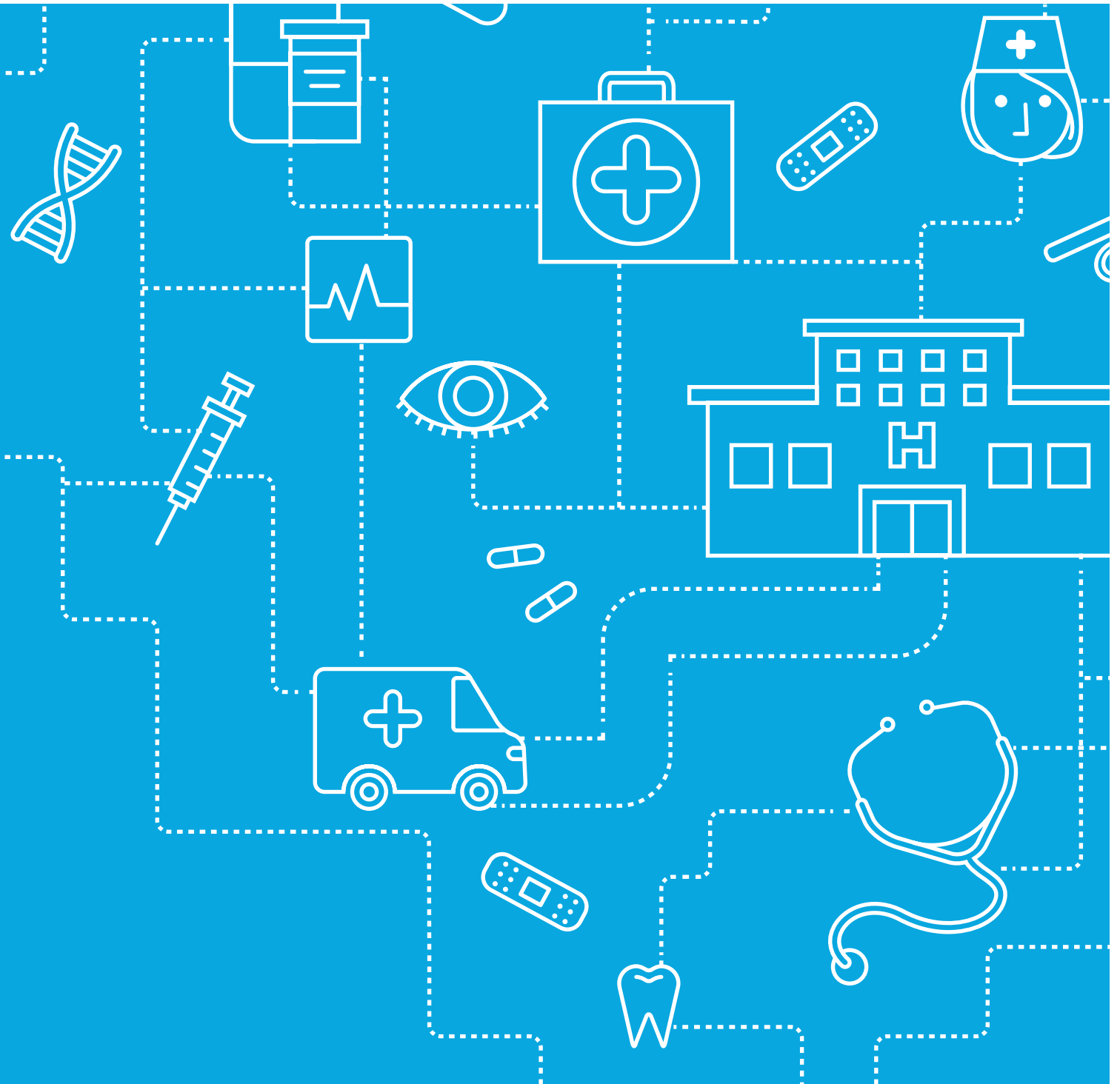


The Health Practitioner



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Insights for the Health Practitioner

At the risk of covering again old news, the contribution of the health profession to the safety of Australians over the past three years has been inspirational at all levels. The clichéd 'people at the coal face' took on a new meaning as doctors, nurses, pharmacists, allied health professionals all stepped up to treat their patients of a myriad of ailments through the COVID-19 pandemic.

Short of staff, overworked, facing abuse from anxiety-struck patients and having to do it day in and day out pushed many professionals to their limits. If there was ever a deserved collective "Australian of the Year", it would go to the healthcare profession.

At RSM, we deal with many healthcare professionals across all industries in the sector, and have been doing so for 100+ years. We have put together in this publication a collection of our recent stories and articles around the Health Practitioner. Whilst it is a 'repeat', we believe that many business management principles don't change much over time. They might get fine tuned as technology advances or competition changes but in many cases, the principles are a good foundation over the long term. So happy reading!

Cyber Security for the Health Practitioner

Speaking of advancing technology, the incidence of cyber crime continues to rise. And health data, as we all know, is a primary target. At the same time, most health practices simply don't have the budget that larger organisations do to invest heavily in this necessary area of risk management. But doing nothing is not an option.

This is heightened when you consider the prevalence of locums and contractors in the health sector. What systems do you have in place to ensure ALL team members are properly educated and the risks of their computer use is covered?

Recognising this, the Risk Advisory team from RSM has put together a Health Services package that we believe enables practitioners to seriously enhance the level of protection against cyber crime. We hope you enjoy the short commentary from Ashwin Pal, Partner, Cyber Security. This is accompanied by an outline of the effective and affordable cyber security package that the team has put together.

Your two steps to being confident about the cyber security:

1. Read the enclosed article and details of the Health Services Cyber Security package.
2. Contact Ashwin Pal whose details are included in the Package outline.

Health Services by RSM

To all practitioners in the various health industries, the Health Services team at RSM has experienced partners

HEALTH SERVICES
by RSM



and principals around Australia who look forward to working with you in your practice of whatever your discipline is. Contact us at healthservices@rsm.com.au to find out how we can help you.



Jayesh Kapitan
National Leader, Health Services

For more information please visit:
rsm.com.au/industry/health-industry

Meet some RSM Health Practitioners



Pharmacists are simply EVERYWHERE around Australia



Hannah Mann is probably the foremost pharmacist in Australia when it comes to providing care to First Nations people. Her Kimberley Pharmacy Services group provides pharmacy services across over 50,000 square kilometres in the northwest of Australia and Hannah has been leading the group for almost 15 years.

With pharmacies located in Broome, Derby and Fitzroy Crossing and servicing over 20 remote communities, Hannah's days are anything but the same as the day before. During the wet season, life gets interesting and having to use air services to deliver medicines is a regular seasonal occurrence. During the recent floods, the KPS team was often in a helicopter to get across to those places where the medication was needed.

Covid-19 hit hard all Australians and the First Nations communities in the northwest were no exception. The various Area Health Services called on Hannah and her team to provide guidance and assistance in doing what was needed to provide vaccinations and medications to a dispersed client base.

Hannah's achievements have been recognised in many ways. In 2015, KPS took out the Pharmacy Guild of Australia 'Pharmacy of the year' award. In 2018, Hannah was appointed by the Federal Health Minister to the 12-member Pharmacy Board of Australia. In 2019, Hannah was 'First among Equals' in the 40Under40 awards in Western Australia. And in 2021, Hannah was a finalist in the West Australian of the Year award.

The Pharmacy Services team at RSM enjoy working with Hannah to support her group in its financial systems and business management requirements. Not only is her business interesting but in helping Hannah we feel very much a part of the team she has helping Australians in the remote areas of the Kimberley's.



Quality systems, data and communication: *The keys to a successful medical practice*

Every day, more than 400 Australians are diagnosed with cancer. In a health system already stretched by skills shortages and increased demand in the wake of a global pandemic, efficiency is absolutely critical for medical providers who operate in this delicate space.

As a specialist practice providing cancer support services to patients in regional NSW, Border Medical Oncology and Haematology (BMOH) knows the importance of quality systems to enable the best possible patient care.

Operating as an extension of the region's private hospital, which is co-located with a public hospital, BMOH is widely recognised for its high quality and comprehensive cancer care. This includes the safe and effective delivery of medical oncology care (particularly systemic therapy), which requires a robust chemotherapy prescription and delivery system.

"The private hospital uses the CHARM electronic chemotherapy prescribing programme," says Christopher Steer, Associate Professor at BMOH. "Our clinicians can access this via a CITRIX conduit without needing a separate hospital computer, which provides a solution that results in timely and safe chemotherapy delivery in the cancer centre.

"While the hospital's medical records are still paper-based, we are able to log into our electronic medical records at the bedside and print consultation notes to the hospital printers. This ensures accurate medical records for our inpatients without double handling and duplication of effort."

The specialist team at BMOH leverages digital tools such as Microsoft Teams and Zoom to engage with patients' support networks, which Christopher says is vital to patient care.

