



Audiology Department KPIs

From Two Perspectives:
The Employer & The Employee

Bryan Grant, Regional Director (Southeast)

Jesse Boyer, Regional Director (West)



Speaker Introductions

Financial Disclosures:

Bryan Grant and Jesse Boyer are Regional Directors at Fuel Medical and receive a salary.

Non-Financial Disclosures:

None.



Bryan Grant

Regional Director
Fuel Medical Group



Jesse Boyer

Regional Director
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Class in 3 Parts

1. How much cash must hearing care providers generate to operate a profitable audiology or hearing aid business within a business?
2. How to establish realistic KPI targets and operational metrics to generate the annual margin needed to be profitable.
3. How does 3rd party impact 1 & 2 above?

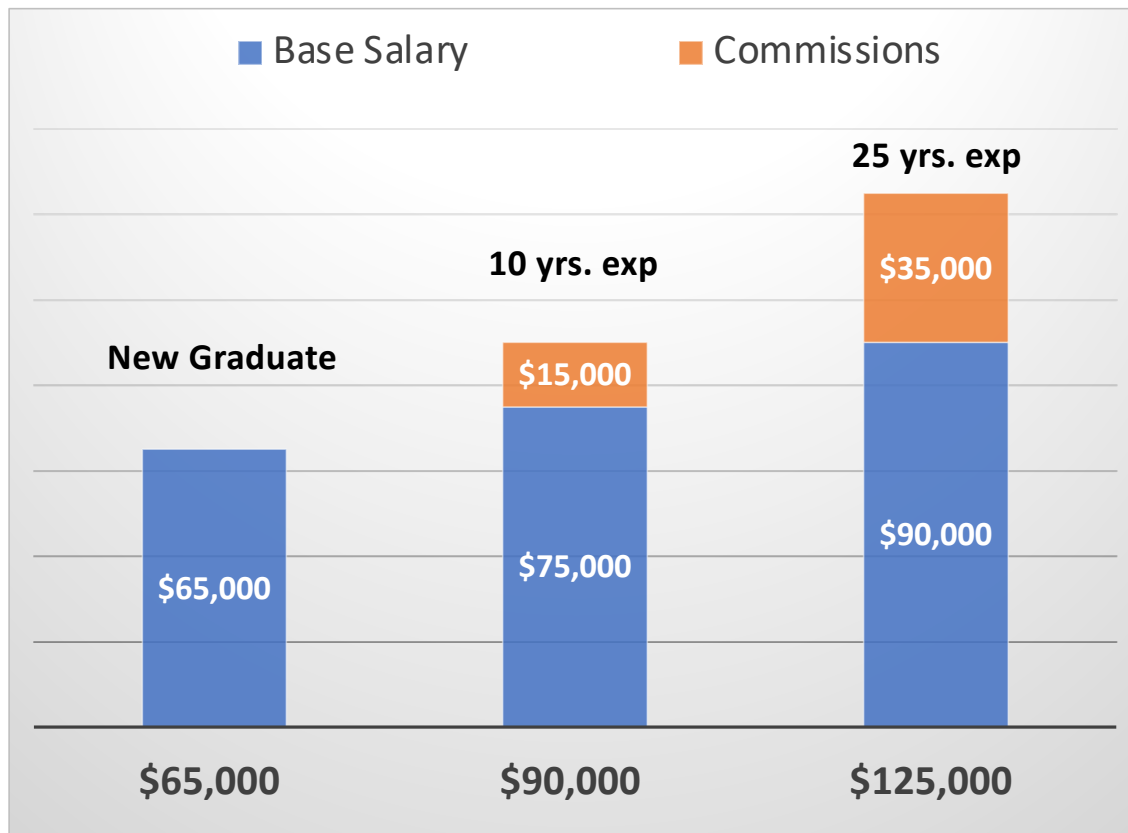


Revenue Generating Employees: **Profit** or **Loss**?

Employees: Do we often view ourselves as a business within a business? If so, do we know the margin we should be generating in order to be a net profit for the clinic?

