

Business Survival Through the COVID-19 Crisis



Acting now can ensure that you acquire the resources you need to keep your practice above water.

BY BRUCE MALLER

To say that ophthalmology practices are navigating uncharted territory is an understatement. The US Bureau of Labor Statistics placed the unemployment rate at 14.7% in early May,¹ which is the highest its been since the 25.6% peak during the Great Depression.² Economists are now predicting that unemployment will peak at 25% to 30% of the US population.³ Even though much of the first quarter of 2020 was not affected by the COVID-19 pandemic, gross domestic product still shrank by 4.8%.⁴ The second quarter will almost certainly be worse.

The good news is that capital markets—a reliable indicator of future stability—have steadied, and Washington has passed several legislative initiatives to help stimulate

the economy. Although the coronavirus has upended life as we know it, the coming return to normalcy could be sooner than we realize. The question is this: Will your actions now set you up for continued success or set you back for years to come?

In an interview with CNBC, Mark Cuban said, “How companies respond to [the COVID-19 pandemic] is going to define their brand for decades.”⁵ Let’s replace the word *companies* with *practices* and the word *brand* with *reputation*. How is your practice’s response affecting your reputation? Has your practice taken care of its staff or its owners? How much flexibility has been afforded to your employees? Have you done everything you need to do to ensure your practice’s survival, and with it the livelihoods of those you employ?

Framing these choices in absolutist terms may seem overzealous, but it is appropriate given the circumstances.

UNDERSTANDING CASH FLOW

The passionate surgeons who work in ophthalmology sometimes overlook some of the particulars on the business side of health care operations. With your practice’s financial health at stake due to the COVID-19 crisis, understanding daily cash flow structures is critical. I recommend operating on a 13-week cash flow forecast. This popular forecasting time horizon strikes a balance between accurately strengthening decision-making and offering enough range to support medium-term planning.

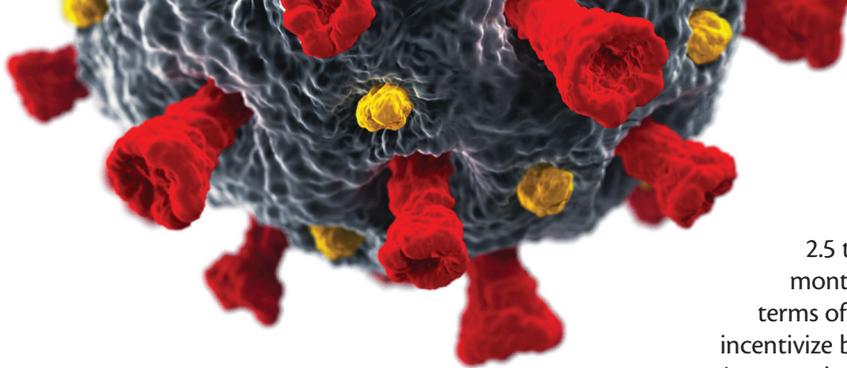
BSM Consulting has a 13-week cash flow forecast tool available on its website that can help you to build a week-by-week projection of cash flow for your practice (Figure). By breaking down expenses and revenues into clear terms, you can anticipate your future cash needs and gain a sense of how today’s adjustments can affect tomorrow’s business health. When projecting cash receipts, practices should include operating revenue (ie, collections from previously performed services) as well as cash receipts from loans, capital contributions, and government grant programs. Disbursements should include expenses paid and debt service and capital purchases.

13-Week Cash Flow Forecast

INSTRUCTIONS: Use the worksheet below to evaluate each week's cash flow as well as any potential funding requirements. All input cells are highlighted in green. White cells include formulas that link to each respective worksheet in this workbook. The formulas in these white cells can be overwritten in the event assumptions are easier to enter directly onto this worksheet.

Starting Week-Ending Date	4/1/20	Week 1 4/1/20	Week 2 4/8/20	Week 3 4/15/20	Week 4 4/22/20	Week 5 4/29/20	Week 6 5/6/20	Week 7 5/13/20	Week 8 5/20/20	Week 9 5/27/20	Week 10 6/3/20	Week 11 6/10/20	Week 12 6/17/20	Week 13 6/24/20
Beginning Cash Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CASH RECEIPTS / INFLOWS														
Operational cash receipts														
Capital contributions from Owners														
Paycheck Protection Program (PPP) Loan														
Economic Injury Disaster Loan (EIDL)														
Medicare Advanced Payment Plan														
Other Loan proceeds / Line of credit draws														
Other														
TOTAL CASH RECEIPTS / INFLOWS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CASH DISBURSEMENTS / OUTFLOWS														
Employee Payroll														
Vendor Payments / Accounts Payable														
Debt service payments														
Rent														
Utilities														
General Taxes / Property Taxes														
Insurance (General, D&O, Other)														
Professional Fees														
TOTAL CASH DISBURSEMENTS / OUTFLOWS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ENDING CASH BALANCE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
FUNDING REQUIREMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Figure. Screenshot from BSM Consulting’s 13-week cash flow forecast worksheet.