"Engagement within our community of practice is an important part of what we do. For example, we frequently engage with the community-funded wellness centre as this supports our ability to provide wholistic cancer care.

"We also engage with local universities which enables access to research and gives us the opportunity to teach undergraduate medical students. This goes hand in hand with our Border Medical Oncology Clinical research unit, which sits alongside our practice. This unit provides the opportunity for patients to participate in clinical trials and, in my opinion, you cannot offer a medical oncology or cancer care service without access to clinical trials. They not only enable access to newer drugs but also novel care delivery models."

In the day to day management of their practice, BMOH relies on other digital tools such as SharePoint for efficient information sharing (such as referral forms and clinical trial information), as well as instant messaging software which empowers busy staff to communicate quickly and easily without tying up busy phone lines.

"When it comes to data, I believe effective data management is key to running a successful practice in any field – let alone medicine. We have access to information about every patient who has been to our practice over the last 20 years. Of course it requires work to maintain this database, but it provides a rich resource for analysis of our practice and will assist us with the new CPD requirements from January 2023."



SECTION 1

Medical
Pharmacy
Allied Health
Veterinary

The Big 3 for Medical Practitioners: Interest, tax and superannuation

by Sean Mulligan, Partner

In the current environment of high inflation and increasing interest rates, there is no better time to review your costs.

Firstly, we want to be clear that this article provides general advice only and RSM Australia Pty Ltd is not licensed to provide financial advice. You should always seek financial advice from a licensed financial adviser.

For medical practitioners who have a home, business, or investment loan, interest is a substantial and increasing cost.

Interest rates may not peak until 2024, so it is critical to plan now and look for ways to minimise and manage your interest costs going forward. In the process, it's worth looking at your income tax, too, as it can also be a substantial cost.

There are many options to consider when reviewing your finances, particularly managing loans, debt, interest, and taxes.

We also examine superannuation, touching on how you can benefit and things you should consider in relation to superannuation contributions.

Some initial questions to ask yourself are:

- Is your current tax structure still appropriate?
- How can any loans you have be structured more effectively?
- Should you have a service entity? If you already have one, are you calculating the service fees in accordance with ATO guidelines?
- Should you have a family trust or is an investment company a good idea?
- How should your spouse be remunerated and by how much?
- How much superannuation should you be contributing for you and your spouse?
- How and when should you be purchasing medical equipment and/or motor vehicles?

INTEREST RATES

It is vital you understand what your after-tax interest cost is. This can be expressed as a percentage. If your loan is non-deductible the after-tax cost is the same as the interest rate. An average non-deductible home loan is currently costing you around 6.0 % interest (thanks to the recent RBA hikes).

If your loan is tax deductible, the cost is reduced by your marginal tax rate.

For example, if you are on the top marginal rate the interest cost is reduced by 47%. Assuming a slightly higher interest rate for an investment loan of 6.5 %, the fact the loan is tax deductible means it is only costing you 3.445 % after tax.

That is a huge saving that you could be missing out on if you have neglected to structure your affairs in the best possible way.

Here are some strategies to save interest and maximise the tax deductibility of any loans you have. These strategies may save you thousands in interest, tax, or both, so don't put it off any longer.

- Contact your bank and ask them for a better interest rate. Your bank may offer you a much better deal than you are currently on. It doesn't hurt to ask.
- Refinance with another Financial Institution. Aim to obtain quotes from at least two other Institutions. Consider using a reputable broker. You may be able to save a lot of interest by simply switching Banks. Many banks will offer a honeymoon rate of up to 0.5% less than the standard rate for the first 12 months. This can be a substantial saving. Also, obtain fixed rate quotes as well as it may be worth locking in rather than being subject to variable rates continuing to increase... If we have a recession, fixed rates could come down a lot and be more attractive.
- As mentioned above, it is highly beneficial if your interest is tax deductible. If you borrowed to buy your home interest will not be tax deductible. But what if there was a way to pay down your non-deductible home loan quickly by obtaining a new loan facility to pay business expenses that is tax deductible?
- Did you know that interest paid on borrowing to pay tax is tax deductible? It sounds counterintuitive to borrow to pay tax, but if combined with a clever overall strategy can make sense. You may be able to use a substantial portion of your business cash flow to pay down your non-deductible home loan and obtain a new loan to pay for your business and tax costs. By structuring your loans this way, the new loan is tax deductible, and your non-deductible loan can be paid down very quickly. In fact, depending on your circumstances for example you may be able to pay off a \$1M non-deductible home loan over a few short years. This could be saving you around \$20,000 in tax yearly. However, you will need to remember

that the business cash flow belongs to the business. Depending on your structure, you will need to ensure that the way you take any money out of your business does not trigger other tax problems, such as loans to directors, shareholders and associates dealt with under what is known as Division 7A. Take the opportunity to review your loan structures and obtain the right advice from your accountant.

- Should you have a loan offset account or a redraw facility and do you know the difference from a tax perspective? In addition, if you have an offset account, are you using and benefiting from it? Many may not know but often Banks charge a premium interest rate for the privilege of having an offset account linked to your loan. Therefore, if you are not using your offset account, it can be costing you money unnecessarily. Check the details.

than the maximum allowable, you can make a catch-up contribution for the balance in one go.

- If you have already made contributions for yourself, but not your spouse did you know, from a tax perspective, it is often more tax effective to superannuate your spouse first? This is due to generally your spouse having a lower taxable income and not being subject to the higher income 15% super surcharge. Consider making up for any lost opportunities here by seeking appropriate advice. As superannuation cannot generally be accessed until you retire, care needs to be taken to ensure you obtain both accounting and financial advice.

Each of these areas requires due consideration of your overall structure and tax position. Each practitioner will no doubt have factors unique to them. It is important that you receive specific advice on your circumstances and put in place a strategy that is appropriate to you.

MANAGING YOUR TAX BILL INCLUDING SUPERANNUATION CONTRIBUTIONS

Here are some summary points to consider in managing the tax on your income. Naturally, each practice and practitioner will have its or their own circumstances to consider.

- Should you have a service entity and if so, should it be a company or trust? You should also be aware the ATO is cracking down on the way trust distributions are treated so a company may be an easier, cleaner option. Companies running such a service business will only pay tax at a rate of 25% instead of 47%, provided the earnings remain in the company. Careful tax planning and structuring are required so as not to trigger Division 7A loan issues.
- Have you considered making use of the tax incentive of being able to immediately write off the full cost of any medical equipment prior to 30 June 2023? This could cut the actual after-tax cost by nearly half this financial year. This can also include motor vehicles up to the \$59,000 cost limit for yourself and/or your spouse. Please remember motor vehicles are subject to strict substantiation requirements so again make sure you obtain advice. Equipment acquired after 30 June 2023 still attracts a tax saving, albeit over a longer period, generally 4 to 5 years.
- Have you considered the very generous tax incentive for unused superannuation contribution caps? If you and your spouse have super balances of less than \$500,000 each and you have not made any concessional super contributions for the past four years you may be entitled to obtain a tax deduction for superannuation contributions of up to \$130,000 each in the 2023 financial year. This could save you and your spouse up to \$78,000 in tax. In any of those years, if you have contributed less



Stay ahead of the curve with AI in your medical practice

by Peter Nicol,
National Director – Medical

Every industry has experienced significant change over the past decade thanks to advancing technology.

Touted for its ability to make us more efficient and productive, new platforms and AI-based software are revolutionising how we work, play, learn, shop, pay for goods and services, and more.

Still believed to be in their infancy, artificial intelligence (AI) and machine learning (ML) are at the pointy end of advancing technology – set to disrupt all sectors in the near future...and health is certainly no exception.

COVID-19 proved how quickly situations (and the tools we use to manage them) can change, with an increasing number of hospitals turning to technology to ease the burden.

Remote patient monitoring grew exponentially as patients were equipped with thermometers and pulse oximeters to self-monitor at home and report readings.

In the coming years, we're likely to see this morph into more sophisticated at-home diagnostics and monitoring that leverage the latest in AI and ML to reduce pressure on patients, doctors, and specialists.

However, there are other use cases for AI and ML in the health space that are already saving medical and allied health practice owners time and money, while improving patient outcomes.

For practice owners wishing to stay ahead of the curve, investigating these use cases now could make all the difference between surviving a tech-driven future, or thriving in one.

WHAT DO AI AND ML LOOK LIKE IN PRACTICE NOW?

Imagine equipping every doctor with a “virtual nurse” that records patient notes in real-time so doctors can focus exclusively on examining and engaging with their patients.

These notes are then cross-referenced against a database of potential conditions, with the virtual nurse serving up a list of recommended tests or next steps.

At the end of the appointment, the patient is also spared the hassle of standing in line at reception as an integrated billing system seamlessly manages the process.

These advanced tools are already being used by some medical practices; integrated with other AI-driven software that is designed to reduce much of the administrative burden associated with daily operations.

When it comes to diagnosis and forward planning for patient care, one of the ultimate potential benefits of AI and ML is the ability to analyse big data and find trends that humans may miss, or simply don't have the time to sift through.

