



# Complex Rehab Industry Study

A study of the business & financial performance of the industry in 2007

**Gautam Garg, M.S.**  
Simon Business School  
University of Rochester  
[gautam.garg@simon.rochester.edu](mailto:gautam.garg@simon.rochester.edu)

# **INDEX**

## **The Study Report:**

EXECUTIVE SUMMARY	3
CLASSIFICATION OF THE COMPLEX REHAB INDUSTRY	4
ANALYSIS OF THE "SMALL" SECTOR	5
ANALYSIS OF THE "MEDIUM" SECTOR	9
ANALYSIS OF THE "LARGE" SECTOR	13
SOME VALUABLE CONCLUSIONS	17
A NOTE OF THANKS	20

## **Supporting Documents:**

PURPOSE OF THE STUDY	21
SUPPORTING INFORMATION/SUMMARY PAGE	22
REQUEST FOR PARTICIPATION LETTER	23
SURVEY INSTRUCTIONS	25
BLANK SURVEY	26
SAMPLE INCOME STATEMET	28
SAMPLE OPERATING COSTS	29
COST CATEGORIES, DEFINITIONS, & ALLOCATION FACTOR	30
OPERATING COST WORKSHEET	31
STUDY AUTHOR	32

## **EXECUTIVE SUMMARY**

The ensuing pages of this report contain an analysis of the business & operating performance of the industry comprising of complex rehab equipment suppliers (referred to as the “complex rehab industry”). The analysis is based on the quantitative analysis of the financial information which was shared by these suppliers in response to an email survey questionnaire. The survey was made available to the industry in the month of May 2008; and responses were obtained throughout the months of May & June in the same year. The **response rate** for the survey was **20%**; which is considered fairly high<sup>1</sup> if we take into the account the settings of the survey. The survey responses were clearly indicative of the highly diverse nature of the complex rehab industry. The companies that participated in the survey were from all across the United States; representing the states of New York, New Jersey, Wyoming, Ohio, North Carolina, Connecticut, Virginia, Idaho, California, Minnesota, Michigan, Florida & Texas to name a few. Furthermore, the participants were companies with annual revenue varying from a compact \$250,000 to an expanding \$21,000,000. To enable the understanding of the business of the complex rehab industry in a more concrete, analytical & justifiable manner; the companies belonging to the industry have been divided into three (3) major groups:

- (1) Small Companies: Annual revenue - less than \$5 Million (*representing 53% of the industry*)
- (2) Medium Companies: Annual revenue - \$5 Million to \$10 Million (*representing 42% of the industry*)
- (3) Large Companies: Annual revenue - more than \$10 Million (*representing 5% of the industry*)

---

<sup>1</sup> The survey was circulated through email; in contrast to the more conventional means like paper surveys, website surveys & in-person surveys. Further, the survey involved the sharing of confidential & privileged financial information for private corporations. A response rate of 20% in these settings is considered fairly high as per recent research & studies (see web articles below).

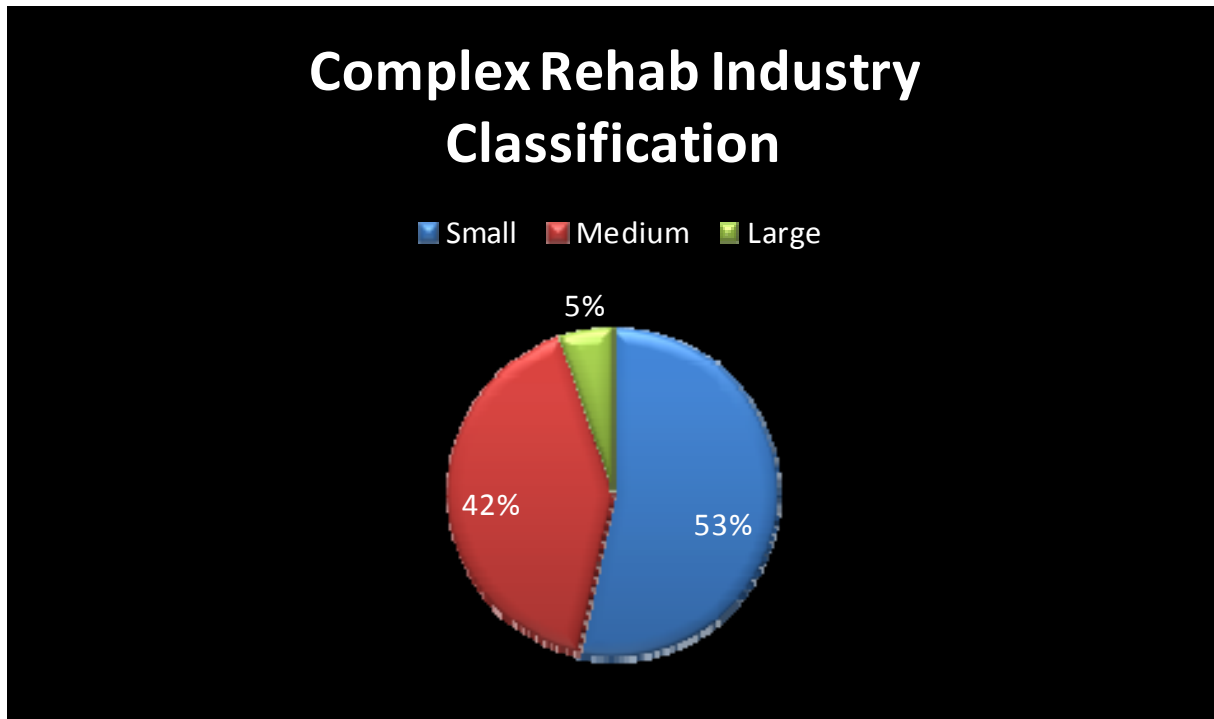
[http://www.supersurvey.com/papers/supersurvey\\_white\\_paper\\_response\\_rates.pdf](http://www.supersurvey.com/papers/supersurvey_white_paper_response_rates.pdf)

<http://poq.oxfordjournals.org/cgi/content/full/68/1/94>

## **CLASSIFICATION OF THE COMPLEX REHAB INDUSTRY**

In agreement with the survey responses, the entire industry comprising of complex rehab equipment suppliers can be classified into three (3) broad categories as discussed above.

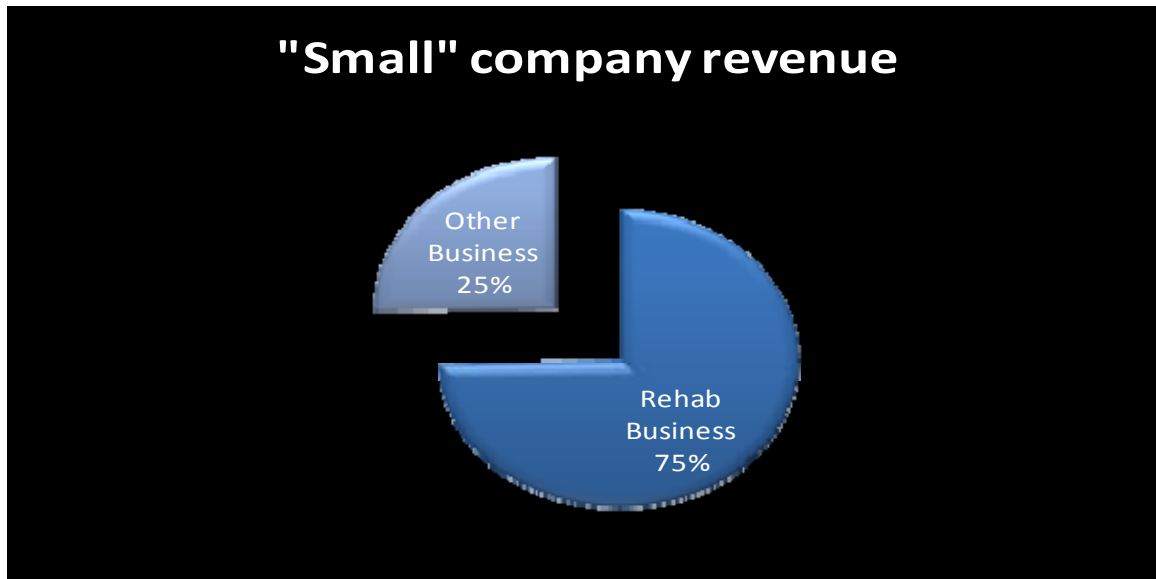
*The percentages of companies belonging to each of these categories are as below:*