Employers: Do we view revenue-generating staff as a business within a business? If so, do we have clear and precise targets for individuals to ensure an overall net profit for the clinic or department?

Cash Flow Targets based on Provider Cost



If each of these providers is its own business unit, how much should each generate annually in cash flow after the cost of goods (Gross Margin)?



Gross Margin Formula

$$\text{Net Sales} - \text{Cost of Goods Sold} = \text{Gross Margin}$$



For Every \$100 in Hearing Aid Revenue...



Revenue / Income: **\$100**
- Cost of Hearing Aids: **(\$40)**

= Gross Margin (aka Gross Profit): **\$60**

From \$60 Remaining:

-Personnel Costs: **(\$30–\$35)**

-Marketing Expenses: **(\$5–\$10)**

-Other Operating Expenses: **(\$8–\$12)**
(Rent, Insurance, Supplies, etc.)

Net Income (Bottom Line): \$8–\$15

Gross Margin: \$60
Personnel: \$30–\$35

\$60 Gross Profit ~ 2.0x of Personnel

Target Setting Exercise:

Annual Gross HA Margin

Gross Margin Formula

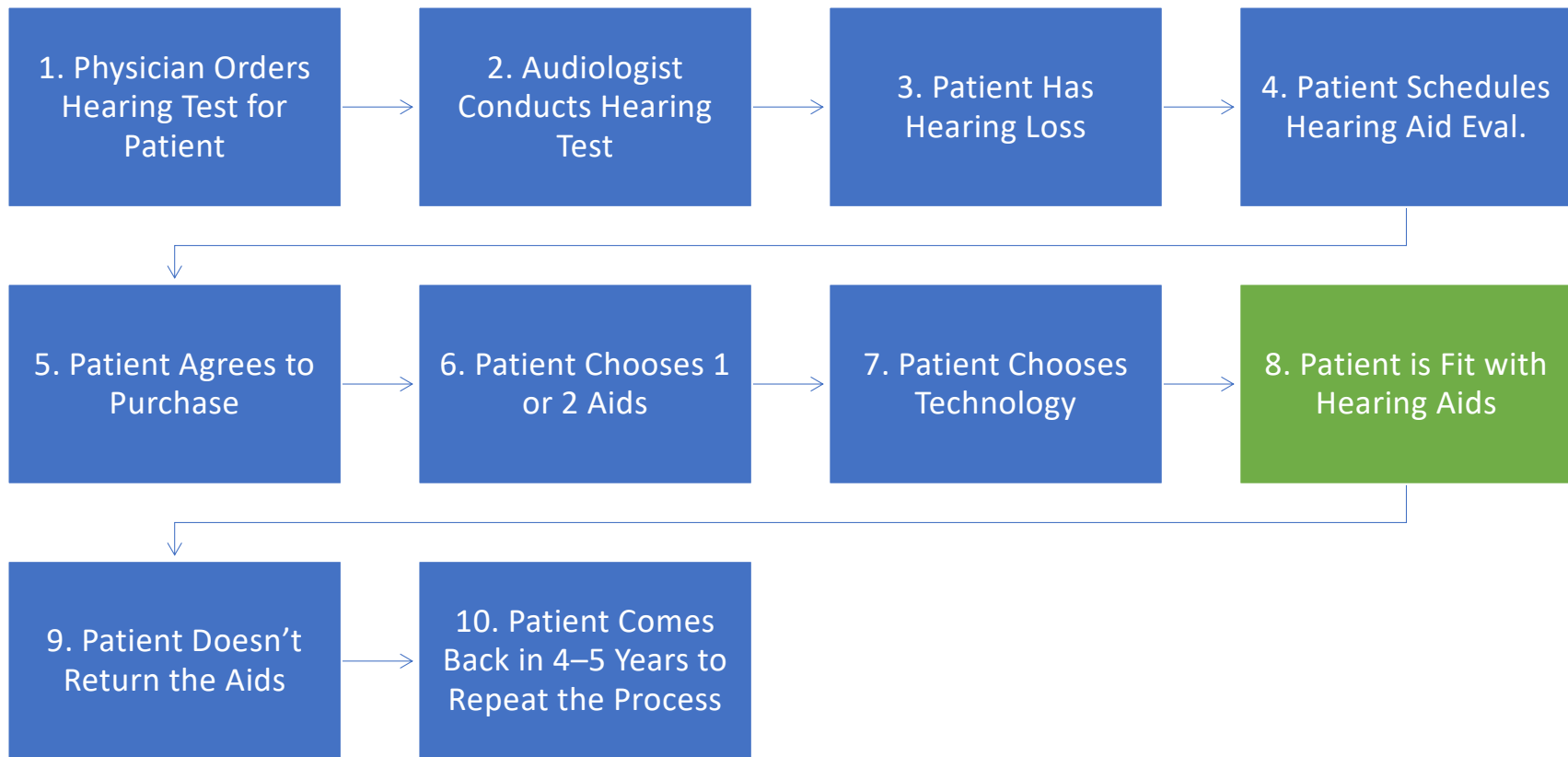
Net Sales - Cost of Goods Sold
= Gross Margin