AI and ML are already being used to evaluate large amounts of data from heart monitoring systems, CT scans, MRIs, and more, to provide an extra safety net in case doctors miss something – or to draw from extensive publicly available and global diagnosis data for more detailed assessment.

In the medical practice, consolidating your health care data and tapping into broad databases of other medical data can give your doctors an edge when analysing patient test results, discussing the impact of treatments, or developing long-term health plans.

From the patient perspective, this comprehensive and proactive response to their medical concerns not only builds trust – it shifts their perception beyond the standard 15-minute consult for a prescription and towards better overall health outcomes.

HOW RSM CAN HELP

Technology should be viewed as an enabler of human capability – not a replacement for it. While a medical chatbot can answer patient questions at any time of the day or night, it's never going to be a substitute for a real conversation with a qualified professional about health and wellbeing.

But the future is coming faster than we think, and forward-thinking is essential. It can be difficult to know where to start when investigating the potential for AI in your business and the impact on your bottom line, so it's worthwhile engaging with a trusted third party to assist.

Our specialist National Health team comprises a unique cohort of financial experts, business advisers, and digital specialists who can collaborate to help you determine the best way to move forward to minimise cost and maximise ROI. We can help you get to the bottom of any pain points you are experiencing, and evaluate how new systems could streamline operations, support doctors, improve patient care, and position you as a practice of the future.

Insurance for health professionals: Five dos and don'ts

by Anthony Riding, Principal

As a doctor, pharmacist, dentist, or allied health professional, your days are spent caring about the health and wellbeing of others.

With long hours and a demanding workload, it's easy to let your health and wellbeing take a backseat – let alone taking the time to plan for the future.

But if an unexpected situation were to occur, and injury or illness prevented you from working, this lack of planning could leave you and your family in a very difficult predicament.

While everyone understands the value of insurance to protect against untimely events, it's important to note that not all insurance policies are created equal. They also shouldn't be seen as a "one-size-fits-all" – especially when there are specific types of insurance policies available that cater to a person's unique personal and professional circumstances.

When it comes to planning for your future health and wellbeing, here are 5 dos and don'ts for insurance for health professionals.

1. **DON'T** rely on default insurance in your superannuation

Within superannuation, most people would have Life Insurance, Total and Permanent Disability (TPD) Insurance, and some may even have Income Protection insurance.

Sole reliance on these insurances is often tied to an assumption that they:

- Contain a sufficient level of cover to meet your needs
- Cover the risks you might be exposed to in your field
- Are likely to be paid out if you make a claim

While it would be ideal if all of these were the case, it certainly doesn't always pan out that way.

2. **DO** find a tailored policy

Not only are there specific policies for the health sector, but some insurance providers offer policies tailored to professions – such as specific policies for dentists, physiotherapists, GP's, and so on.

These policies cater to the different risks and personal circumstances that are common to professionals who operate in that field.

The key factors to consider when selecting a tailored insurance product as a healthcare professional include:

- If you're a high-income earner, can you access a higher level of cover?
- If you're an intern, how do you show proof of income?
- Does the provider specialise in your field?
- Do they have a good track record of honouring claims?
- What is the cost of the premium vs the level of cover?

Some policy providers target certain professions, so they go beyond the traditional insurance allowances to offer better features and benefits (such as needlestick benefits which are of particular interest to surgeons, nurses, and phlebotomists).

It's a matter of finding and comparing these providers to decide which policy best suits your needs.

3. **DO** think about income protection

Your ability to earn an income is your greatest asset so it's worth insuring it!

Income protection gives you peace of mind that you will have money to live, pay bills, and support yourself (and your family) if you get sick or injured and have a loss of income – and given the physical nature of many health professions, income protection is a vital component.

Not all income protection cover is created equal when it comes to the level of salary the provider will cover, and to what extent they recognise income generated from self-employment, such as a doctor or chiropractor contracting to various practices.

This is why it's important to look at niche policies that understand how you work and may be paid, the specific risks you face, and the amount of cover you need.

Lastly, it's important to note that there is a growing number of policies having mental health exclusions applied. For health professions that are known to have significant impacts on mental health, a policy that doesn't include mental health support may be insufficient.

4. **DON'T** wait until you're older

It's true that you don't know what tomorrow holds, which is a good reason to get insurance sorted out sooner rather than later.

However, another reason to act now is that age and health can impact your ability to get insurance and have a claim honoured if you make one in the future.

Be wary of “instant acceptance” insurance schemes that promise cover for any health level at any age. These are often the most concerning when it comes to a track record of payouts.

5. **DO** seek advice from a financial planner

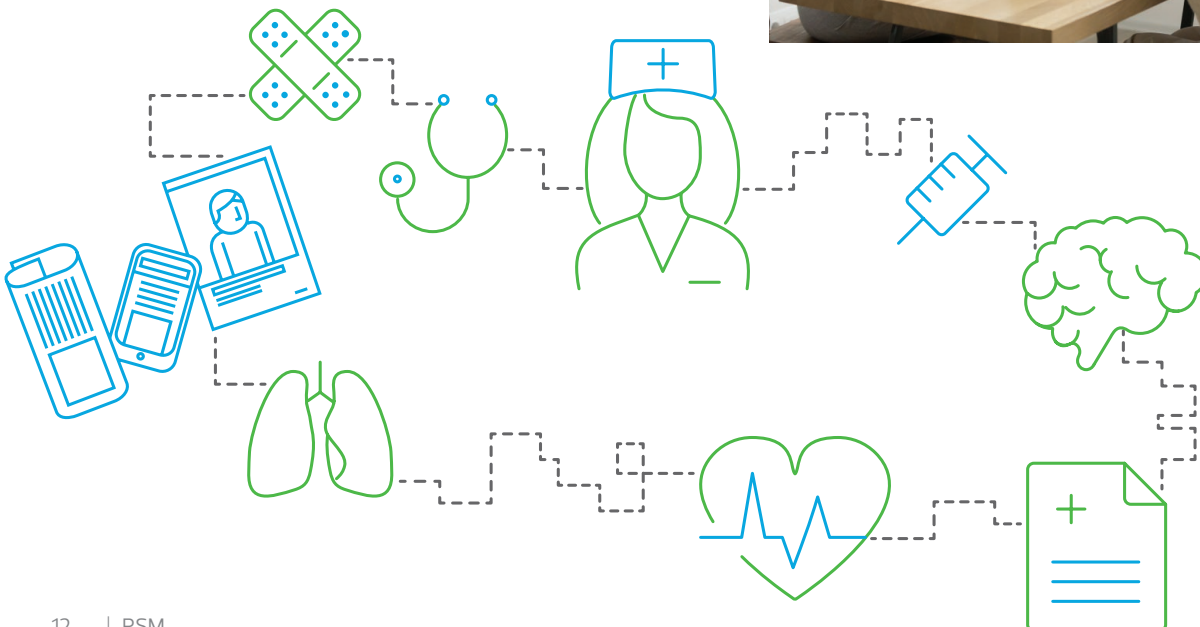
Insurance can be difficult to navigate. There is a myriad of providers and policies, and finding the best one to meet your needs as a health professional is likely to take considerable time and effort.

You can make the journey easier by working with an experienced financial planner. RSM's financial planners have proven expertise in helping our clients in the health sector to:

- Review their existing insurance policies
- Understand the level of cover required
- Determine the most suitable policies
- Maximise cover and value for money
- Structure policies as tax effectively as possible
- Review the relevance of policies as circumstances change

A financial planner can also explain the pros and cons of establishing your policies within, or separate from, your super fund or self-managed super fund. Where you decide to house them can have tax and other implications.

The goal is to help you secure cover that contains everything you require and has a high likelihood of paying out, so you have the confidence that your needs as a healthcare professional will be met if you ever need to make a claim.



Payroll tax risks to medical practices and allied health providers

by Young Han, Senior Manager
and Michael O'Hehir, Principal

If you own a medical or allied health practice that engages subcontractors, and you do not pay any payroll tax, you should be aware of two recent court cases.

Essentially, both court cases (one in NSW and another in Victoria) found that the nature of the relationship between the practice and its "subcontractors" was more akin to an employer/employee relationship – making all payments over a certain threshold subject to payroll tax.

Payroll tax is a tax applied to businesses that exceed a certain amount in total wage payments per year. The threshold differs depending on the state that you operate in.

In the ACT, the threshold is \$2 million which is the highest of any state or territory. However, the tax rate is also the highest at 6.85%. This means businesses that operate in the ACT do not have to pay payroll tax until their total taxable wages reach \$2 million or more.

The recent court cases will only impact medical centres that engage many doctors, or allied health businesses that may have multiple sites with multiple consultants. In light of these recent cases, we are urging practice owners to review their arrangements with service providers.

What's the difference between a subcontractor and an employee?

