900   | \$1,125  | \$1,125  | \$1,125  |
| <b>Other</b>                                  |        | \$0       | \$0     | \$0     | \$0      | \$0      | \$0      |
| <b>Total Operating Expenses</b>               |        | \$8,950   | \$8,950 | \$8,950 | \$10,675 | \$10,675 | \$10,675 |
| <b>Profit Before Interest and Taxes</b>       |        | (\$1,950) | (\$950) | \$50    | (\$675)  | \$325    | \$1,325  |
| <b>EBITDA</b>                                 |        | (\$1,950) | (\$950) | \$50    | (\$675)  | \$325    | \$1,325  |
| <b>Interest Expense</b>                       |        | \$0       | \$0     | \$0     | \$0      | \$0      | \$0      |
| <b>Taxes Incurred</b>                         |        | (\$585)   | (\$285) | \$15    | (\$203)  | \$98     | \$398    |
| <b>Net Profit</b>                             |        | (\$1,365) | (\$665) | \$35    | (\$473)  | \$228    | \$928    |
| <b>Net Profit/Sales</b>                       |        | -19.50%   | -8.31%  | 0.39%   | -4.72%   | 2.07%    | 7.73%    |

**Pro Forma Cash Flow**

|  | Month 1 | Month 2 | Month 3 | Month 4  | Month 5  | Month 6  | Month 7  |
|--|---------|---------|---------|----------|----------|----------|----------|
| <b>Cash Received</b>                         |         |         |         |          |          |          |          |
| <b>Cash from Operations</b>                  |         |         |         |          |          |          |          |
| <b>Cash Sales</b>                            | \$7,000 | \$8,000 | \$9,000 | \$10,000 | \$11,000 | \$12,000 | \$12,000 |
| <b>Subtotal Cash from Operations</b>         | \$7,000 | \$8,000 | \$9,000 | \$10,000 | \$11,000 | \$12,000 | \$12,000 |
| <b>Additional Cash Received</b>              |         |         |         |          |          |          |          |
| <b>Sales Tax, VAT, HST/GST Received</b>      | 0.00%   | \$0     | \$0     | \$0      | \$0      | \$0      | \$0      |
| <b>New Current Borrowing</b>                 | \$0     | \$0     | \$0     | \$0      | \$0      | \$0      | \$0      |
| <b>New Other Liabilities (interest-free)</b> | \$0     | \$0     | \$0     | \$0      | \$0      | \$0      | \$0      |
| <b>New Long-term Liabilities</b>             | \$0     | \$0     | \$0     | \$0      | \$0      | \$0      | \$0      |
| <b>Sales of Other Current Assets</b>         | \$0     | \$0     | \$0     | \$0      | \$0      | \$0      | \$0      |
| <b>Sales of Long-term Assets</b>             | \$0     | \$0     | \$0     | \$0      | \$0      | \$0      | \$0      |
| <b>New Investment Received</b>               | \$0     | \$0     | \$0     | \$0      | \$0      | \$0      | \$0      |
| <b>Subtotal Cash Received</b>                | \$7,000 | \$8,000 | \$9,000 | \$10,000 | \$11,000 | \$12,000 | \$12,000 |
| <b>Expenditures</b>                          |         |         |         |          |          |          |          |
| <b>Expenditures from Operations</b>          |         |         |         |          |          |          |          |
| <b>Cash Spending</b>                         | \$6,000 | \$6,000 | \$6,000 | \$7,500  | \$7,500  | \$7,500  | \$7,500  |
| <b>Bill Payments</b>                         | \$79    | \$2,375 | \$2,675 | \$2,965  | \$2,983  | \$3,283  | \$3,573  |
| <b>Subtotal Spent on Operations</b>          | \$6,079 | \$8,375 | \$8,675 | \$10,465 | \$10,483 | \$10,783 | \$11,073 |