	Employee 1	Employee 2	Employee 3
Base Salary	\$65,000	\$75,000	\$90,000
Commissions		\$15,000	\$35,000
Total Compensation	\$65,000	\$90,000	\$125,000
Gross Margin Factor (2x)	2	2	2
Annual Gross Margin Target	\$130,000	\$180,000	\$250,000
HA %	85%	85%	85%
Other %	15%	15%	15%
Hearing Aid Margin Target	\$110,500	\$153,000	\$212,500
'Other' Margin Target	\$19,500	\$27,000	\$37,500

How do you establish reasonable and measurable **non-financial** actions & events that will lead each provider to these **financial** targets?

Hearing Aid Patient Cycle: Crucial Events Leading to Purchase



What KPIs are crucial in setting operational targets to meet goals?

How do we translate our annual cash flow targets into these KPIs?

Hearing Test Volume (92557)

Conversion % of Hearing Tests to HAE

HAE Appt Volume (92590-92591)

Conversion Rate of HAEs to Purchase

3rd Party % of Hearing Aid Patients

Avg HA Units Per Patient

Avg Sale Price (ASP)

Avg Revenue / Patient

Avg Margin / Patient

Avg Margin / Unit

Return Rate %

% of Cash Generated: Hearing Aids vs. 'Other'