The court decisions focused on the definition of a "wage" and "subcontractor payment". They looked closely at service fee arrangements, where the doctor or consultant was remunerated based on a percentage of patient fees derived from working for the medical centre.

The most recent case (Thomas and Naaz Pty Ltd V Chief Commissioner of State Revenue NSW) provided a guideline of what type of arrangements come under the definition of "wages" under payroll tax legislation.

The facts of this case were:

- Practice owners operated 3 medical centres.
- They provided rooms for the doctors to see patients.
- Doctors used their own Medicare details for invoicing patients.
- The practice received the funds from Medicare.
- All administrative employees who collected the fees and made bookings for patients were employed by the practice.
- Each fortnight, the doctors received 70% of the claims paid by Medicare for patients they saw.

- The service agreement detailed the required hours of work, leave policy, and other employee-like provisions.
- The medical centre set the fees charged to patients.
- Patients were "owned" by the practice and not the individual doctor.
- There were restraints on the doctor leaving and setting up a practice nearby.

Most of the doctors worked exclusively for one of the medical centres owned by the applicants (practice owners) so they could not prove that the doctors were in business.

This meant they were actually employees of the centres, as they were not consulting to the public in general.

What types of arrangements are exempt?

The court reviewed the service agreements in place and determined most of the control was held by the medical centre including:

- Which patients saw each doctor
- The hours the doctors worked
- That the doctors had no right to substitute themselves with another person if they were sick or on leave

This is the very definition of an employer/employee relationship and not two independent businesses.

If a health provider had collected their own fees, rented a consulting room, and used the administration function of the practice for patient bookings, there may be a case that these payments were exempt from payroll tax.

The doctors could also consider having their own administrator or bookkeeper who is not the same as the medical centre, and have an option to substitute another qualified practitioner when they could not work.

In addition, patient records would need to be owned by the doctor and not the centre. However, this is unlikely to be seen as a desirable solution for medical or health practices as it could mean the business loses its goodwill value.

What should you do now?

Subcontractor arrangements like this do not just exist in the health industry. Professional practice businesses must be aware of recent court rulings and consider the implications if they engage in these types of arrangements which may be subject to backdated, current and future payroll tax.

If you're a practice owner with similar arrangements, you need to consider your agreements and potential liability. As agreements can have different conditions, it's important to get advice on whether your specific agreements could likely be subject to payroll tax.

CASE STUDY

Priceline Pharmacy Carlingford Court Sydney Compounding Chemist

by Peter Saccasan,
National Leader, Health Services &
Kian Ghahramani, Partner

As a registered pharmacist for 26 years and pharmacy owner for almost two decades, Sam Moufarrej knows that surrounding yourself with skilled accountants and advisers is key to success.

He and his business partner, Robert Herodotou, have now been RSM clients for almost 20 years and Sam says the relationship has provided invaluable support across budgeting, cashflow, forecasting, tax planning, strategic advice, and more.

ON A MISSION TO IMPROVE HEALTH AND WELLBEING IN THE COMMUNITY

Running a pharmacy certainly isn't easy – the hours are long, the regulations are strict, and the competition is abundant.

Sam Moufarrej would know. For almost 20 years he, together with Rob Herodotou, have been the Proprietor Partners of both Priceline Pharmacy and Sydney Compounding Chemist located in Carlingford Court in Sydney. Through the pharmacies, Sam, Rob and their team provide a variety of services to the general public including dispensing prescriptions and compounded prescriptions, selling scheduled medicines, and retailing health and beauty products.

"I've always had an interest in health and wellbeing," says Sam. "I decided to open a pharmacy because it meant I could have an impact on the lives of people in the community. I also wanted to provide a comfortable lifestyle for my family and enjoyed the fact that I could be actively involved in the business as a dispensing pharmacist, but also inactively involved while working on the business. To have had partners I can really work with has made it a smoother ride."

NAVIGATING THE COMPLEXITIES OF PHARMACY OWNERSHIP

It was 2003 when Sam joined forces with Rob and (retired partner) Garry Scott to establish what is now known as Priceline Pharmacy Carlingford Court. It was a new business partnership at the time, and the partners knew they would need help with everything that would entail.



Left to right: Kian, Sam, Rob and Peter

After seeing an advertisement in a pharmacy magazine, one of Sam's partners reached out to RSM's National Leader of Health Services, Peter Saccasan.

"From what I had heard through word of mouth, and my experience at our first meeting with Peter and his team, I knew we were in the right place," says Sam. "Almost 20 years later and our relationship is still going strong which speaks for itself. Peter and the entire team at RSM are trustworthy and dedicated. They have a responsive culture and are very committed to doing right by their clients."

And the team is growing. In the Sydney office, Peter is joined in the pharmacy space by Partner, Kian Ghahramani, Principal Emma Brown and Managers Rhys Fowler and Anne Seah. RSM's national partnership also has a team of pharmacy advisers who are able to support the corresponding national pharmacy network.

MAKING A DIFFERENCE WITH STRATEGY

Over the years, Sam and Rob have relied on RSM for a range of accounting and tax planning services including budgeting and cashflow, forecasting, and driving their pharmacies through close monitoring of key KPIs.

"There are many challenges when you're running a pharmacy – such as pharmacy location rules, heavy discounting, PBS price disclosure, and finding and retaining quality staff," says Rob. "The pandemic and lockdowns created many challenges too. It's so important to always know where you stand from a cashflow perspective so you can make decisions and stay profitable."

Strategic advice has also been important to the partners – particularly when they decided to establish their second pharmacy.



"We wanted to complement and grow our more well-known traditional type of community pharmacy," says Sam. "This has now evolved into a stronger retail offer with our Priceline Pharmacy, and now we have a compounding pharmacy in the same shopping centre. This strategy of two distinctly different models in the one centre has positioned us to meet a wider range of needs in the community and has proved to be one way of future-proofing our businesses."

"If I had to grade my experience with RSM and their entire team it would be an A+. When you're looking for a business adviser, you need someone with a strong reputation who you can trust."

NETWORKING: AN UNEXPECTED BENEFIT

You expect your accountant to be great at numbers, but what Sam didn't expect were the industry insights and networking opportunities he has gained from working with RSM.

"The relationship really adds value to us. It allows us to focus on the day-to-day pharmacy operations and ensures we're always up-to-date with industry changes that could impact us. We've also met valuable connections through RSM which is something you wouldn't expect from your accountant."

SUSTAINABILITY AND GROWTH

Peter Saccasan, who has over 20 years of retail pharmacy experience, says "Sam and Rob continue to challenge us in and around their business model."

Strategy is regularly reviewed and we help by digging into the numbers and identifying the key drivers. By sharing KPIs with staff and gaining a good understanding of cashflow, Sam and Rob have been able to build sustainable pharmacies. COVID put them and their staff to the test and they passed with flying colours."

Moving forward, Sam and Rob are focussed on maintaining the profitability of both pharmacies to ensure they can continue to keep staff engaged, meet community needs, and be able to adapt. Sam's advice to other pharmacy owners who wish to grow their business is to remember that it is an ongoing process that requires out-of-the-box thinking.

"The best advice I have ever received was to get 'uncomfortable' and invest in a point of difference. This is why we established the compounding services in addition to our Priceline pharmacy, and it has been hugely rewarding professionally and financially."

"Our relationship with RSM can be summed up in 3 words: trust, knowledge and responsiveness. It has been a near 20-year relationship which speaks for itself."

Your really useful pharmacy budget

by Kian Ghahramani, Partner

We teach it as part of business study curriculum in our schools and universities, banks look for it when assessing your business and its capability to service debt, and if you're looking to take on investor equity, you can be sure that they will ask for it.

Preparing a budget is a critical step in any business however a majority of business owners simply don't prepare budgets for their business.

Budgeting should be an annual process, kick-started in April/May of each year to ensure that the final budget is ready for use by 1 July for the coming financial year.

WHY BUDGETING FOR YOUR PHARMACY SO IMPORTANT

☑ **Aligning to business strategy**

You no doubt have a strategic plan for your pharmacy which you visit every couple of years. This strategic plan should break down long-term, mid-term and near-term goals including both financial and non-financial outlooks.

Budgets should be used as small annual incremental steps at getting to your mid-term strategic goals. And budgets can and should include non-financial metrics as well e.g. script numbers, average customer spend, script only customers, floor space performance, stock performance, and so on. These are measures that can contribute to the growth trajectory.

☑ **Data-driven decision-making era**

The more and more digitalised we get, the more information and metadata we have access to. Your pharmacy alone gathers data from POS systems, booking platforms, dispensary software, and so on.

Collating these data sources and building the capability to analyse them will give you a leg up in making critical decisions with speed and accuracy.

☑ **Good discipline**

Having a budget on hand is an indication of good discipline, even if the uses might only be restricted at a minimum to providing your bank with information, talking to investors/potential partners, or even as part of a sale event.

Putting in place consistent budgeting practices combined with relevant reporting to ensure the budget is on track allows you to demonstrate the growth traits of the business.