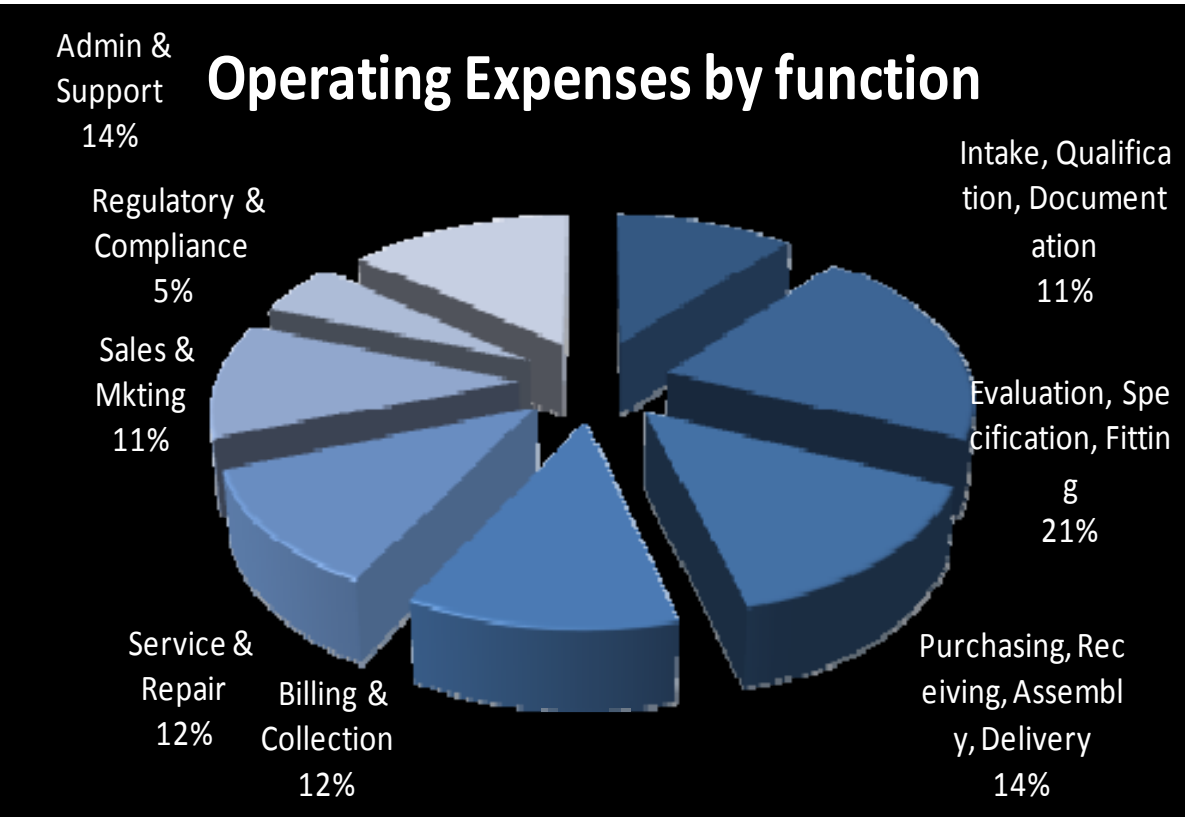
*As observed, the majority (53%) of the companies in the complex rehab industry are 'Small' companies with annual revenue of less than \$5 Million. 'Medium' companies with annual revenue of \$5 Million to \$10 Million also represent a significant (42%) of the complex rehab industry. 'Large' companies with annual revenue in excess of \$10 Million represent the smallest (5%) of the complex rehab industry.*

## ANALYSIS OF THE “SMALL” SECTOR

- *Companies with annual revenue of less than \$5 Million.*
- *The sector represents 53% of the complex rehab industry; hence the maximum number of companies in the complex rehab industry belong to this revenue range.*
- *For the year 2007; a significant percentage of the companies suffered losses (or made negligible profit) as evident from the pretax profit expressed as a percentage of revenue. An average of 33% of the companies into losses or making negligible profits.*
- *On an average, a typical “small” company earns 75.42% of its revenue from the rehab business.*



- *The following represents the average breakup of the operating expense by function based on 2007 financials for the companies belonging to this sector:*



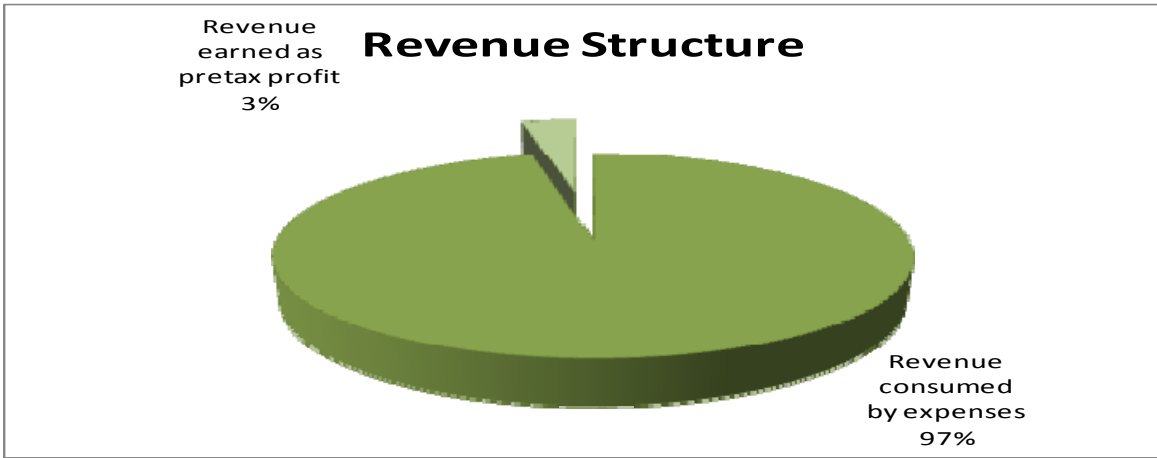
- *The common size analysis<sup>2</sup> of the average income statement (I/S) for 2007 is as follows:*

**Common Size Analysis of I/S (average % of revenue)**

Revenue	100.00%
Cost of Sales	50.16%
Gross Profit	49.84%
Operating Expenses	46.13%
Operating Profit (Loss)	3.71%
Interest Expense	0.24%
Other Income (Expense)	0.12%
Pretax Profit (Loss)	3.44%

<sup>2</sup> Common Size Analysis of a financial statement refers to representing each & every item of the financial statement as a percentage (%) of total sales or total revenue. Expressing expenses & income as a % of sales/revenue gives a better understanding of the financial performance of a company.