KPI target exercise: 3 Income Levels





3rd Party Impact



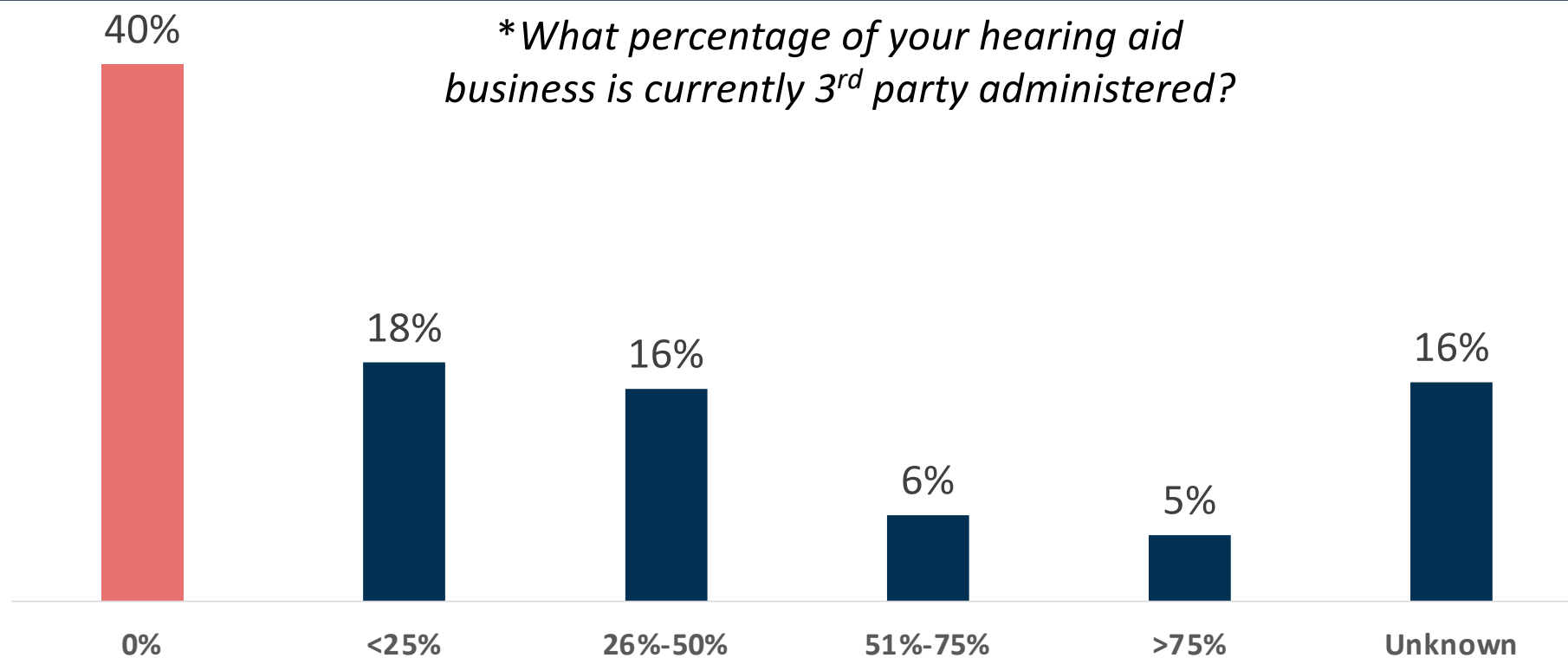


The 3rd Party in the Room

Fuel Survey Results:

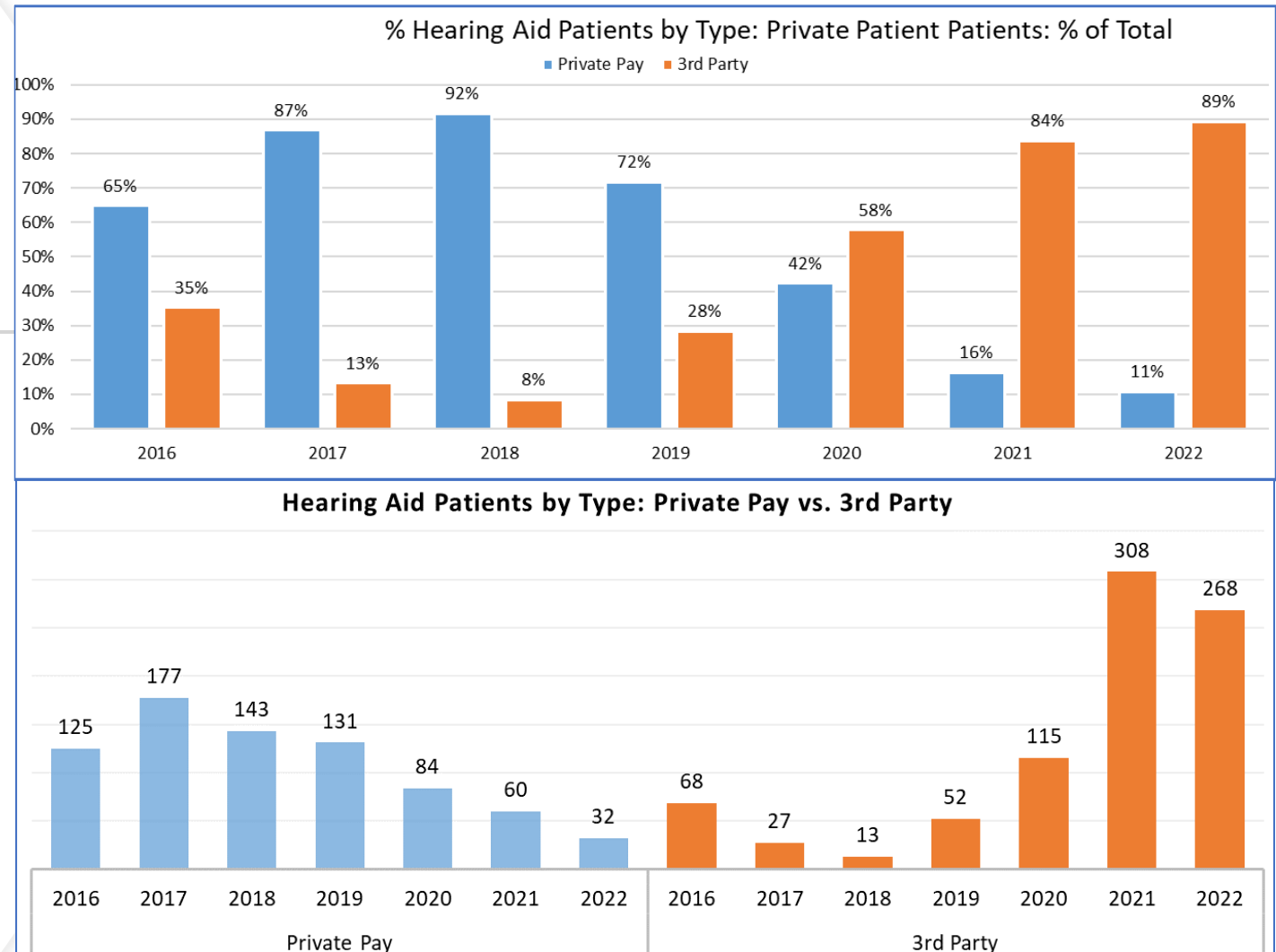


**What percentage of your hearing aid business is currently 3rd party administered?