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Individual Project Assignment

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Individual Project Assignment

³ Being the Chief Financial Officer (CFO) discharging my duties at a community health facility, my CEO has asked me to develop a proposal for the healthcare firm mentioned above. The underlying motive for fashioning the latter plan stemmed from comments accrued from the surveys involving visiting patients at this community health facility. These comments cited the need for a profitable 24-hour drugstore in the interior of the infirmary environment. This pharmacy will have one primary undertaking, which is to establish itself as a well-known trailblazer in its selected market segment regarding the provision of medications to ailing individuals and their families in this community health facility. Additionally, some of the wide-ranging services the pharmacy will offer to patients as well as their relatives include the provision of wide-ranging medical provisions, over the counter medications, and prescription drugs filling. These services will ensure the target group commences to take their medication instantly rather than waiting till the following day.

The move to implement an operative viable 24-hour drugstore inside the community infirmary environment is projected to be a gratifying investment that shall provide a more enhanced degree besides eminence care to patients. Besides demanding significant piety, it will also entail ensuring the hospital system integrally meets specific regulations. In essence, the pharmacy's sole business will encompass the distribution of medicines to patients looking for health care services from the community infirmary. In turn, the health organization is projected to earn close to 20 percent of the entire gross margins. To determine whether the venture will be beneficial, the pharmacy could limit its operations to 12 hours at the inaugural phase. To help administer medicines to visiting patient-clients, the facility could hire one pharmacy technician and full-time and part-time pharmacists, one worker per the last posts. Not only will the business

make proceeds from medicines, but also vending general therapeutic supplies and other goods counting over the counter drugs, candy, and magazines. After the pharmacy becomes fully operational, it will necessitate hiring four pharmacy technicians, two part-time pharmacists, and three full-time pharmacists. This workforce will be entitled to full dental, health, and vision indemnification cover within the community hospital's coverage.

Conventionally, the cost of setting up an independent pharmacy does differ depending on the site (May et al., 2017). Thus, considering this commercial business as a peripheral hospital resource, we will require at least \$350,000 to \$450,000 for a start. The projected amount will accompany the inventory, cost of staffing, and rent for the physical hospital space. This budget is bound to increase after the pharmacy begins to run for 24-hours, mainly due to additional staffing. Hence, the staffing cost will range from everything essential from training to getting our workforce up to speed. Congruently, prescription medicines and alternate retail merchandise will make up the inventory. Thus, I could propose seeking a bank loan of \$200,000, with a business plan's assumption that the venture will obtain a ten-year loan with a nine percent fixed interest rate.

Fixed assets, buildings, fittings, and overhauls will be paid for by the build-up capital. Besides working capital, we will crudely require \$200,000 in the startup capital. Usually, the lending institution, in this case, the bank, would archetypally require proof of at least 20 to 25 percent venture effort from you before resolving to finance the remaining 75 to 80 percent of the lend. This 20 to 25 percent down cannot be tied up in a venture.

The initial products that will stock up your store will come from the opening inventory financing. In planning for this inaugural inventory, you could seek a sample prescription medication order for a drugstore from the wholesaler. This move will see clients get samples if

they cannot pay for the drugs. Correspondingly, it is equally likely to generate a model over the counter demand with merchandise placement based on the magnitude of the drugstore's subdivisions.

Subsequently, working capital is imperative. It is this capital that will finance everyday operations accompanying utilities, payroll, among others. Based on this understanding, cash flow is the primary reason why new pharmacies find themselves out of business. This nosedive stems from the fact that the client only pays for a section of the price every time prescriptions are filled. The rest of the money is often shouldered by an insurance company, Medicaid or Medicare, which acts as a third-party. Frequently, the pharmacy is indebted to waiting for 30-45 days before reimbursement is done. The latter delay in cash flow necessitates a crucial move by the pharmacy to always plan for it.

At the commencement of operations, the pharmacy anticipates competitive growth.

Below is the projected profitability analysis for three years:

The preform of Annual Profit and Loss in Dollars (\$)			
Period (Years)	One	Two	Three
Auctions	665,280	724,267	798,660
Operational expenses	387,527	401,676	444,858
Incomes before interest, levies, devaluation and Remuneration	222,245	261,273	285,928
Excises, Interest, Devaluation	109,659	118,912	127,791

Net Profit	122,587	158,166	174,139
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Table 1

This twenty-four-hour drugstore will equally need \$200K liability funds accessible through a bank lender and whose expenditure would be as follows:

Expected Costs Of Start-Up in Dollars (\$)	x1000
2-month startup drug inventory at 25,000/month	50
Vendor Financing arrangements	30
Personnel costs	40
Renovations	20
Disposable supplies	10
Cost of equipment	30
Marketing Budget	10
Miscellaneous and unforeseen costs	10
Total Startup cost	200