The following shows the average pretax profit that is earned by a typical “small” company from its total revenue:

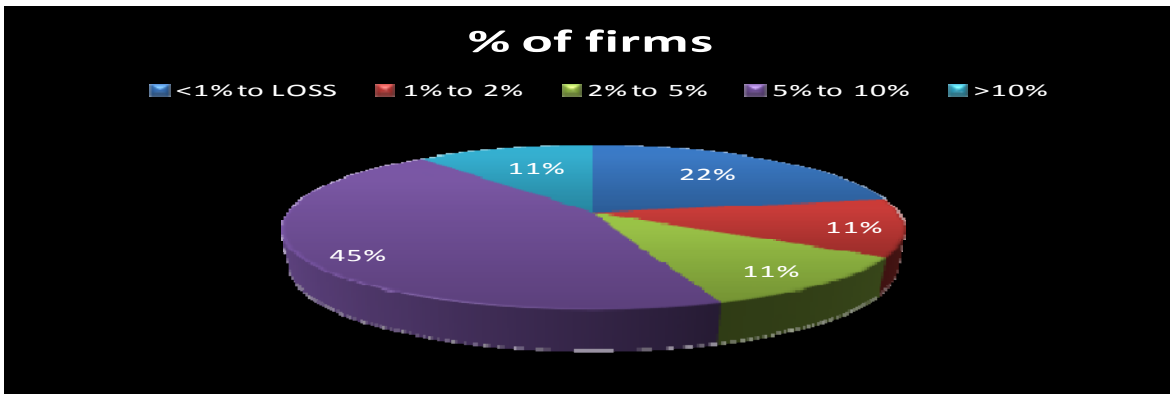


**A significant portion of this 3% pretax profit made from the revenue is further consumed by income tax & other expenses.**

The following chart represents the percentage of firms having a particular range for the pretax profit expressed as a % of total revenue:

**FY2007**

<i>Pretax Profit as a % of revenue</i>	<i>% of firms</i>
<1% to <b>LOSS</b>	22%
1% to 2%	11%
2% to 5%	11%
5% to 10%	44%
>10%	11%



**Almost 33% of the firms suffering losses or making negligible profits in the recent financial year.**

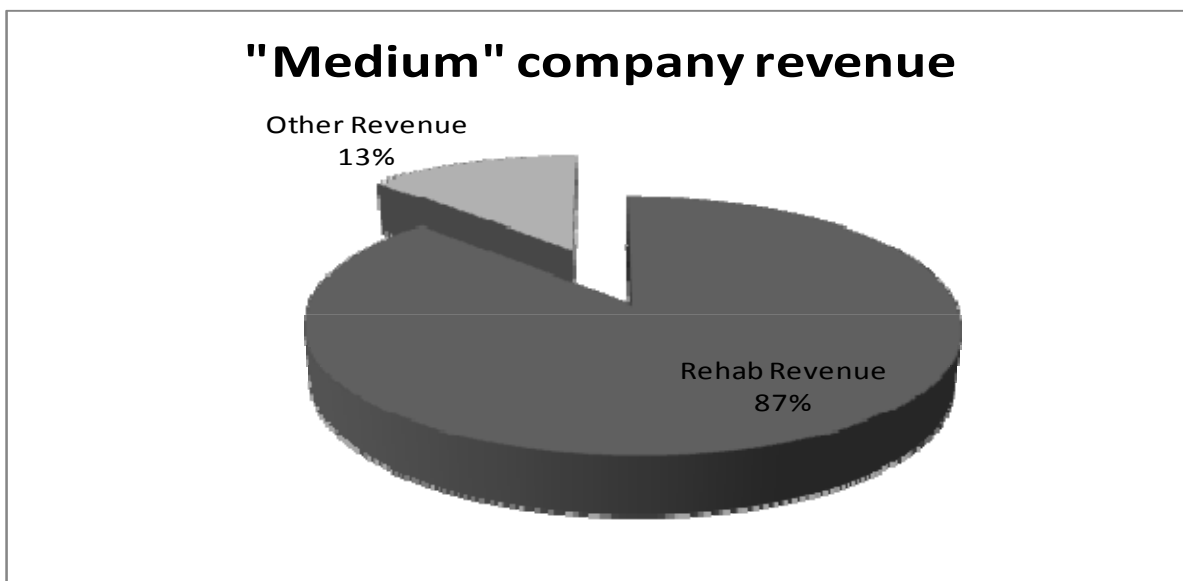
The table below summarizes the financial results obtained for the “small” sector from the survey (the same results are depicted in the analysis discussed above):

<b>Percentage of companies in this category</b>	53.33%
<b>Percentage of business revenue from rehab</b>	75.42%
<b>Operating Expenses By Function:</b>	
Intake, Qualification, Documentation	11.25%
Evaluation, Specification, Fitting	20.43%
Purchasing, Receiving, Assembly, Delivery	14.20%
Billing & Collection	11.95%
Service & Repair	11.53%
Sales & Mktng	11.40%
Regulatory & Compliance	5.19%
Admin & Support	14.05%
<b>FY2007</b>	
Average Revenue	\$ 2,185,631.68
Average Pretax Profit (Loss)	\$ 67,930.79
Average Common Size Profit (Loss) as a % of revenue	3.44%
<b>Pretax Profit as a % of revenue</b>	<b>% of firms</b>
<1% to <b>LOSS</b>	22%
1% to 2%	11%
2% to 5%	11%
5% to 10%	44%
>10%	11%
<b>Common Size Analysis of I/S (average % of revenue)</b>	
Revenue	100.00%
Cost of Sales	50.16%
Gross Profit	49.84%
Operating Expenses	46.13%
Operating Profit (Loss)	3.71%
Interest Expense	0.24%
Other Income (Expense)	0.12%
Pretax Profit (Loss)	3.44%