This, in turn, feeds into confidence being placed on future growth targets which can help with many areas – resource planning (people, space and capital), commitments to plans (particular for things outside the pharmacy), and finally in your bank dealings and business valuation.

Additionally, things may suddenly get tough (did somebody say COVID?), and in a time-pressure situation, you do not have the luxury of learning how to prepare your budget nor the time to do so and having one on hand and the process in place to enable the budget to be revised easily ensures business continuity with fewer interruptions.

CREATING A BUDGET FOR YOUR PHARMACY

The first instance of preparing a budget is often the hardest. You need to set out your parameters and templates. You will do the most information gathering in the initial stages. This process should get easier each year going forward.

The best place to start in extracting information is the past 12 months.

- How did the business perform over the past financial year? Both financial and non-financial data should be gathered here. 2 or 3 years' worth can be wise so that we have the start of a trend.
- Were there any out of the ordinary events which affected it (i.e., COVID, once in a lifetime sale, premise move, change in competition landscape)
- What am I planning to do in the next 12 months? Does new infrastructure spend mean higher costs? What about revenue growth?
- How does this fit in with my mid-term strategy (remember you can use your budget to break down the big leap of your 4-year goal into smaller achievable steps)

Once you have the above, you can work with your trusted advisor to plan out the next 12 months in the form of your budget. You should also involve your team members where appropriate since they will usually be responsible for producing the desired outcomes.

As added steps, ensure that you can extract:

- A forecast cashflow statement from this budget will help identify any shortfalls you may need to be ready for
- KPIs across key pharmacy drivers so that you can easily monitor performance at a macro level.

BUDGETING FOR MULTIPLE PHARMACIES

For owners of more than one pharmacy, we can't stress the importance of the cashflow forecast and getting a regular cashflow statement on where the profit has gone.

You should be looking regularly at a group cashflow statement and balance sheet, one page for each, for your pharmacy group.

Some owners operate several entities and seeing this information on just one page brings a good high-level view to the table and enables good and bad trends to be more easily identified.



USING YOUR PHARMACY BUDGET

Congratulations, you now have a budget...Please don't put it in the bottom drawer of your desk and forget about it.

- Now that you have a budget, you need to incorporate it with a robust reporting framework. Information is only useful while it's fresh, not 6 months old.
- You need to have an appropriate month-end close process, part of which should include a budget variance report. Any material discrepancies in the budget need an explanation. Why, how, when and what can I do to fix it.
- KPI metrics are a must and should involve key staff in monitoring and making improvements on a daily / weekly / monthly basis.

Now you have a budget, an appropriate reporting process, AND your key stakeholders in the business are also aligned with your strategic goals.

PUTTING IT ALL TOGETHER

Let's run this back for a moment... assuming your goal is to drive the value of your business up, what are some benchmarks which will do this?

- Customer numbers
- Script numbers
- No. and \$ of professional services
- Current basket size in \$ and items
- Wages and FTEs
- Total average sale
- Stock intensity
- Gross profit dollars growth
- No. of scripts dispensed with no accompanying sales

Next, you set your budget, focusing on the above, and develop KPIs in which key staff members are measured and remunerated. This drives aligned behaviour where it is in everyone's interest to achieve these targets.

And finally, you consistently review performance against budget and tweak as needed to stay the course. You also empower your team to make decisions on the run.

Additionally, you can incorporate the above into convenient dashboard reporting with simple, easy-to-understand views to give you live snapshots. More on this to come in our ongoing series of articles.

Congratulations, you have dissected what seemed like a stretch 5-year goal, into smaller bite-size pieces for everyone within your pharmacy to work towards. Your pharmacy budget should be really useful. With the right preparation, team participation, and reporting process around it, it can be.

Positioning you and your pharmacy for success

by Peter Saccasan,
National Leader, Health Services &
Kian Ghahramani, Partner

Your time is valuable and can be easily directed to lots of different areas.

If you can put various pillars in place, you and your pharmacy will be well-placed to take advantage of opportunities and grow. Pharmacy ownership brings with it the need to deal with a number of important areas. Owners need to assess just where their time is best spent and where it is appropriate to get the right help at the right time.

Starting up

» **Buying your first pharmacy or your next pharmacy can be a challenging transaction**

With pharmacy prices remaining strong, due diligence is a necessity and by digging into the numbers, you get the real story. Just in the past couple of years, we have had COVID, working from home, lockdowns, COVID vaccinations – all of which can skew business results. You also have to deal with the premises lease, satisfy state pharmacy requirements, apply for finance and work out your business structure. With three solicitors involved – yours, the vendor's, and the landlord's – and a bank, having this transaction project-managed makes sense.

Managing pharmacy cashflow, debt, and balance sheet

» **Once you have the pharmacy in your hands, you being to see the ebbs and flows of cashflow and have a bank debt to manage.**

Every six months, you might also need to submit information to your financier, so managing your cashflow, debt, and balance sheet becomes a new skill you need to have to maintain your banking relationship. Having placed a regular process for reviewing your business cashflow can ensure that you avoid any surprises and keep your bank in a positive frame of mind.

Really useful pharmacy budgeting, KPIs, and better reporting

» **Having an easy and useful budgeting process means you have practical targets, know the KPIs to hit, and have a cashflow forecast that highlights any potential issues.**

Most pharmacy owners know what KPIs should be achieved but it is another thing to ensure you have a method of getting that information to you in a timely manner to enable you to drive the business.

Technology, data management, and CFO Advisory for pharmacy

» **Perhaps outsourcing your finance process so that you can concentrate on implementing strategy and pharmacy management makes sense.**

Having KPIs pushed to you, rather than you having to work them out, gives you time to spend on the business. Having someone you meet with regularly to discuss how the business is going would also give you a good sounding board and insights on financial impacts.

Pharmacy has a lot of data. Having a dashboard that represents your store data and that you can access anywhere would be a powerful management tool. It means you can always manage your customer experience and store efficiency.

The big retailers climb all over this type of information and pharmacy owners can do the same. The challenge can be putting your data in a manner that is accessible from anywhere and in a way that is flexible and will contribute to your decision-making.

Managing succession and income tax

» **The operating structure that will suit your pharmacy will vary.**

There are many considerations, starting with the appropriate ownership regulations in your state. Pharmacy owners should consider how they intend to deal with ownership of the business in the future, the method of transfer of ownership, what bank debt is involved and the incidence of tax on the income and capital gains.

Managing your personal wealth

Lastly, as you grow your pharmacy and start to build a net worth platform, investments in areas outside of pharmacy and vehicles such as superannuation come onto the radar.

It's important that any investments outside of the pharmacy do not impinge on the liquidity and needs of the pharmacy. And when it comes to buying that second or third pharmacy in the future, the same assessment of those opportunities is required.

To position you and your pharmacy for success, assess each of these areas and ensure you resource or execute them well. Our next pharmacy insights will deal with each of these areas in more detail and ultimately build a solid how-to guide for owners.

Know what's going on in your pharmacy

'Keeping your finger on the pulse' —A fairly broad and widely used idiom in the business world, but what does it mean exactly for today's pharmacy owners?

We are now firmly in the era of data. Pharmacy owners now have the ability to access large quantities of financial information about their business and, indeed, the wider competition.

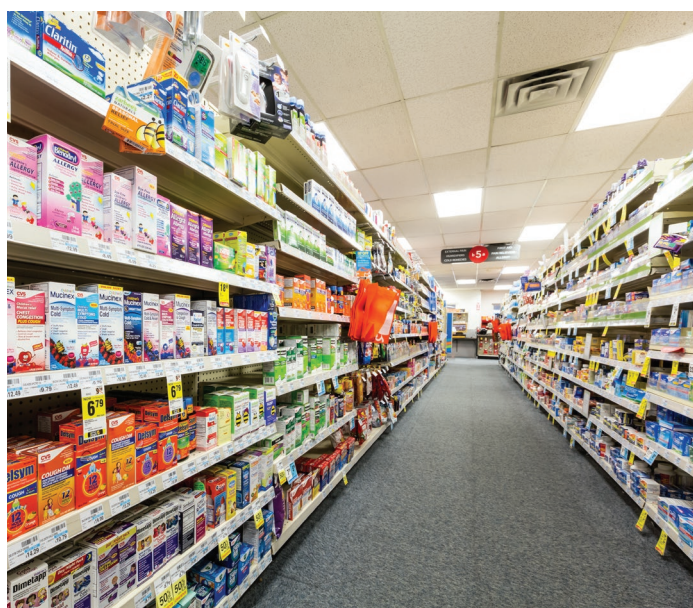
Whether owners like it or not, by not embracing technology they are gifting an advantage to their competitors.

As a current or future owner, it is imperative that you are constantly monitoring the key performance indicators (KPIs) which create the heartbeat of your business.

By acknowledging and assessing the drivers of a profitable pharmacy, owners can look to create an advantage over the competition.