*

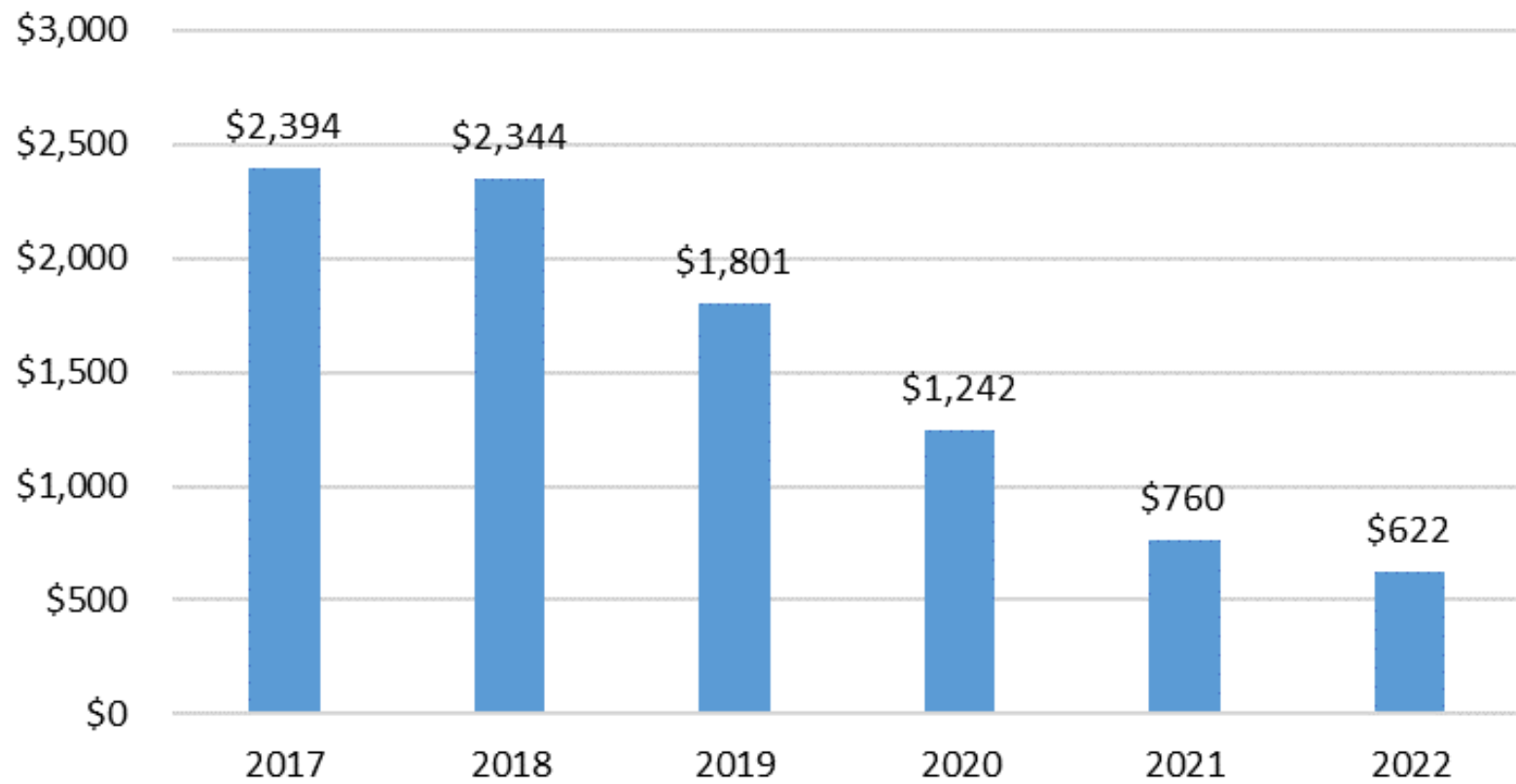


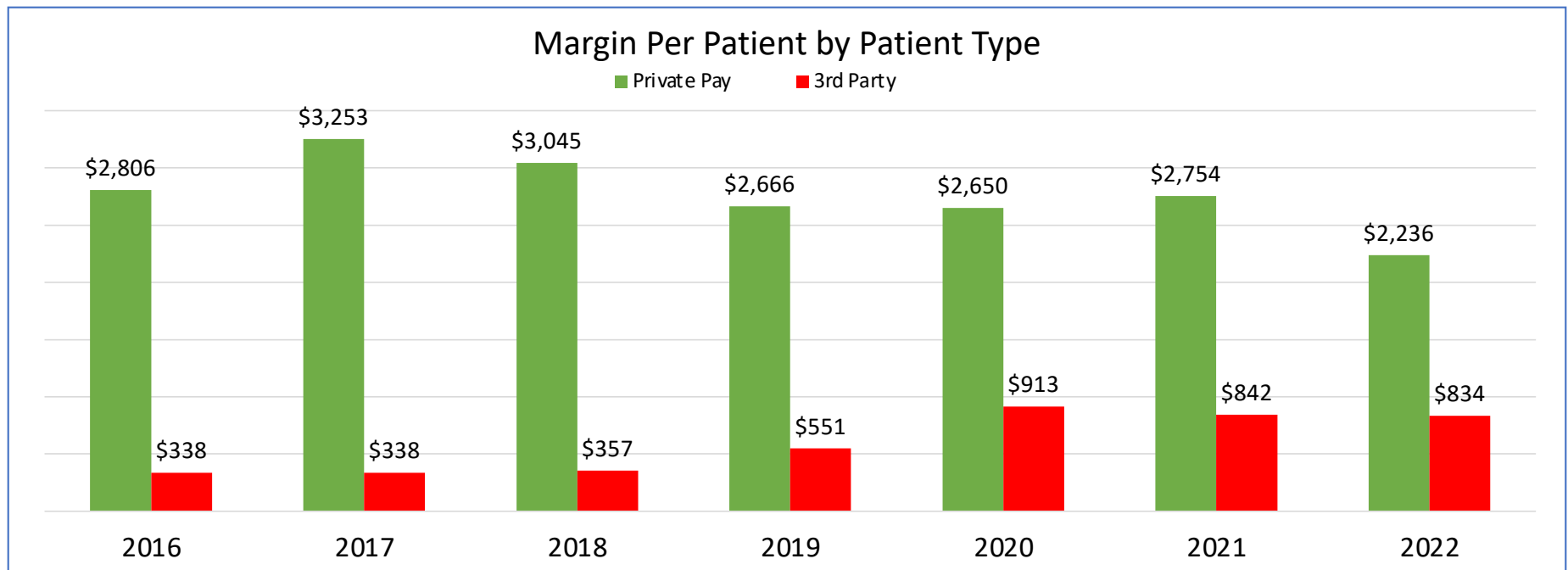
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3rd Party Cautionary Tale