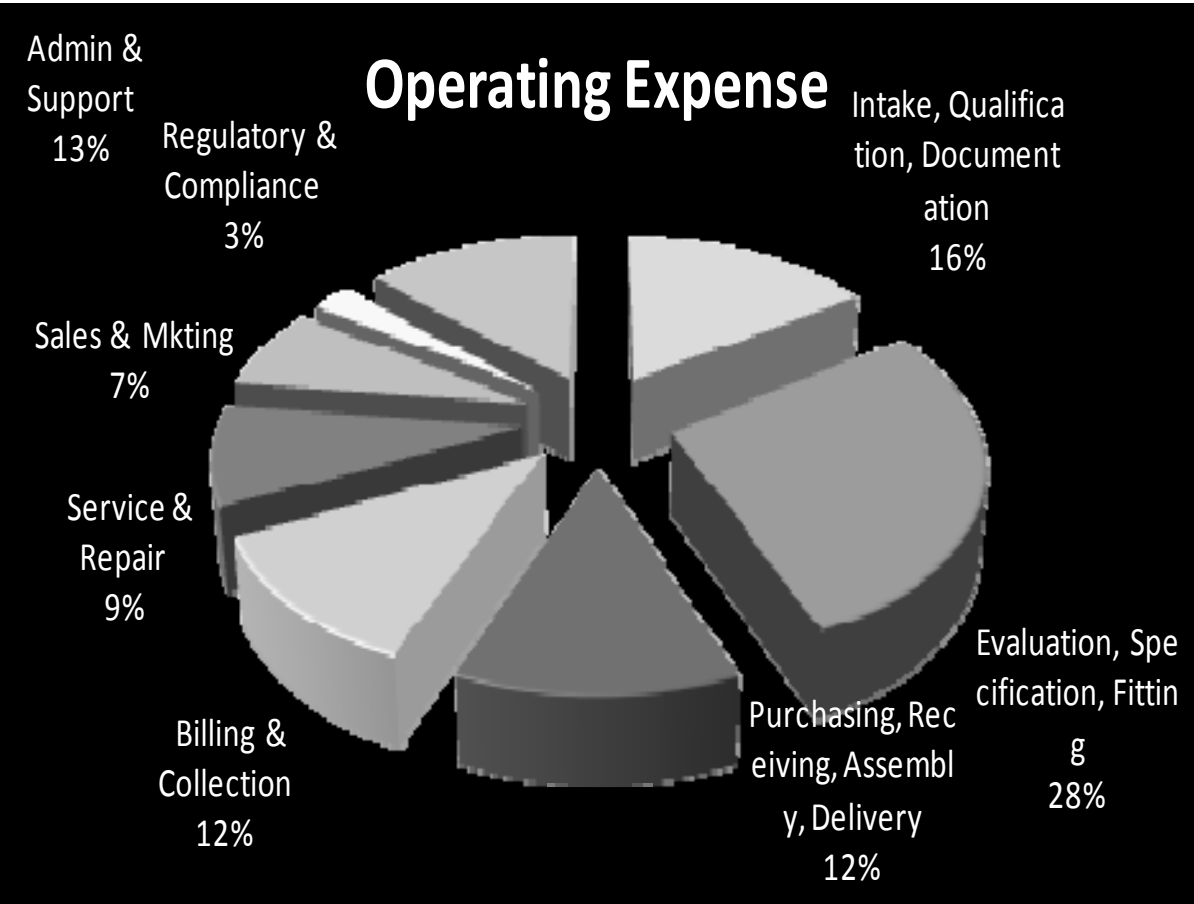


## **ANALYSIS OF THE “MEDIUM” SECTOR**

- *Companies with annual revenue of \$5 Million to \$10 Million.*
- *The second most populated sector in the complex rehab industry; 41.67% of the companies in the industry having annual revenue in this range.*
- *An average pretax profit expressed as a percentage of revenue at around 7%. Considerably higher pretax profit than the “small” sector; but in the “medium” sector almost 44% of the firms suffered losses or made negligible profits in 2007 (a percentage even higher than the “small” sector).*
- *On an average, a typical “medium” company earns a very high 87.29% of its revenue from the rehab business annually.*



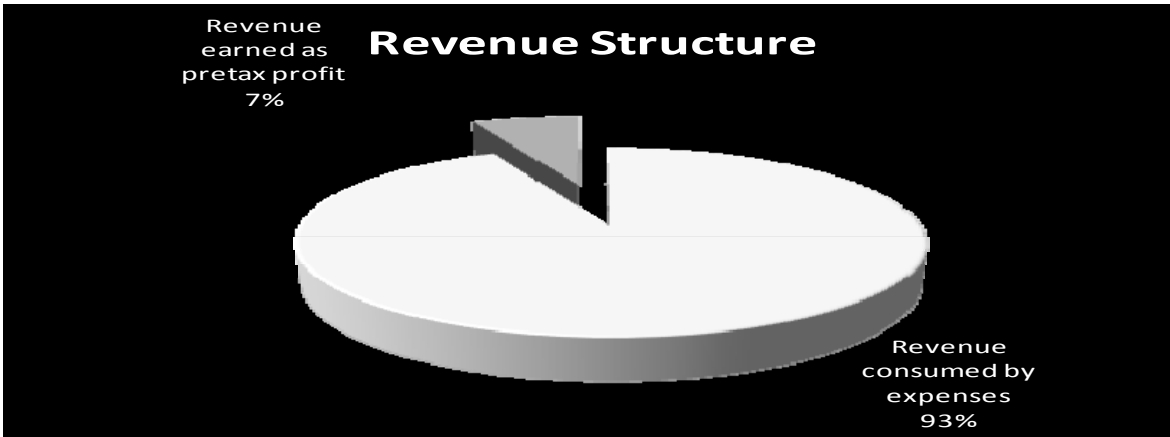
- *The following represents the average breakup of the operating expense by function based on 2007 financials for the companies belonging to this sector:*



- *The common size analysis of the average income statement (I/S) for 2007 is as follows:*

Revenue	100.00%
Cost of Sales	46.46%
Gross Profit	53.54%
Operating Expenses	45.35%
Operating Profit (Loss)	8.17%
Interest Expense	1.26%
Other Income (Expense)	0.13%
Pretax Profit (Loss)	6.87%

The following shows the average pretax profit that is earned by a typical “medium” company from its total revenue:

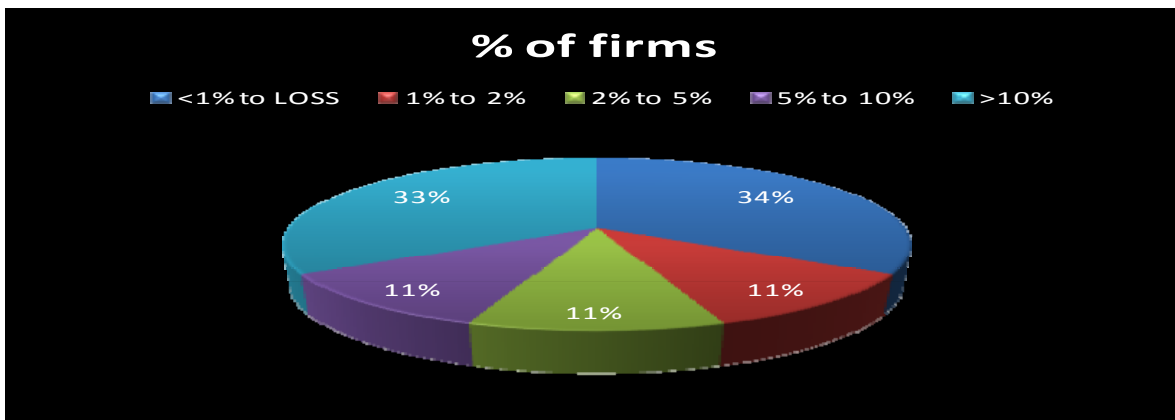


**A significant portion of this 7% pretax profit made from the revenue is further consumed by income tax & other expenses.**

The following chart represents the percentage of firms having a particular range for the pretax profit expressed as a % of total revenue:

**FY2007**

<b>Pretax Profit as a % of revenue</b>	<b>% of firms</b>
<1% to <b>LOSS</b>	33%
1% to 2%	11%
2% to 5%	11%
5% to 10%	11%
>10%	33%



**Almost 44% of the firms suffering losses or making negligible profits in the recent financial year.**

The table below summarizes the financial results obtained for the “medium” sector from the survey (the same results are depicted in the analysis discussed above):

<b>Percentage of companies in this category</b>	41.67%
<b>Percentage of business revenue from rehab</b>	87.29%

**Operating Expenses By Function:**

<i>Intake, Qualification, Documentation</i>	15.60%
<i>Evaluation, Specification, Fitting</i>	28.23%
<i>Purchasing, Receiving, Assembly, Delivery</i>	12.46%
<i>Billing &amp; Collection</i>	11.77%
<i>Service &amp; Repair</i>	8.84%
<i>Sales &amp; Mktng</i>	7.47%
<i>Regulatory &amp; Compliance</i>	2.49%
<i>Admin &amp; Support</i>	13.14%

