

Make Vendor Reviews Part of Your Practice's Annual Spring Cleaning

By John B. Pinto

[C] 2001 J. Pinto & Associates, Inc All Rights Reserved

Believe it or not, we actually have four seasons here in Southern California. Summer, summer, summer and spring. It's early March as I write this. Our spring rains are washing away much of the dust from our last three summers-in-a-row. Although you're reading this article as your one summer arrives where you live, there's one more spring cleaning chore I'd like to suggest if you haven't gotten to it yet.

The typical practice writes about 200 checks a month to a wide range of vendors. Over the course of a year, there may have been 500 different parties who sold you their services or products.

You may believe that some of these vendors have a steel claw on your practice purse, but even statutory expenses may not be mandatory. One of your obliged vendors is the postal service. Now you can't negotiate down the price of a first-class stamp, but you can certainly get a bulk rate postal permit. Spring should be open hunting season on virtually every vendor relationship your business maintains.

Here's an easy exercise. Assemble the practice's most senior staff. Get out your checkbook or general ledger. For every vendor (including some of the less obvious ones, like Sally at the front desk) fill out the following simple form:

Vendor Name	Cost Per Year	Current Rating (Superior, Acceptable, Probationary or Terminable)	Our Ability to Eliminate or Substitute	Agreed Action
<i>Mike's Office Cleaning Service</i>	<i>\$6000</i>	<i>Superior—always exceed our expectations, and no rate increase in 5 years</i>	<i>Lot's of options, but no need to replace</i>	<i>Letter of thanks for another great year of service</i>
<i>First Federal Bank & Loan</i>	<i>\$800</i>	<i>Terminable—refused to increase our credit line, and lots of statement errors</i>	<i>Three other banks available within one mile; all have agreed to waive account fees</i>	<i>Interview branch managers and change banks by July 1st</i>
<i>Amy Young, Junior Tech</i>	<i>\$34000</i>	<i>Probationary—after 18 months on the floor, she's still not able to refract; in addition, although she is pleasant to patients she continues to have mild conflicts with her supervisor</i>	<i>Techs are hard to find in our market, but during the summer slow season we can do with one less tech</i>	<i>Provide Amy with one last written warning and 6 weeks to shape up between now and July 15; terminate PRN and replace by September 1st.</i>

McLauren Advertising	\$225000	Acceptable—This vendor is sufficient for our immediate needs, but may not have the creativity if we expand our Lasik program	The best ad agency in town is already serving our competitor; we've gotten too big for most freelancers; the next step may be to create an in-house department	Meet with our account executive and tell them we're expecting more in 2001 or we will commence a formal agency review in the 4 th quarter; review bills closely.
----------------------	----------	--	--	---

As the general market economy settles down somewhat in most parts of the country, and before the next round of fee reductions ensue, there couldn't be a better time for you to pare expenses. Here are some cost-containment or service enhancement opportunities you may have overlooked:

- Ask companies with a discount policy for prompt payment (eg: 2% off for payment within 10 days) to extend that same discount if you pay at the 30-day mark.
- Ask your cleaning service what discount they would provide if you had each staff member take a moment to bag their own paper waste at the end of the day, or if they cleaned the office just three times a week instead of five times during the slow winter months.
- Ask ongoing, reliable vendors (eg: radio stations you advertise on and similar small, flexible businesses) if they can provide you with an additional discount for a longer-term contract, or for pre-paying for a year of service. If your practice has sufficient cash or borrowing power, at current interest rates, a 10-15% discount for pre-payment may be strongly in your favor.
- Ask the wall paper hanger what discount they could provide on the total job if they not only papered the office, but the homes of five staff members and doctors who have been wanting to redecorate their residences.
- Ask your optical frame vendors what further discount you would enjoy if you bought just four frame lines instead of the current 12, and could push more business to a smaller number of companies.
- Ask your techs if some of them would be willing to job-share and take 15 hours of work off each week during the slowest times of the year.
- Ask your optometrist if she would be willing to see just four more patients a day, which would conservatively generate another \$100,000 in annual revenue.
- Ask your staff if they would be willing to launder their own uniforms, saving \$3500 in cleaning service fees each year.
- Ask you patients if they would be willing to use the office's courtesy telephone to call their own insurance company for approvals, or to call for a taxi cab at the end of an appointment, thus saving the practice valuable staff time.
- If you have a fallback position, ask the director of the open access Lasik center you use if you can perform your low number of cases at their "high volume discount rate," thus preserving their relationship with you.
- If you use a hospital's outpatient department to perform cataract surgery, ask the PR department to help you with a publicity project for free, saving you the cost of hiring a local freelance publicist.
- If you haven't checked your carrier's long-distance phone rates against the competition in the last year, check them now—they're falling like a rock. At the very least, ask your current carrier if they have a less-costly plan for a customer like you.
- Ask the sandwich shop that caters your staff lunch every week if they can throw in dessert for free since you're such a great customer.

- Ask your local postmaster if there's a less costly (or less time-consuming) way you could be mailing out patient statements than with a first class stamp.
- Ask your doctors if they could be a little less wordy in their dictation to save transcription costs.
- Ask yourself if you really need to send eight staff members across the country to a meeting, or could the same training goal be accomplished by sending the most deserving two staff members, and having them be the in-house trainers for the other six.
- Ask yourself if a \$59 accounting software package and three extra hours a month of your office manager's time could eliminate most of the \$4000 annual bill you get from your accountant....and get you more timely financial reports in the bargain.
- Ask if annual dues paid to umpteen local, state and national professional societies is still necessary at this point in your life, or do you no longer have a need to pad your CV?

* * *

The purpose of this annual exercise is not to dump your vendors. Indeed, it may remind you to praise both internal and external vendors who are truly superior. Depending on the vendor, the action you take may include asking for better pricing, better payment terms, or better services. Make this pruning and weeding process an annual habit, an annual rite of spring, and your practice garden will bloom better in each successive year.

#