Table 2

The projected venture quotation of the pharmacy is 200,000 dollars. Hence, I could estimate from the two tables above that the business will have a positive cash inflow for the three years from the start. That is a projection of \$122,586, \$158,165, and \$174,129 for one, two, and three, respectively. A projected interest rate of 9% will produce \$417,320 as a positive net present value. Thus, any given venture exhibiting a positive net present value will equally have a

return rate that surpasses the cost of capital. Like the NPV, the return rate typically guides business managers to make the same choices. Hence, it will demonstrate that the return rate for the proposed commercial 24-hour pharmacy is about nine percent, which is a feasible business proposal. It is equally important to note that ⁴ a negative net present value denotes that the return rate surpasses the cost of capital.

Year	Future Value (\$)	Factor	Present Value (\$)
	X	Y	X/Y
0			(200,000)
1	122,587	(1+0.09)	112,464
2	158,166	(1+0.09)	145,105
3	174,139	(1+0.09)	159,751
Net Present Value (NPV)			417,320

To measure how much a given venture is likely to generate income comparative to equity, sales, and assets, profitability ratios are used. Relative to the invested capital, profitability ratios evaluate if a given business venture is in a position to generate incomes, proceeds as well as cash flows (Farfan et al., 2017). The difference between the summation of a corporation's operating overheads and gross turnover amount yields the Gross Profit Margin of a company. In the case of a commercial 24-hour pharmacy, the Gross Profit Margin is articulated as a proportion. Therefore, first year's Gross Profit Margin will be:

$$(665,280 - 387,526) / 665,290$$

$$= 0.42 \times 100$$

$$= 42\%$$

The difference between selling, administrative and general and the gross profit of a business venture produces the Operating Profit Margin. Here, administrative expenses entail wages, payroll taxes, paybacks, lease, utilities, office supplies, coverage, and depreciation, among others. According to Smith & Johns (2018), the net profit left over after making necessary deductions is the Net Profit Margin.

Schedule of Assumptions

At the center of any business venture or project, assumptions assume a critical role in shaping the work the task force involved in the project is doing or performing. In essence, assumptions influence the prerequisites; thus, poorly formulated assumptions are likely to cause major problems with the proposed venture targeting a specific customer base (Sanchez & Haas, 2018). Therefore, throughout this proposal, the fundamental approach is to identify, document, and keep reiterating rather than going back to the pinpointed assumptions. They also presume that what I have planned or depended on is viable, absolute, real, or genuine. Therefore, the schedule of premises for the proposed commercial 24-hour service pharmacy may involve many aspects. Firstly, I have assumed that the proposed 24-hour service pharmacy's annual growth rate will be at least sixteen percent. Secondly, I build my proposal on the expectations that it will be possible to secure a loan of 200,000 dollars from a selected bank in a bid to develop this business venture. Hence, I used the \$200,000 value to document the latter assumption that this amount will be available at the onset of the venture and when required. Finally, on my schedule of assumptions is a ten-year term loan with an interest rate of nine percent.

Possible Questions

Before this proposal is approved as a viable proposition before the board, the board may seek a comprehensive and exhaustive answer to the following list of questions:

- i. Based on the past patient surveys, does the tabled business plan address the clients' comments as their needs?
- ii. Concerning the market share, how does the proposed plan position the envisioned pharmacy for benefit?
- iii. How does the proposed business plan meet the current vision and mission of the community hospital?
- iv. Are all the presented financial projections in the plan founded on reasonable and judicious assumptions?
- v. Suppose the proposed 24-hour service pharmacy fails to meet prospects and outlooks, what bearing impact will it have on the community hospital?
- vi. Suppose the proposed venture fails, what is the plan B that has been put in place that could help the organization bounce back?

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Current Changes in Federal, State, and Local Policies Influence on Decisions

More often, specific laws and regulations could bear certain implications for providing particular services. These may see clinicians cross certain federal, state, or local level lines besides approaches and reimbursement levels for services and products they deal in. As a result, it necessitates implementing both federal and state required prerequisites, in addition to having necessary permits and licenses. Although individual states have their requirements, it is imperative to have the following in Oregon State: a drugstore license, National Provider Identifier number, Drug Enforcement Agency number, Association of Boards of Pharmacy number, and Employer Identification Number (Burns & Abood, 2019). Such requirements are

crucial as they are likely to affect staff enrollment transversely across different states and the reimbursements for a 24-hour pharmacy service by CMS (Vogenberg & Marcoux, 2018).

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