ASP Trends (Blended)

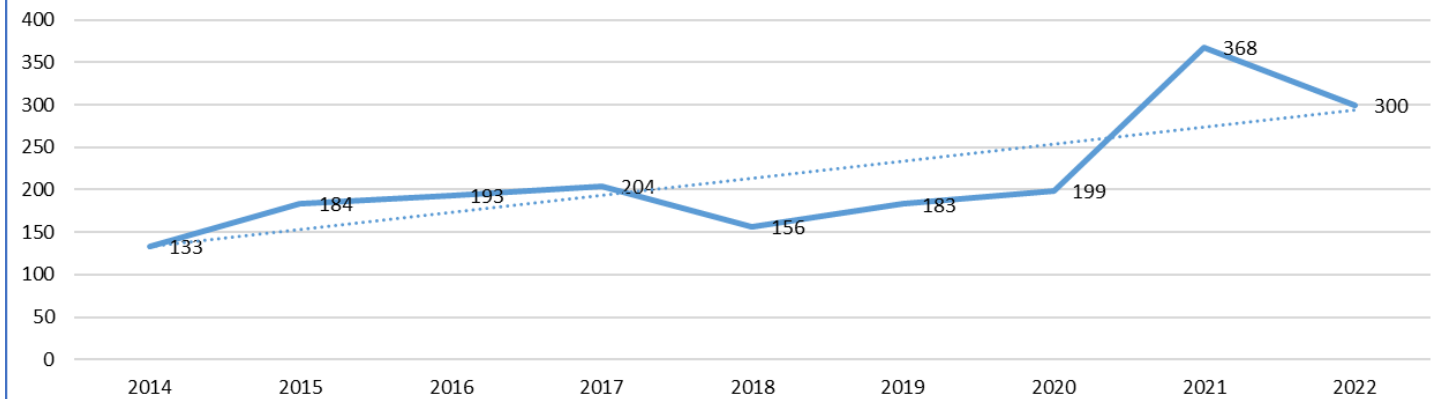




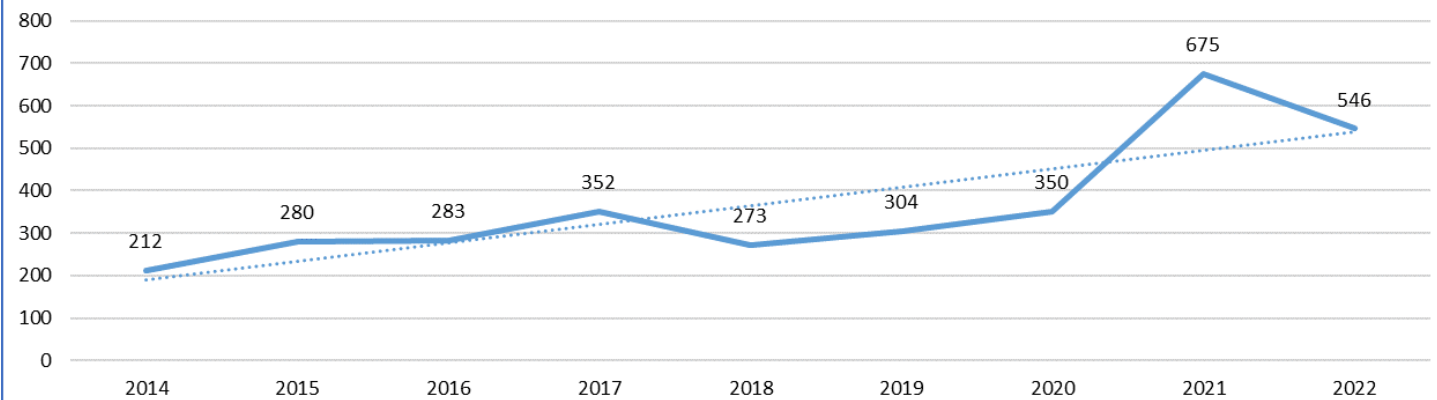
Margin per patient for Private Pay consistently close to 3x that of 3rd Party from 2020–2022

Make It Up
w/ Volume?