TECHNOLOGY AND THE 'REPORTING FRAMEWORK'

With the impact of technology on the pharmacy landscape, owners can get accurate and timely information about performance without the high costs historically attached. The introduction of cloud-based accounting solutions and various real-time reporting technologies has seen more financial information than ever at the fingertips of every owner.



Just why is this important?

Consider the simple example of reviewing annual financial statements prepared after the fact, against accurate and current monthly data about your pharmacy. What would you like to be basing your decisions on?

Whilst it is a daunting adventure integrating technology into existing business procedures, by getting it right, owners can make light work out of heavy data inputs. It begins with your pharmacy data and the key metrics that impact financial success.

Then, by utilising cloud-based accounting solutions, you can combine the fiscal performance with non-financial data to create real-time reporting dashboards for things that impact the profit of your pharmacy and ultimately the cash in your bank pocket.

By putting these elements together, each and every pharmacy owner can create their own Reporting Framework to be used in driving their business forward and work towards good pharmacy management.

FUNDAMENTALS OF GOOD PHARMACY MANAGEMENT

There are many different reporting metrics that can be used to measure the financial performance of a pharmacy — some radical and some not so. It is important to consider each individual pharmacy and the particular drivers that impact performance. If your retail offering is not a key driver of profitability — say, a compounding pharmacy — preparing and tracking retail metrics may not be appropriate. Always consider the key levers of your business.

In saying that, here are some key measures that do impact most pharmacies:

Your Revenue Streams

Revenue is the lifeblood of your pharmacy and without it your business would cease to exist. What is particularly important here is knowing the individual performance of the different cost centres in your pharmacy and what drives them. This begins with separating the contribution from dispensary, retail, compounding, professional services and any other product lines in your pharmacy.

If we consider the reporting framework mentioned previously, by separating these items of revenue, owners can very quickly and clearly identify areas of concern for the pharmacy. As a result, focused action can be taken in the

event of continued trends of declining performance or even replicate areas that are performing well. Always consider your key primary drivers being customer and script numbers, and make sure they are heading in the right direction.

Gross Margin and the Professional Services Contribution

Gross margin is a concept many owners are familiar with but, in short, it is effectively a function of your sales less direct purchases of the product. As a broad comment, margins are in fact shrinking across the industry, so this measure is more important than ever before.

Whilst the concept of gross margin is not a foreign one, there are some interesting and thought-provoking questions that pharmacists often consider when looking at their own business, such as:

- 1. What are our highest grossing and fastest moving products?** Are these products given the appropriate shelf space and marketing material?
- 2. How do we compare to similar pharmacies?** Are we pricing products to gain a greater market share and consistent with the overall strategy?
- 3. Am I getting a contribution from professional services?** Many pharmacists combat the reductions in margin with strategies which contribute to this revenue, often without a margin attached. Without identifying this contribution, are our strategies even successful?

Net Profitability and Managing Business Overheads

Any pharmacy's net profit is a good indication of the above metrics in addition to how well overheads are controlled. Let's consider the two common drivers of profit: wages and rent.

A key driver to a pharmacy's profits is inevitably wages paid to staff with the nirvana position being an engaged and efficient workforce. A good measure of workforce costs is total wages as a function of gross profit plus professional services income. By measuring this, we can track the efficiency of the workforce and whether the business is appropriately supported by the right level of staff.

It is probably fair to say that once your lease is signed, rent is something that you cannot materially change. What you can change is the use of the space available. Consider your stock intensity or mathematically speaking, your stock value per square metre. This measure considers how full your shelves are with the intention of creating retail excitement. Are your customers seeing half-empty shelves or unable to find the product they are after and choosing to shop elsewhere?

FINDING THE RIGHT BALANCE

There is a plethora of formulas and metrics used in measuring profitability which many owners find overwhelming. Working with your accountant can help identify the key drivers for your pharmacy and assist in building your reporting framework. By using the right technology, you can ensure decisions are based on accurate and understandable data which will enable you to create a financially successful pharmacy.



Active stock management in your pharmacy

by Kian Ghahramani, Partner

Pharmacy owners deal with suppliers and stock every day, managing prices, orders and stock levels.

Beyond that, what does active stock management mean in your pharmacy?

Why is it important? Active stock management is a key factor in driving your pharmacy's operational performance which in turn leads to better financial performance. Ultimately a growing pharmacy should be achieving good growth in gross profit dollars from sales and increasing revenue from professional services. Actively managing stock is a big part of this equation.

STOCK INTENSITY

You don't want your pharmacy looking empty and, at the opposite end, you also do not want to have too much clutter where patients are falling over the aisles and can't squeeze a pram in.

We are all familiar with a certain big green shed. I'd ask you to think about how you feel when you walk into these stores? Fully stocked shelves help move stock by increasing the propensity for people to buy.

Setting a benchmark stock intensity can aid in your purchasing program. Monitoring it can help to ensure you are presenting your pharmacy at its best to your customers. Stock intensity is the measure of stock per m².

STOCK TURN

Whilst stock intensity should be strong, the balancing act is to ensure you have lots of the RIGHT stock. This is where monitoring stock turn fits into your suite of management tools. Your stock turn represents how quickly or how often you are turning stock.

If too high, then you may experience out of stocks and lose sales. If too low, it may be an indicator that you don't have the right stock on the floor, with the end result that you have money tied up in stock.

You should be constantly reviewing your sales report for stock turn to see what's moving and what isn't moving.

You can get as granular as you like on this, based on department, based on product or right down to the SKU level.

You can manage this effectively in two ways. You can work with your POS provider to set up alerts if this feature is available. Alternatively, you can allocate departments to senior staff and ask them to review stock turns regularly within their departments.

GROSS MARGIN RETURN ON SPACE (GMROS)

For those who want to dive in deeper. Using GMROS you can also assess the shelf space being used by particular items. The GP\$ that are generated by a department can be related the space it occupies and you can determine the return per lineal metre.

In this way, you can compare the performance of one department against another. To lift GMROS you can take a number of steps – increase marketing of the product, increase the retail price, buy better. Or you can reduce the stock on hand or reduce the space such that the stock and space don't impact the sales levels, i.e. same return for less investment.

PUTTING IT ALL TOGETHER

Poor stock turns across departments should be an alarm bell to review your stock holdings. Stock intensity should be maintained overall and from there, it is a matter of targeting those departments you wish to be strong in, based on your customer base and pharmacy offering.

For each department you can review selling price, buy price, brands, non-brands, store positioning, shelf space, supplier support and marketing. And don't forget product knowledge for your retail and pharmacy assistants – a key product support tool!

Exception reporting of key measures should be put into place. It should be part of the team's job to bring the areas of concern that may exist across the pharmacy floor. There should be a coordinated approach to merchandising the store, always ensuring that there is a connection with the overall pharmacy offer.

Both stock and space are significant investments in resources. The nature of your investment here also impacts your investment in staff. Taking active steps to drive gross profit in this way is worth the effort.

CASE STUDY

Physio Group Strategic Advice to Build Your Allied Health

Jasmine Hulls was just 24 and 'very green about business' when she purchased her first physiotherapy practice with RSM's help in 2009. Jasmine now owns three physio practices in South West WA employing 24 staff, and credits a large part of her success to RSM's advice.

Jasmine is the Practice Principal of the Physio Group South West, which operates in the rural towns of Collie and Harvey, and Australind on the outskirts of Bunbury in WA.

Because we're in a regional area and our [practice] is the only private physiotherapy practice, we have to be generalist physios and see the full spectrum of clients," explains Jasmine. "We see everyone from children to aged care patients."

When Jasmine first considered buying a practice of her own, she knew she'd need a good financial advisor who could help her understand all the business aspects. "I saw one accountant in the beginning and I remember coming out of that meeting thinking I got nothing out of that – no help, no advice, nothing. And as a 24-year-old at the time, I needed someone to help me delve into financials and give me what I needed to make an informed decision."

That's when Jasmine found RSM.

"I came out of my first meeting with Phil (Phil DiCandilo, Director of Business Advisory at RSM in Bunbury) knowing I'd got the information I needed, that I understood the pros and cons of each choice, and that he'd given some great advice. So straight away, he was the accountant for us, and he has been ever since."

STRATEGIC, FORWARD-THINKING ADVICE

RSM advised Jasmine on the viability of buying her first practice in Collie, helping her with due diligence and giving her confidence in the purchase. Within a few years, she'd added another rural practice in nearby Harvey.

But Collie began to experience a downturn when the mining boom ended. Jasmine's home and business were very reliant on that practice, so Phil suggested managing that risk by buying a practice in the growth town of Australind near Bunbury.

"Phil was amazing when I bought Australind," says Jasmine. "The business was run-down and they'd been trying to sell it for years. He suggested offering to buy it at a certain price and told me about vendor finance which I hadn't considered before. That was awesome – it made the whole thing possible."

The strategy worked and the Australind practice is now twice as big as the original Collie one and has the potential to grow even further.