Forecasting your 13-week cash flow can help you to have a better sense of your future cash needs. It can also help to direct your key decisions, including staffing levels that align with expected operating revenue.

UNDERSTANDING CHANGES IN LEGISLATION

The Families First Coronavirus Response Act (FFCRA) was signed on March 18, and the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on March 27. There are several major components to these acts that ophthalmologists in private practice must understand.

Emergency paid sick leave. Under the FFCRA, emergency paid sick leave and family medical leave have expanded. Businesses can now receive government reimbursement for paid sick or expanded family medical leave via a tax credit. Of note, employees do not have to be sick to qualify for these additional benefits; those caring for a sick family member or who need time to assist with childcare are also eligible.

Businesses with fewer than 500 employees may provide up to 80 hours of paid sick and/or expanded childcare leave as long as schools or childcare facilities are closed. The US Department of Labor has granted an exemption so that businesses with fewer than 50 employees would not be subject to the provisions of the FFCRA.

Incentives for employee retention. By now, most practices have applied for and received loan proceeds under the Paycheck Protection Program (PPP). These loans were authorized under the CARES Act and are intended to encourage practices to maintain staffing levels and associated compensation. Under the PPP, a business may receive a loan up to

2.5 times its average monthly payroll. The terms of these loans incentivize businesses to continue employee payments on normal terms, and the portion of any loan equal to the amount that was used to keep employees on payroll may be forgiven. Additionally, loan proceeds can be used for rent, utilities, and interest on debts. These expenses are also eligible for loan forgiveness. The Small Business Administration and Department of Treasury are expected to release guidance on the loan forgiveness provisions of the PPP.

Initial funding for the PPP (\$349 billion) was exhausted in April and another \$320 billion in funding was approved. Due to overwhelming demand for PPP loans, it is expected these additional funds will soon be exhausted.

Practices have also benefited from relief funds available through the US Department of Health and Human Services (HHS) and authorized under the CARES Act. Each program has specific terms and conditions to be followed to avoid any unintended consequences.

UNDERSTANDING YOUR PATIENTS' NEEDS

Patients are the heart of any practice. Despite the changing conditions of patient care, there is no reason to abandon what has worked for you for many years. You must continue to focus on their needs and remind yourself that small acts can have lasting effects.

Some patients will expect a continued connection with your practice. Outreach via social media and telemedicine consultations are two examples of ways to continue focusing on and fulfilling patients' needs. Considering to incentivize patients to book appointments for procedures at a future date might also be helpful. Like us, patients want a return to normalcy, and knowing that they have a procedure scheduled with a doctor they trust can be comforting.

FINDING POSITIVES AND MOVING FORWARD

It is possible to find positives in the current economic climate. Many have used their newfound time to acquire continuing medical education credits, collaborate with colleagues, or communicate with strategic partners such as industry members. Taking 15 to 20 minutes per day to think about the future of your practice is also beneficial to your practice's well-being on the other side of the pandemic. You might find yourself in the position to expand the practice, or you may decide that you have spread yourself too thin and that now it is time to reassess your priorities. Regardless of the outcome, thinking about the health of your practice is an exercise that you might otherwise not have had time to complete.

Remember what Mark Cuban said when you think about the relationship between your actions during this crisis and the reputation of your practice. Your colleagues, staff, and patients expect leadership in the time of crisis. Shoring up your business financials, ensuring the security of staff members, finding innovative ways to connect with patients, and thinking strategically about your practice's future may not normally be on your mind in the middle of the year. But then again, nothing about the COVID-19 pandemic is normal. ■

1. The Employment Situation — April 2020. US Bureau of Labor Statistics. US Department of Labor. May 8, 2020. www.bls.gov/news.release/pdf/empst.pdf. Accessed May 20, 2020.

2. Lambert L. The latest round of unemployment claims puts real jobless rate near Great Depression peak. *Fortune*. April 30, 2020. <https://fortune.com/2020/04/30/unemployment-jobless-great-depression-30-million/>. Accessed May 1, 2020.

3. Greene M. U.S. unemployment is higher than Europe's now. But we'll likely recover faster. *The Washington Post*. May 1, 2020. https://www.washingtonpost.com/outlook/us-unemployment-europe-economy/2020/04/30/fa04af64-8a4e-11ea-9dfd-9909dccc71fc_story.html. Accessed May 1, 2020.

4. Bartash J. GDP sinks 4.8% in the first quarter, biggest drop since 2008 and there is worse to come. *Marketwatch*. April 29, 2020. <https://www.marketwatch.com/story/gdp-sinks-48-in-the-first-quarter--biggest-drop-since-2008-and-worst-is-yet-to-come-2020-04-29>. Accessed May 1, 2020.

5. Stankiewicz K. Mark Cuban says how companies treat workers during pandemic could define their brand 'for decades.' *CNBC*. March 25, 2020. <https://www.cnbc.com/2020/03/25/coronavirus-mark-cuban-warns-against-rushing-employees-back-to-work.html>. Accessed May 1, 2020.

BRUCE MALLER

- CEO, BSM Consulting, Incline Village, Nevada
- bmaller@bsmconsulting.com
- Financial disclosure: Employee (BSM Consulting)