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CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

# Fundamentals of Pharmacy Accounting: Navigating 2024 and Beyond

Ollin Sykes, CPA, CITP, CMA  
Scotty Sykes, CPA, CFP



# S&co. | Workshop Overview

At the heart of every pharmacy is providing excellent patient care, at the same time, it's vital that you understand the financial side of running a pharmacy. From making sure your inventory is correct to working efficiently with third party payors, understanding how a pharmacy operates financially creates a better pharmacy, and a better pharmacy means better patient care.

The building block of all businesses is accounting, and step one to building a thriving pharmacy is fundamental accounting. Given the current financial climate that pharmacies are facing, pharmacy owners must understand their strengths, weaknesses, and opportunities in their financial situation.

In this workshop we will be sharing insights into:

- Updated KPIs and Benchmarks
- Fundamental Accounting
- Revenue Trends

# S&CO. | **Ollin Sykes, CPA, CITP, CMA**

**Ollin B. Sykes, CPA, CMA, CITP** is a Certified Public Accountant in the state of North Carolina. He received his Certified Public Accountant's certification in August 1975 and his Certified Management Accountant Certification in April 1980. He was also awarded the Certified Information Technology Professional (CITP) designation by the American Institute of Certified Public Accountants in August 2009.

Since 1984, Ollin has served as president of Sykes & Company, P. A., a northeast North Carolina regional accounting firm with national exposure specializing in accounting, tax, and financial advisory services for independent retail pharmacies. He is intricately involved in all aspects of the business, with intense concentration in tax, accounting, and management and advisory assistance for hundreds of independent retail pharmacies, pharmacy transitions, and start-ups nationwide.



## S&CO. | **Scotty Sykes, CPA, CFP**

**Scotty Sykes, CPA, CFP** began his career at Sykes & Company, P.A. shredding paper in the 1990s. Since then, his focus has helped lead Sykes & Company, P.A. forward by building strong relationships with pharmacy owners, third parties and key vendors to enable pharmacy clients to have access to the best possible resources, accounting, tax and advisory in the pharmacy industry. He is actively involved in all areas of pharmacy accounting and tax with an emphasis on high-level advisory for pharmacy clients.

Scotty is heavily involved in the community pharmacy industry and is a frequent speaker on pharmacy accounting and complex tax matters. He is also an avid writer providing a progressive approach to operating a successful pharmacy. He has published several pharmacy accounting and tax related articles in America's Pharmacist, the official magazine of the National Community Pharmacists Association (NCPA) magazine and Elements, the official magazine of the PBA Health organization.







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# KPIs and Benchmarks





# KPIs and Benchmarks

- Current Ratio (Current Assets/Current Liabilities): Greater than 2.5/1
- Average Inventory Turns: Greater than 20
- Average Outstanding AR Third Party: 21 Day
- Equity to Assets: 40-60%
- Average Gross Margin: Greater than 20%
- Gross Payroll as a % of Revenue: Must be less than 10% for retail
- Overhead as a % of Revenue: Less than 6%
- Net Bottom Line: 3-7%







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# Fundamental Accounting





# Importance of Fundamental Accounting

Fundamentals are key to outperforming industry averages:

- Provides real-time information
- Allows owners to be proactive
- Delivers insights to trends, weaknesses, and strengths
- Opens the door to tax planning and mitigation
- Provides opportunity for pharmacy owner to shift focus to patient care and growth







# Components of Fundamental Accounting

- Daily, weekly, monthly processes
- Segregation of duties
- Technology utilization for receivables and inventory
- Maximize automation for accounts payable
- Online accounting systems with automatic downloads
- Timely month-end processing/adjusting
- Integrity in the Balance Sheet





# Understanding Cash Flow in Your Pharmacy

- Maximizing Cost of Goods/Inventory
- [Review PBM Contracts](#)
- Payroll Percentage
- Script Audit Logs: New Scripts vs. Refills
- Third Party Reconciliation
- Perpetual Inventory







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# Revenue Trends







# Revenue Trends

- DIR Changes/Lowest Net Price at Point of Sale
- Change Healthcare
- Understand Your PBM Contracts. Ensure You're Getting Paid Properly.
- Analyze script data daily
- Shift to cash plans



# S&CO. | Diversifying Revenue

- [LTC](#)
- Medical Billing
- Clinical Services
- [Nurse Practitioner Placements](#)
- Compounding
- [340B](#)
- Immunizations

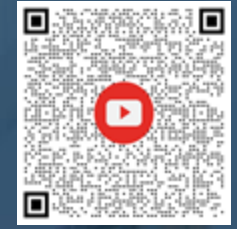




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