"Phil's always thinking ahead for you and trying to help you advance, not just react to circumstances. There's lots of growth and good things that RSM has made possible, Phil and the team have been instrumental in our practice growth," says Jasmine.

MANAGING GROWTH

Jasmine's current challenge is learning how to manage a larger business with more than 20 staff across several locations. She recently appointed a practice manager as the business continues its growth in patient numbers and turnover.

Multiple locations initially posed a challenge to book-keeping. "It's all under one ABN," says Jasmine, "but I wanted to know each location's financial performance. Phil helped us to set up MYOB and separate things and that gave us new insights into each part of the practice. He got us onto cloud accounting too, so I can see all the financials from my home office."

TAX AND MORE

The Physio Group South West recently reached a new milestone – having to pay payroll tax for the first time. "It's a good sign of growth," says Jasmine, "but a new thing for me to navigate."

Thankfully, RSM helps Jasmine to minimise her tax bills and avoid shocks. "Before tax time every year, we have a planning meeting. Many other people I know don't get that from their accountants, but Phil always says let's look at it, let's estimate what it's going to be so it's not a big surprise and you can put the money aside for it. So, I've always known what tax bills were coming."

Phil has also helped Jasmine with her personal finance. "Some accountants just do your tax and that's it. Phil's not like that. He gets to know you, knows our background, gets our personal situation and the business side, and gives great advice."



CHALLENGES

The persistent challenge is attracting and retaining trained physiotherapists to work in a regional area during a nationwide skills shortage.

"Sometimes we might have to pay higher than metro areas to attract staff," says Jasmine. "But there's a limit to how much you can do that, especially when you're training staff and they're not generating their own income yet," says Jasmine.

"We've tried to shift our focus to think about the other things we can offer such as a graduate training program. But retaining staff is always hard in regional areas."

OPPORTUNITIES

Jasmine sees great opportunities for further expansion. "Phil assists us in making sure we are investing and using our money wisely to build our assets for the future."

WORKING WITH RSM

For Jasmine, the best thing about working with RSM is the personal interaction. "I call Phil on a first-name basis," she says.

"I know I can ring [Phil] at any time and I can run ideas past him. It's not just a once-a-year tax-time thing. He's like my personal advisor and he knows the ins and outs of all of our finances. He's like a friend now and he has a genuine interest and care about how we're going."

"Phil's done so much for us over the years, it's hard to list it all. As soon as something financial comes up, he's the first person I think to contact for his advice and guidance. That's why I recommend RSM to everybody."

Tax planning for allied health professionals

is an important part of cash flow management

by Grant Avery, Senior Manager

By taking a proactive approach to taxes, an allied health professional can minimise their tax liability, maximise their deductions, and improve their cash flow.

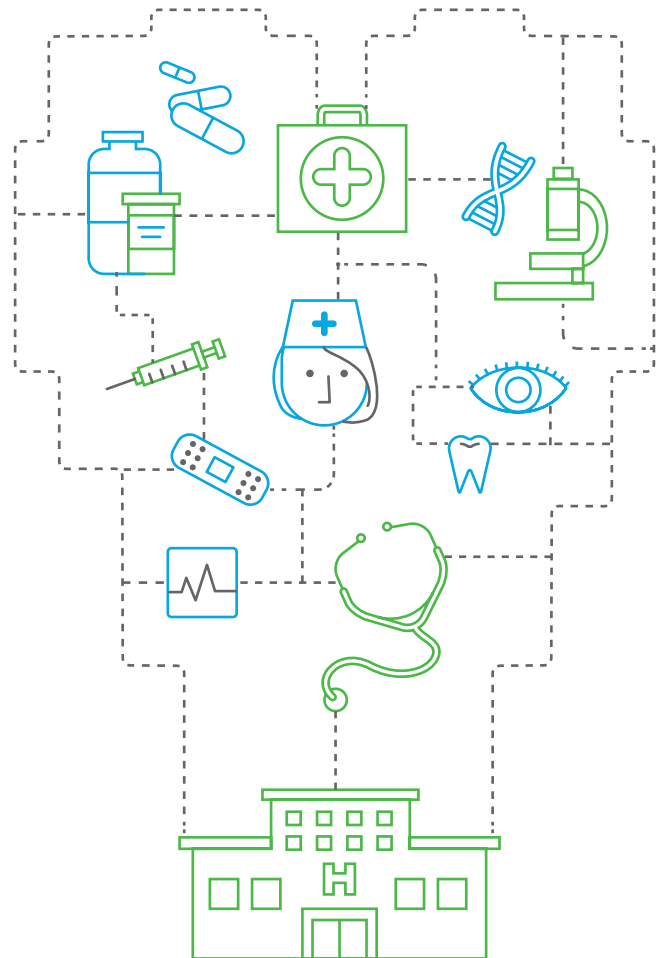
Effective and timely tax planning can:

- Help improve cash flow by reducing the amount of taxes owed, allowing more money to be available for everyday expenses and business growth. Careful planning can help to maximise the deductions available to allied health professionals, reducing their taxable income and minimising their tax liability.
- Ensure you maintain favourable lodgement data with the ATO through timely lodgement of tax returns and BAS's. The simple act of being able to lodge your tax returns later in the year, can allow the delayed payment of tax, allowing for effective use of those funds for business growth and loan reductions.
- Provide a clear picture of tax obligations and the time frames for payment. This can be used to ensure cashflow decisions are made reflecting these obligations. Ensuring tax commitments don't coincide with large loan or capital expenditure payments helps ensure smoother cashflow in a business.
- Work to ensure that strategies favourable for tax purposes don't impact on business operations or opportunities. Decisions should not be made solely based on tax benefit.
- Ensure you avoid costly penalties and interest charges for late payment or underpayment of taxes. Tax planning can reduce the stress associated with taxes by providing a clear understanding of tax obligations, deadlines, and opportunities for deductions and credits.

All business owners should also have an eye on their exit plan, and allied health practitioners are no different. Tax planning can help enhance retirement savings by reducing taxes owed on contributions to retirement accounts and maximising the benefits of these accounts.

However, despite all the benefits, tax planning cannot occur after the 1st of July – it's a bit late then. It's not complementary for cash flow either if it is undertaken in the last week of June. Timing of tax planning is important in gaining maximum tax benefits and cashflow symmetry.

We are now on the home stretch of the financial year; the end is in sight. It's time for health professionals to consider their financial health.



Preparing for the sale of your veterinary practice

8 top tips

by Trent Frost, Senior Manager

Preparing a veterinary practice for sale requires careful planning and execution to ensure that the practice is presented in the best possible light to potential buyers.

Here are some practical steps that can help increase your opportunity to sell and maximise sale price:

- 1. Get the financials in order:** it's essential to have accurate financial records for at least the past three years. This information will be used to determine the value of the practice, and will be vital for potential buyers to assess the business's performance and allow the business to reach maximum value. The financial statements should be reviewed by an accountant to ensure that they are accurate and complete.
- 2. Ensure the premises are well-maintained:** potential buyers will likely visit the practice, so it's essential the premises are clean, tidy, and well-maintained. Any repairs or maintenance work that needs to be done should be completed before the practice is listed for sale. This will enhance the marketability of the business.
- 3. Review the client base:** this will identify any clients who may be at risk of leaving after the sale. It's essential to have a client retention plan in place to promote confidence to any potential buyer of a sustained client base.
- 4. Review staffing:** assess staffing levels and ensure that they are appropriate for the size and scope of the practice. Ensure that all staff contracts are up to date and review any potential issues that may arise with staff members during the sale process. Having staff continuity will allow for a smoother transition to new owners.
- 5. Identify potential buyers:** consider reaching out to potential buyers such as existing veterinary practices or investors interested in the industry. You can work with a business broker or advisor to help identify potential buyers.
- 6. Develop a marketing plan:** having a comprehensive marketing plan that promotes the practice to potential buyers will increase the chance of a successful sale. This can include advertising on industry-specific websites, reaching out to industry publications, and attending industry conferences. Remember to utilise your existing network for referral potential.



- 7. Seek professional advice:** it's essential to seek advice from a range of professionals, this could be a lawyer or business advisor who has experience in selling veterinary practices. They can help with legal contracts, negotiations, and other critical aspects of the sale process.
- 8. Following sale:** prioritise financial planning and check in with a wealth management specialist or financial planner to get make sure you are on track to achieve your personal or business wealth objectives.

Overall, preparing a veterinary practice for sale requires a thorough approach that addresses the financial, operational, and marketing aspects of the business. With careful planning and execution, selling a veterinary practice to maximise value for the exiting owner can be achieved while also setting up the incoming owner for long-term success.

HEALTH SERVICES
by RSM

SECTION 2

Cyber Security for the Health Sector

Healthcare – Innovating with Technology Securely

Innovation in healthcare is a constant. Personnel in this field strive to find new and innovative ways to cure the ailments that afflict us. A lot of this dependant on the use of technology that helps either diagnose or cure these ailments. We have seen many technological advancements in healthcare and many of us have used them as well. Machines such as MRI scanners still astound me as to what they can do and see.