**FY2007**

<i>Average Revenue</i>	\$	7,313,125.78
<i>Average Pretax Profit (Loss)</i>	\$	434,898.01
<i>Average Common Size Profit (Loss) as a % of revenue</i>		6.87%

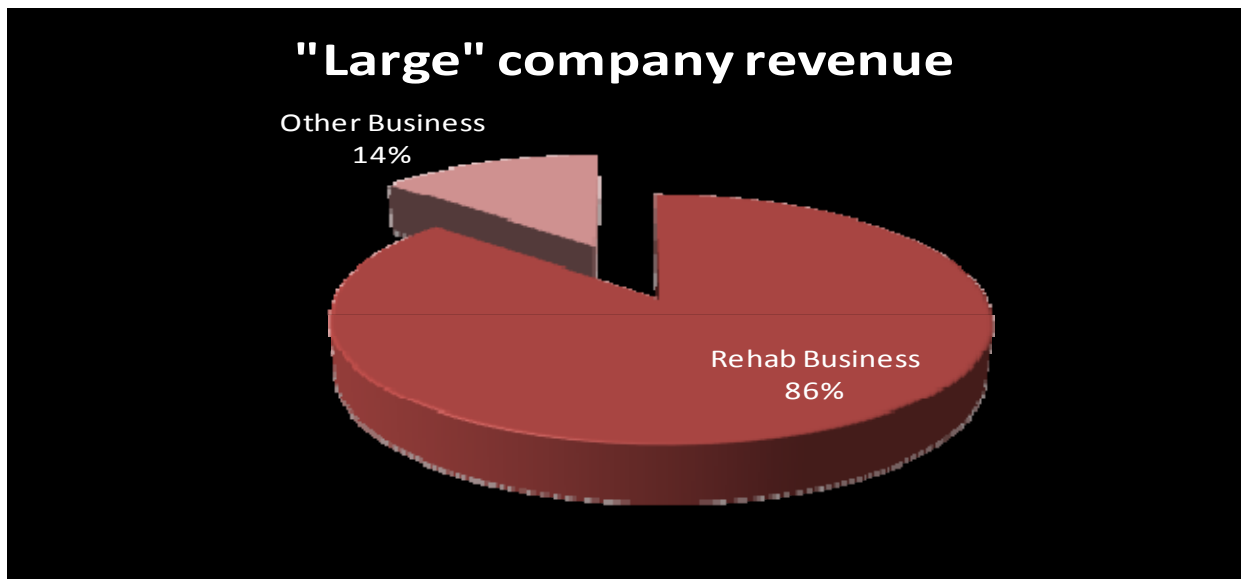
<b>Pretax Profit as a % of revenue</b>	<b>% of firms</b>
<i>&lt;1% to LOSS</i>	33%
<i>1% to 2%</i>	11%
<i>2% to 5%</i>	11%
<i>5% to 10%</i>	11%
<i>&gt;10%</i>	33%

**Common Size Analysis of I/S (average % of revenue)**

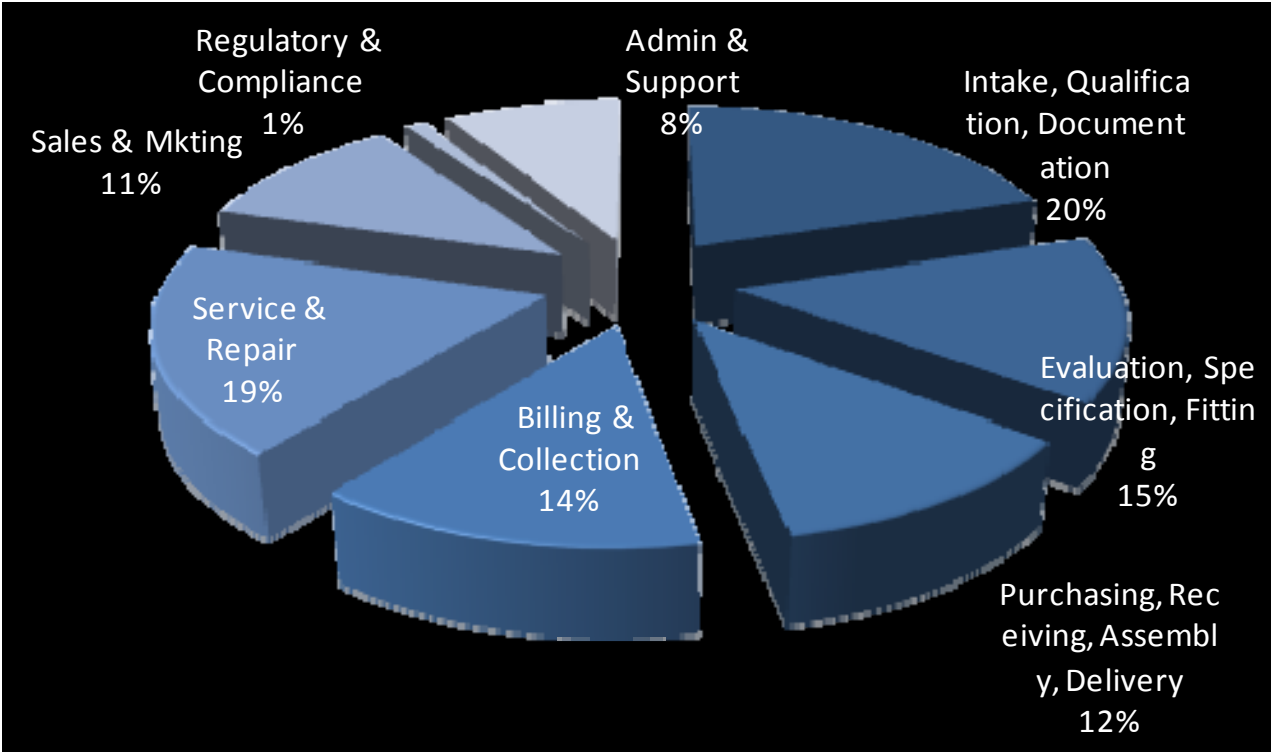
<i>Revenue</i>	100.00%
<i>Cost of Sales</i>	46.46%
<i>Gross Profit</i>	53.54%
<i>Operating Expenses</i>	45.35%
<i>Operating Profit (Loss)</i>	8.17%
<i>Interest Expense</i>	1.26%
<i>Other Income (Expense)</i>	0.13%
<i>Pretax Profit (Loss)</i>	6.87%

## ANALYSIS OF THE “LARGE” SECTOR

- *Companies with annual revenue in excess of \$10 Million.*
- *The least populated sector with just 5% of the complex rehab equipment suppliers having revenue in excess of \$10 Million.*
- *A considerably weak performance amongst “large” companies as well; with 33% of the companies nearing losses with extremely low profits last year. Further, an average pretax profit of 4%-5% expressed as a percentage of revenue – which is significantly low for a \$10 Million enterprise.*
- *A typical large company having 86.50% of its revenue coming from the rehab business.*



- *The following represents the average breakup of the operating expense by function based on 2007 financials for the companies belonging to this sector:*