**Additional Cash Spent**

|  |          |          |          |          |          |          |          |     |
|--|----------|----------|----------|----------|----------|----------|----------|-----|
| <b>Sales Tax, VAT, HST/GST Paid Out</b>          | \$0      | \$0      | \$0      | \$0      | \$0      | \$0      | \$0      | \$0 |
| <b>Principal Repayment of Current Borrowing</b>  | \$0      | \$0      | \$0      | \$0      | \$0      | \$0      | \$0      | \$0 |
| <b>Other Liabilities Principal Repayment</b>     | \$0      | \$0      | \$0      | \$0      | \$0      | \$0      | \$0      | \$0 |
| <b>Long-term Liabilities Principal Repayment</b> | \$0      | \$0      | \$0      | \$0      | \$0      | \$0      | \$0      | \$0 |
| <b>Purchase Other Current Assets</b>             | \$0      | \$0      | \$0      | \$0      | \$0      | \$0      | \$0      | \$0 |
| <b>Purchase Long-term Assets</b>                 | \$0      | \$0      | \$0      | \$0      | \$0      | \$0      | \$0      | \$0 |
| <b>Dividends</b>                                 | \$0      | \$0      | \$0      | \$0      | \$0      | \$0      | \$0      | \$0 |
| <b>Subtotal Cash Spent</b>                       | \$6,079  | \$8,375  | \$8,675  | \$10,465 | \$10,483 | \$10,783 | \$11,073 |     |
| <b>Net Cash Flow</b>                             | \$921    | (\$375)  | \$325    | (\$465)  | \$518    | \$1,218  | \$928    |     |
| <b>Cash Balance</b>                              | \$25,821 | \$25,446 | \$25,771 | \$25,306 | \$25,823 | \$27,041 | \$27,968 |     |

**Pro Forma Balance Sheet**

|                             |                   | Month 1  | Month 2  | Month 3  | Month 4  | Month 5  | Month 6  | Month 7  | Month 8  |
|-----------------------------|-------------------|----------|----------|----------|----------|----------|----------|----------|----------|
| <b>Assets</b>               | Starting Balances |          |          |          |          |          |          |          |          |
| <b>Current Assets</b>       |                   |          |          |          |          |          |          |          |          |
| <b>Cash</b>                 | \$24,900          | \$25,821 | \$25,446 | \$25,771 | \$25,306 | \$25,823 | \$27,041 | \$27,968 | \$29,886 |
| <b>Other Current Assets</b> | \$0               | \$0      | \$0      | \$0      | \$0      | \$0      | \$0      | \$0      | \$0      |
| <b>Total Current Assets</b> | \$24,900          | \$25,821 | \$25,446 | \$25,771 | \$25,306 | \$25,823 | \$27,041 | \$27,968 | \$29,886 |
| <b>Long-term Assets</b>     |                   |          |          |          |          |          |          |          |          |

|                                      |            |            |            |            |            |            |            |            |            |
|--------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| <b>Long-term Assets</b>              | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        |
| <b>Accumulated Depreciation</b>      | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        |
| <b>Total Long-term Assets</b>        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        |
| <b>Total Assets</b>                  | \$24,900   | \$25,821   | \$25,446   | \$25,771   | \$25,306   | \$25,823   | \$27,041   | \$27,968   | \$29,886   |
| <b>Liabilities and Capital</b>       |            | Month 1    | Month 2    | Month 3    | Month 4    | Month 5    | Month 6    | Month 7    | Month 8    |
| <b>Current Liabilities</b>           |            |            |            |            |            |            |            |            |            |
| <b>Accounts Payable</b>              | \$0        | \$2,286    | \$2,576    | \$2,866    | \$2,873    | \$3,163    | \$3,453    | \$3,453    | \$3,743    |
| <b>Current Borrowing</b>             | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        |
| <b>Other Current Liabilities</b>     | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        |
| <b>Subtotal Current Liabilities</b>  | \$0        | \$2,286    | \$2,576    | \$2,866    | \$2,873    | \$3,163    | \$3,453    | \$3,453    | \$3,743    |
| <b>Long-term Liabilities</b>         | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        |
| <b>Total Liabilities</b>             | \$0        | \$2,286    | \$2,576    | \$2,866    | \$2,873    | \$3,163    | \$3,453    | \$3,453    | \$3,743    |
| <b>Paid-in Capital</b>               | \$45,000   | \$45,000   | \$45,000   | \$45,000   | \$45,000   | \$45,000   | \$45,000   | \$45,000   | \$45,000   |
| <b>Retained Earnings</b>             | (\$20,100) | (\$20,100) | (\$20,100) | (\$20,100) | (\$20,100) | (\$20,100) | (\$20,100) | (\$20,100) | (\$20,100) |
| <b>Earnings</b>                      | \$0        | (\$1,365)  | (\$2,030)  | (\$1,995)  | (\$2,468)  | (\$2,240)  | (\$1,313)  | (\$385)    | \$1,243    |
| <b>Total Capital</b>                 | \$24,900   | \$23,535   | \$22,870   | \$22,905   | \$22,433   | \$22,660   | \$23,588   | \$24,515   | \$26,143   |
| <b>Total Liabilities and Capital</b> | \$24,900   | \$25,821   | \$25,446   | \$25,771   | \$25,306   | \$25,823   | \$27,041   | \$27,968   | \$29,886   |
| <b>Net Worth</b>                     | \$24,900   | \$23,535   | \$22,870   | \$22,905   | \$22,433   | \$22,660   | \$23,588   | \$24,515   | \$26,143   |