However, with new technology comes new risks. As technology becomes more internet connected, the opportunity for hackers to use these connections for nefarious purposes increases.

There are two key risks that emerge related to technology risk in healthcare. The first is related to the use of common technology such as email, etc., that if not adequately secured can lead to data breaches and financial losses for healthcare that can be devastating. We have all heard of examples of phishing attacks that have led to data being stolen or Business Email Compromise (BEC) attacks that have led to funds being stolen from healthcare. Theft of health data can be particularly devastating due to the sensitivity of this information. Fortunately, some basic cyber security hygiene goes a long way to protecting healthcare from such attacks. Measures noted below will help keep hackers at bay:

- **Don't fall for email scams** – If you don't expect an email, ignore it. Don't click on a link in an email. Clicking a link in a fraudulent email can take you to a phishing site that will look so real it will fool you into entering your login information. Type in the URL instead
- **Anti-malware, personal firewall / security software** – ensure all endpoints (laptops, desktops, tablets, servers, etc.) have these security features installed and updated
- **Strong passwords and multi-factor authentication** – Password protect your endpoints and devices including your Wi-Fi network, connected medical devices, smartphones, and other smart devices such as smart watches or TVs. Don't forget to use strong passwords that are at least 8 characters and a mix of letters, numbers and symbols, and multi-factor authentication for increased security
- **Updates** – Make sure any apps and software you use, including your web browsers and operating software, are updated regularly. Many updates are provided to address security issues as well as new features. Failure to update

may give criminals with an opportunity to hack into your computer and steal data including personal and health information

- **Create backups** – Bad things can and do happen. Regularly backup important data so that you can recover these if your computer gets infected by ransomware. Backup your devices regularly to a completely isolated device not on the same network and encrypt the backup. Never pay the ransom as there is no guarantee that you will get your data back.

The second area of risk lies with the use of IoT sensors embedded in medical devices. If not secured, these devices can be easily hacked and tampered with. This article by the Association of American Medical Colleges provide a good overview of what the risks of medical devices being hacked can be – [Exposing vulnerabilities: How hackers could target your medical devices | AAMC](#).

Here again, some basic cyber security controls will help:

- **Inventory** – know what connected medical equipment you have in use so you can secure them
- **Password security** – change all default usernames and passwords. Use secure passwords and if possible, enable two factor authentication. Unless needed, disable internet and remote access to these devices or allow them only on an as needed basis
- **Updates** – keep the device firmware and other software updated to protect them from cyber vulnerabilities
- **Backup** – backup all configuration data regularly or whenever changes are made to have a 'Plan B' in case of a malware infection.

As the healthcare sector seeks to exploit technology to help us all live longer and healthier lives, new risks related to this emerge that need to be addressed to protect healthcare from cyber attacks and related losses. Some basic steps outlined in this paper will go a long way to keeping hackers at bay.

Cyber security for health practices and businesses

Effectiveness can be affordable.

The health industry is under attack. The Australian Cyber Security Centre says that the cost of remediation – for EACH incident – for a small practice or business – less than 20 employees – is \$40,000.

For a medium business – 20 to 199 employees – its more than double that. And this does not count the cost of the impact on the practice, its reputation and its ongoing viability. **Cyber security is no longer discretionary expenditure.**

ARE YOUR CYBER DEFENCES HEALTHY?

Too often, protection of technology systems has been treated as an add-on, and, sadly, often a discretionary add-on. "We're too small." "No-one would be interested in us". These responses unfortunately reflect the state of the cyber protection that has been rolled out by practices and businesses across the health sector.

Who is responsible for this aspect of your business? Does that person really know the risks and do they understand just what level of protection is delivered by the protocols and systems that might be in place, if there are any?

"THE PRIVACY ACT DOESN'T APPLY TO ME" – GUESS AGAIN!

Regardless of turnover, the Privacy Act covers any business that is:

- a [health service provider](#)
- [trading in personal information](#)
- a contractor that provides services under a Commonwealth contract
- an operator of a [residential tenancy database](#)

The Privacy Legislation Amendment (Enforcement and Other Measures) Bill 2022 increases the maximum penalties for serious or repeated privacy breaches from the current \$2.22 million penalty to whichever is the greater of:

- \$50 million;
- three times the value of any benefit obtained through the misuse of information; or
- 30 per cent of a company's adjusted turnover in the relevant period.

A COMPLETE APPROACH TO CYBER SECURITY

Ideally, your cyber protocols would cover the following:

- A regular review to identify potential critical risks and issues
- Having a cyber-aware and educated employee, using up to date and renewed training resources
- Security technology that provides:
 - An effective firewall
 - Web Security
 - Secure remote access
 - Email Security

PROTECT YOUR PATIENTS, PROFESSIONALS AND SUPPLIERS

Protecting patient data is paramount. And providing a safe network for those whom you deal with online is now critical AND often a requirement to provide connectivity to your suppliers, the government and other professionals.

Putting in place the right systems means you can provide proof of your secure environment and rest easy knowing that the risks have been reduced.

With the flow of any number of professionals in your practice – locums, VMOs, consultants, allied health professionals – it is necessary to ensure that your systems and data are always protected. Only efficient and effective technology can deliver the peace of mind needed in a health practice or business around the clock.

RSM'S RISK ADVISORY OFFERING FOR THE HEALTH SECTOR

HEALTH SERVICES by RSM

Our Health Services Cyber Security Package is a simple, quick and cost-effective approach to understanding and managing key cyber security risks within health practices and businesses. When designing the package, the focus was placed on covering the keys areas of cyber risk being people, process and technology.

As a result, the package we have created covers a high-level security review, setting up of a user-based policy and associated training, and technology tools to help mitigate ransomware threats.

WHAT WE DELIVER

The Health Services Cyber Security Package includes the following key components:

- **Cyber Security Review** – a cost effective self-service audit of cyber security risks and maturity for your practice or business
- **Security policy and a user education module** – aimed at providing the guidance and training necessary for employees to be cyber aware and safe
- **Security technology** – covering the following:
 - Firewall
 - Web Security
 - Secure Remote Access
 - Email Security

HOW THE HEALTH SERVICES CYBER SECURITY PACKAGE CAN PROTECT YOUR BUSINESS

The Health Services Cyber Security Package is tailored to help health practices and business take effective but affordable steps to protect people, process and technology.

- The initial review puts a line under the starting point of improved protection.
- The user education module ensures that current AND new employees, contractors and locums have access to the right resources before they can cause damage.
- The security technology puts up your defences and keeps them current and operating around the clock.

SAMPLE PACKAGE COSTING

Using the information below, a health practice of 20 employees can implement this protection package for one-off costs of \$570 per employee and ongoing costs of \$600 per employee per annum.

THE HEALTH SERVICES CYBER SECURITY PACKAGE:

Scope

- A self-service security assessment designed to provide SMBs an idea of their current security gaps. The offering includes 8 hours of a consultant's time to assist with the completion of the assessment.
- A customisable user-based security policy and a user education module. This service includes 8 hours of a consultant's time to assist with the customisation of the security policy and running one train the trainer sessions for the user education module

- Provision of security technology delivered on premises and via the cloud as a fully managed service including the following:
 - Cloud Firewall
 - Web Security
 - Secure Remote Access
 - Email Security

Pricing

1. Self-service security assessment – \$5,900 for up to 25 users; \$7,900 for up to 50 users; \$11,900 for up to 100 users (once off)
2. User based security policy and a user education module – \$4,500 (once off)
3. Security technology – \$50 per user per month, assuming a 3-year agreement

Prices do not include GST and are based on full payment in advance annually.

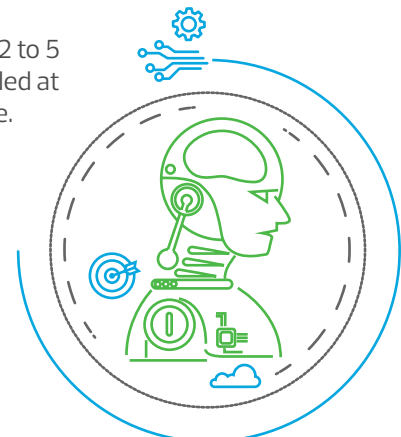
Support

Please note that the implementation and support for the security technology will be provided by Menlo Security. Please review their End User Licensing Agreement and Support Agreement prior to signing.

Assumptions and Exclusions

1. Client will provide access and support needed to make any endpoint and network changes necessary to deploy the service
2. The service does not include an Incident Response Plan or incident response if there is a security issue
3. This service does not include any remediation services required revealed by the self-service security assessment
4. The policy document provided is a user focused security policy. Broader, organisational wide and IT specific security policies are not included. IT Disaster Recovery Plan and BCP are excluded
5. The security assessment is not a penetration test or other deeper technical assessments.

Services related to 2 to 5 above can be provided at an additional charge.





HEALTH SERVICES
by RSM



THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

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