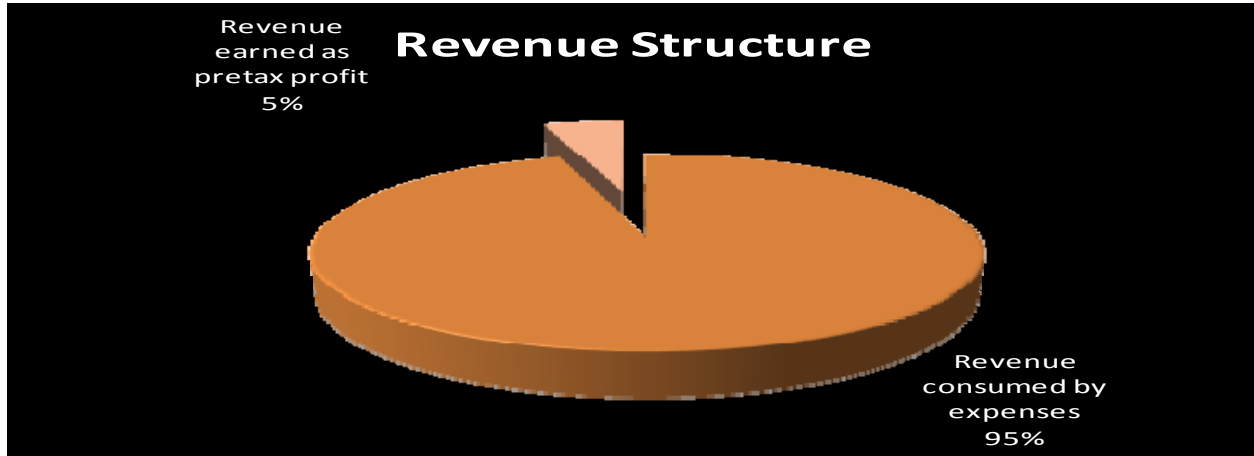


- *The common size analysis of the average income statement (I/S) for 2007 is as follows:*

**Common Size Analysis of I/S (average % of revenue)**

Revenue	100.00%
Cost of Sales	47.79%
Gross Profit	52.21%
Operating Expenses	46.63%
Operating Profit (Loss)	5.58%
Interest Expense	0.50%
Other Income (Expense)	-0.08%
Pretax Profit (Loss)	4.83%

The following shows the average pretax profit that is earned by a typical “large” company from its total revenue:

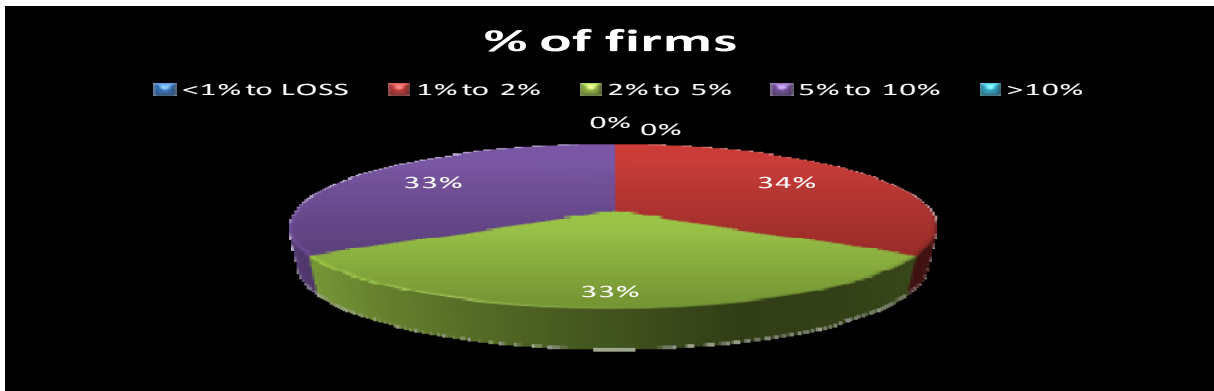


**A significant portion of this 5% pretax profit made from the revenue is further consumed by income tax & other expenses.**

The following chart represents the percentage of firms having a particular range for the pretax profit expressed as a % of total revenue:

FY2007

Pretax Profit as a % of revenue	% of firms
<1% to LOSS	0%
1% to 2%	33%
2% to 5%	33%
5% to 10%	33%
>10%	0%



**Almost 34% of the firms making negligible profits in the recent financial year.**

*The table below summarizes the financial results obtained for the “large” sector from the survey (the same results are depicted in the analysis discussed above):*

<b>Percentage of companies in this category</b>	5.00%
<b>Percentage of business revenue from rehab</b>	86.50%
<b>Operating Expenses By Function:</b>	
<i>Intake, Qualification, Documentation</i>	20.24%
<i>Evaluation, Specification, Fitting</i>	14.95%
<i>Purchasing, Receiving, Assembly, Delivery</i>	11.85%
<i>Billing &amp; Collection</i>	13.64%
<i>Service &amp; Repair</i>	18.85%
<i>Sales &amp; Mktng</i>	10.89%
<i>Regulatory &amp; Compliance</i>	1.00%
<i>Admin &amp; Support</i>	8.63%
<b>FY2007</b>	
<i>Average Revenue</i>	\$ 20,668,909.50
<i>Average Pretax Profit (Loss)</i>	\$ 977,421.00
<i>Average Common Size Profit (Loss) as a % of revenue</i>	4.83%
<b>Pretax Profit as a % of revenue</b>	<b>% of firms</b>
<i>&lt;1% to LOSS</i>	0%
<i>1% to 2%</i>	33%
<i>2% to 5%</i>	33%
<i>5% to 10%</i>	33%
<i>&gt;10%</i>	0%
<b>Common Size Analysis of I/S (average % of revenue)</b>	
<i>Revenue</i>	100.00%
<i>Cost of Sales</i>	47.79%
<i>Gross Profit</i>	52.21%
<i>Operating Expenses</i>	46.63%
<i>Operating Profit (Loss)</i>	5.58%
<i>Interest Expense</i>	0.50%
<i>Other Income (Expense)</i>	-0.08%
<i>Pretax Profit (Loss)</i>	4.83%