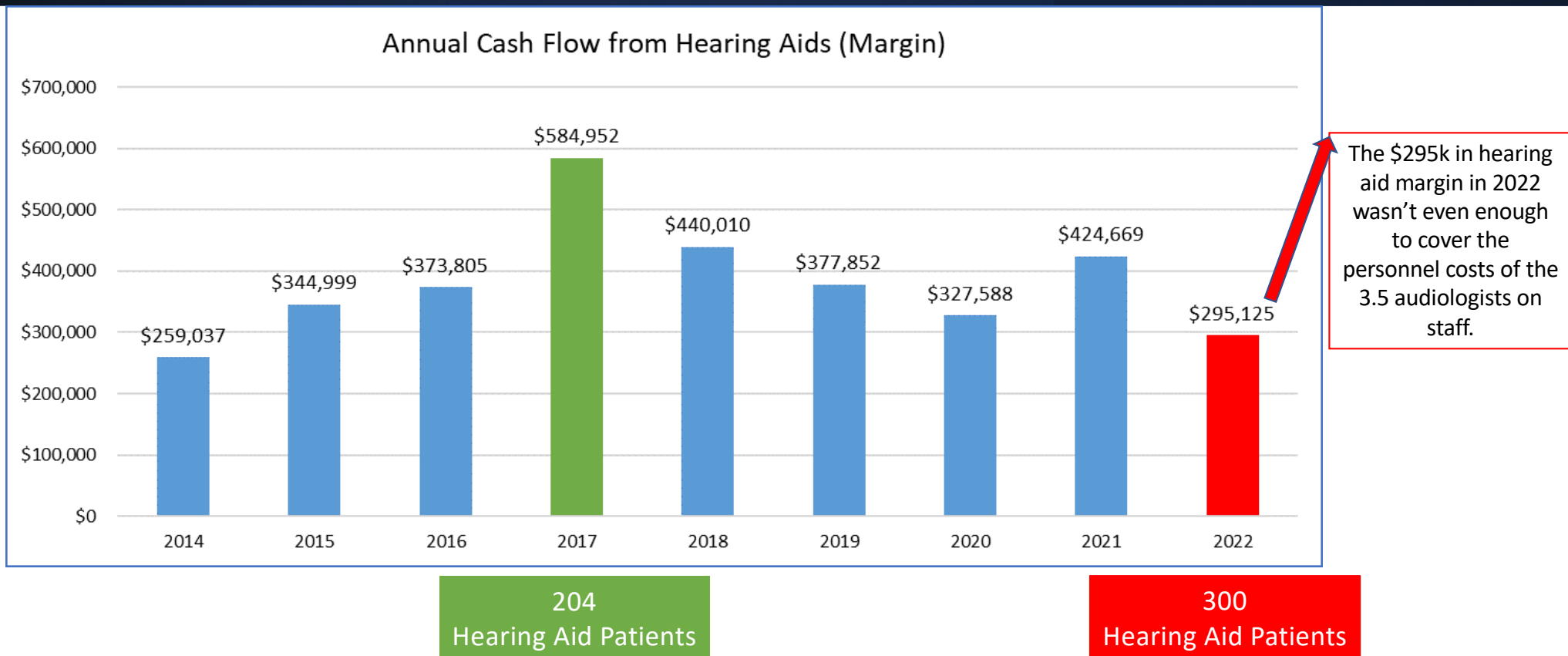
Annual Hearing Aid Patients



Annual Hearing Aids Fit



Impact on Department Cash Flow





Back to KPI exercise:

High 3rd Party % vs. Average





Key takeaways





Thank you.

Please take a moment to complete a session evaluation.