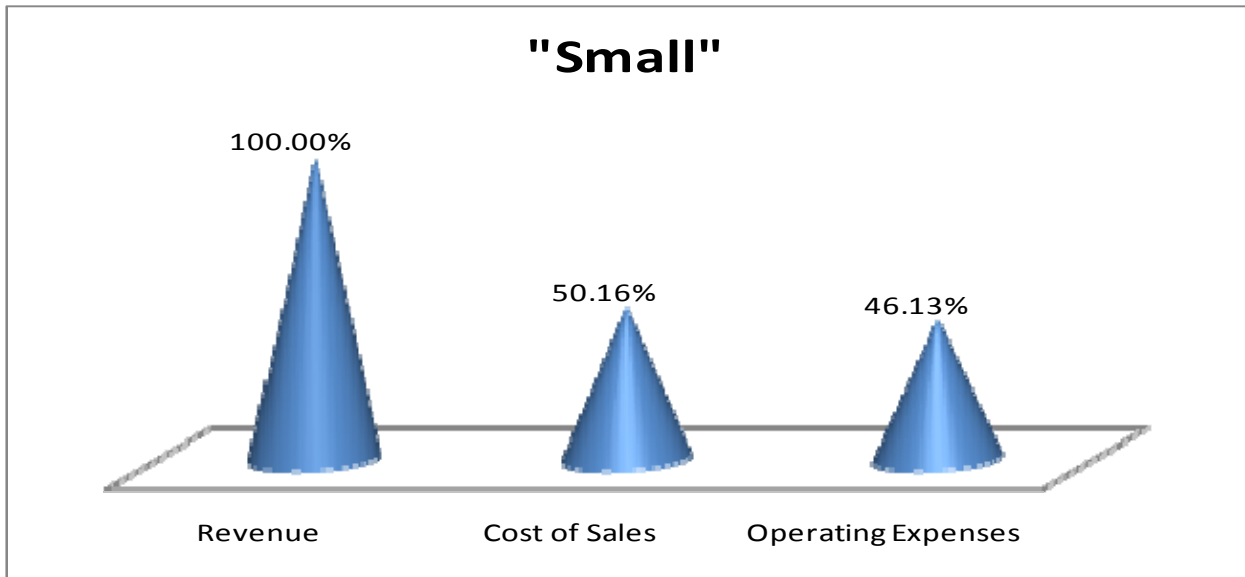


# **SOME VALUABLE CONCLUSIONS**

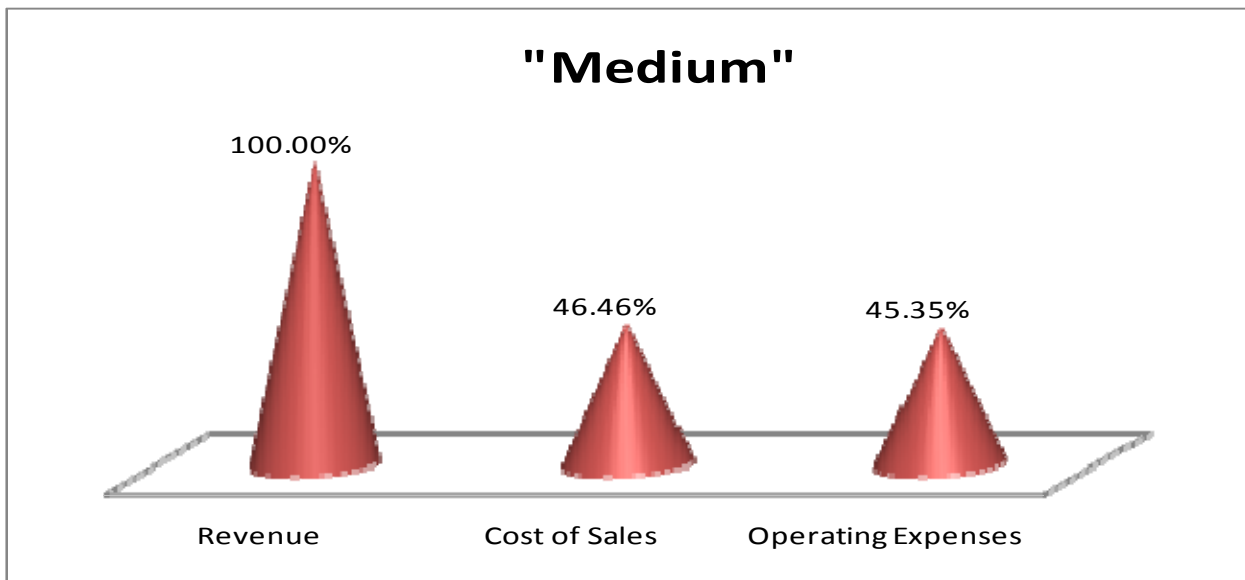
## **A HIGH EXPENSE INDUSTRY!**

The above analysis clearly shows the high amount of expenses & costs associated with the complex rehab industry. Observing the common size income statement values derived from the average of the financials for 2007 for the various companies; we can clearly see that *cost of sales & operating expenses are a significantly high percentage of the total revenue for each sector.*

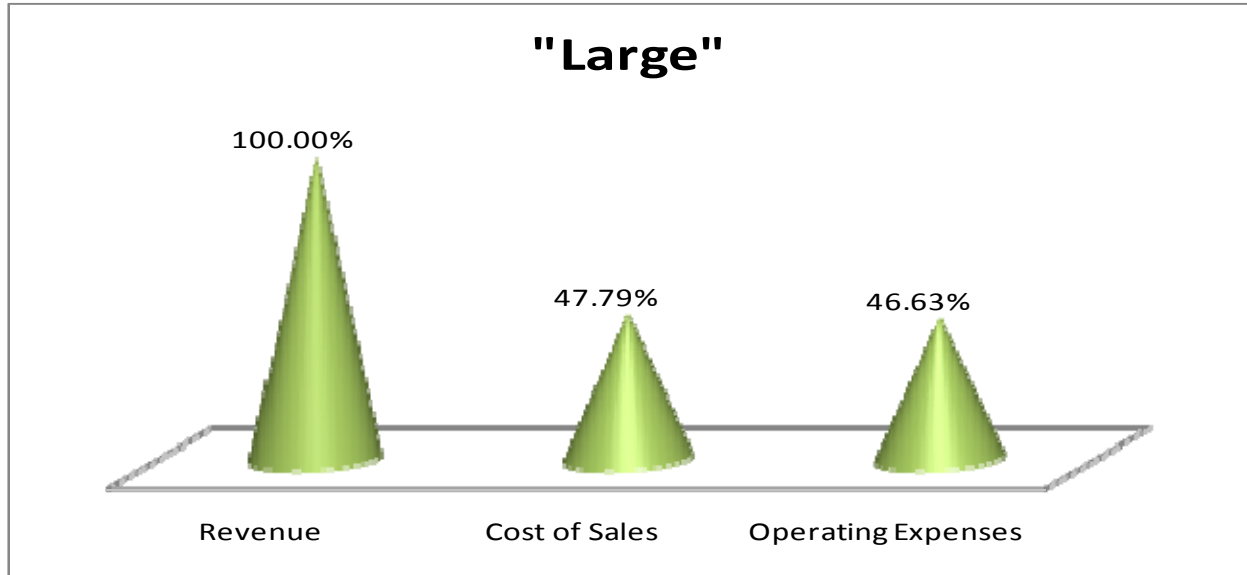
*For the “small” sector:*



*For the “medium” sector:*



For the “large” sector:



**Comment:**

It is clearly observed that all the sectors have almost their **entire “annual revenue” being consumed in paying for the “cost of sales” & “operating expenses”**. This leaves an almost **“negligibly small revenue” left as the “net income”** for a company once the income taxes, interest expenses & other expenses are taken into account. Hence, the reason for the **low profitability of the complex rehab industry** is clearly explained here.

This expense/revenue model is synonymous to the **“airline industry”** where the profitability is kept extremely low on account of the high costs & expenses involved in operating an airline company (fleets, pilots, stewards, staff, logistics & **fuel**).

However, there is no such erratic expense (like fuel) involved in operating a typical complex rehab company. There is a **clear need for measures** that help to balance the expense/revenue equation in case of the complex rehab industry to improve the profitability of the companies belonging to the industry. Under such a low profitability it is extremely hard to forecast the future financial performance of the industry; because the **threat of more & more firms exiting the industry becomes stronger as profitability goes lower**.

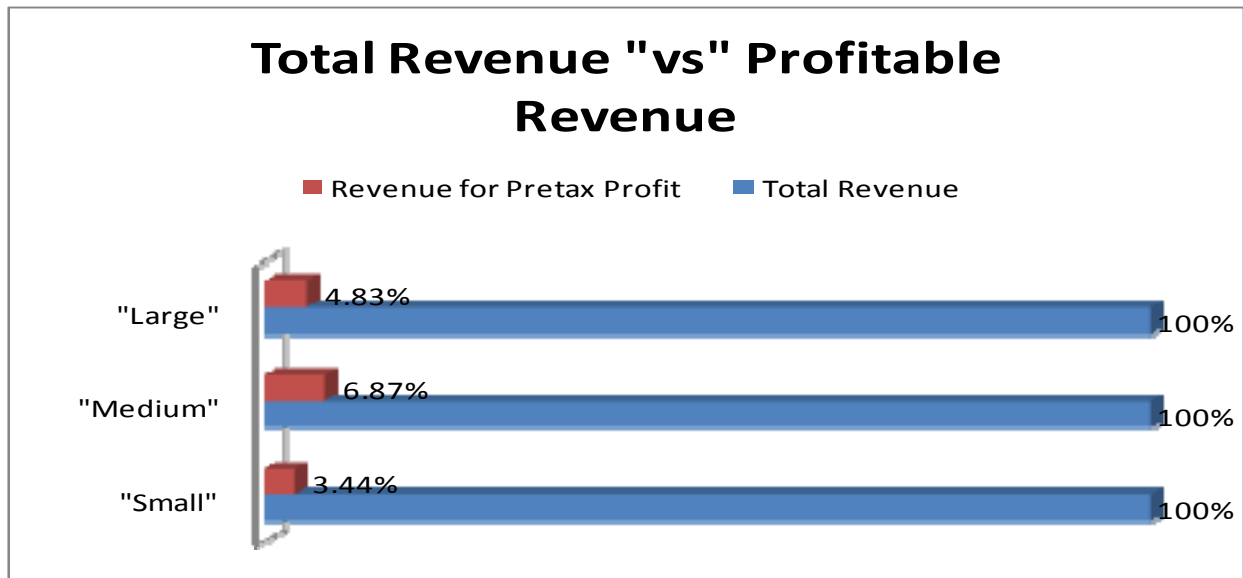
## COMPLEX REHAB INDUSTRY:

### NEXT TO NEGLIGIBLE PRETAX PROFITS

#### WHAT IS DRIVING IT THEN?

Observing the pretax profits expressed as a percentage of revenue (common size profits) for all the three sectors:

	<b>Total Revenue</b>	<b>Revenue for Pretax Profit</b>
"Small"	<b>100%</b>	<b>3.44%</b>
"Medium"	<b>100%</b>	<b>6.87%</b>
"Large"	<b>100%</b>	<b>4.83%</b>



We can clearly observe that all the sectors in the complex rehab industry are experiencing extremely low pretax profits. The net profit (net income) can be considered next to negligible once the effects of income taxes & other tax/interest related expenses are taken into consideration in computing them from the pretax figures shown in our analysis/survey. These results are shocking since it is hard to imagine what drives these companies under such low levels of profitability?

Further, even from a macroeconomic standpoint – this is not a healthy environment since most of the small to large companies in this industry are sources of employment, services & revenue to the nation. Also, this is a cause driven industry which serves the needs of thousands of disabled people in the need of rehabilitation. An industry like this being struck by a financial crisis could further have detrimental microeconomic & macroeconomic effects as a whole.

## **A NOTE OF THANKS**

I am extremely thankful to the various organizations that commissioned me to undertake this study on behalf of the industry comprising of complex rehab equipment suppliers. Being a part of this extensive study has been an extremely knowledgeable and enlightening experience for me; and I truly appreciate the opportunity given to me in relation to the same.

I would like to express my gratitude to all the complex rehab equipment suppliers who participated in this study. Thank you very much for trusting me with your confidential business & financial information. I hope that I have done justice to your efforts in sharing the information with me; and I truly hope that the information obtained from this study would prove to be beneficial & useful for you as well in the longer run.

Yours Sincerely,

Gautam Garg

## **Purpose of the Study**

Simon School of Business  
Complex Rehab Industry Financial Study  
Spring 2008

Complex rehabilitation and assistive technology consists of products and services specifically designed to help people who are permanently disabled as a result of an illness, injury or congenital condition. Such equipment includes mobility products such as manual and power wheelchairs in a variety of configurations and sometimes with alternative driving controls, and seating and positioning products. The products allow people with significant disabilities to move about and control their environment. The uses of complex rehab technology products are wide ranging and include addressing medical and physical concerns, maximizing independence and function, assuring safety and comfort, and providing solutions to caregivers and families. There are various phases and steps associated with providing complex rehab products to ensure optimal independence and functionality. These phases are performed by rehab technology specialists and include the physical evaluation to identify the individual's needs and requirements; the technology assessment recommending the technology required to best address the identified needs; securing funding; purchasing, assembling; delivery, fitting, adjusting, and training; and short and long-term follow-up including ongoing repair and maintenance.

As third party payers attempt to rein in their costs, they are reducing the amount they are willing to pay for rehab and assistive technology. As more payers reduce reimbursement, it becomes more difficult to provide the services necessary to assess and fit the most appropriate equipment to the individual. Yet, if services necessary to provide the equipment are not recognized by third party payers, individuals with significant disabilities will be unable to receive the equipment that meets their physical and functional needs. Thus, their independence and functionality may be impaired.

It is important, therefore, to begin to understand, categorize, and measure the costs associated with providing rehab and assistive technology to individuals with significant disabilities.

One of the ways that we have decided to do that is to analyze the financial performance of complex rehab suppliers. We have selected a grad student from the Simon School of Business in Rochester NY to do a business analysis/financial study of the complex rehab industry. The study will measure the 2007 financial performance of suppliers of complex rehab equipment. Due to a current series of studies being conducted by the OIG (Office of the Inspector General) as well as additional cutbacks proposed by Medicare and various state Medicaid programs, there is a sense of urgency to obtaining this data. It is our goal to have the final data/report compiled and completed by July 1, 2008. Simon School will be provided with a mailing list of approximately 500 companies and a format to gather the required data. Participating companies financial data will be held in the strictest confidence.

**Supplemental/Supporting Information**  
**Simon School of Business**  
**Complex Rehab Business Cost Survey**

\*The study was sent to approximately 300 individuals/companies who are the members of one or more of the following organizations:

\*NRRTS (National Registry of Rehab Technology Suppliers)

\*NCART (National Coalition for Assistive and Rehab Technology)

\*AAH-RATC (American Association for Homecare- Rehab and Assistive Technology Council)

\*The Med Group's National Rehab Network

\*VGM's US Rehab Network

\*The study was conducted by Gautam Garg, a student at the Simon Graduate School of Business. Gautam has no financial relationship with anyone or any company in the Complex Rehab industry. The Simon School recommended Gautam to perform the study.

\*The Simon Graduate School of Business at the University of Rochester is located in Rochester NY. Simon is one of the highest ranking and most well respected graduate schools of business in the country.

\*The study was sent out via e-mail and the data was collected via e-mail. The study was handled in this manner due to the urgency of the compilation of data necessary due to the 7-1-08 competitive bidding implementation and the OIG surveys performed on PMD suppliers in the spring of 2008.

\*The study was sent out in the beginning of May 2008 and a June 1<sup>st</sup> response was requested.

\*The study was held in the strictest confidence and only Gautam Garg saw the financial data of the participating companies. Additionally the names of the participating companies were kept confidential.

\*The study encouraged company CFO's to complete the study. It was anticipated that it would take between 4-8 hours to complete the survey.

\*Educational e-conferences were held to answer any questions participating companies had in regards to the survey.

\*Weekly reminders were sent to all of the perspective participants.

Date: May 5, 2008  
To: Rehab and Assistive Technology Companies  
From: Gautam Garg  
Simon School of Business  
University of Rochester  
Rochester, New York  
Re: Rehab Business Cost Survey

I am a Finance Specialist pursuing my MBA at the Simon Business School at the University of Rochester. I have been commissioned by several organizations representing the complex rehab industry to perform an independent research study on the profitability and business costs of companies providing rehab technology. The purpose of the research is to arrive at independent research-based information which can be shared with Medicare, Medicaid, the OIG & other appropriate organizations.

**IMPORTANT:** To participate in the Rehab Business Cost Survey your business must have more than 60% of its revenue from Complex Rehab or be able to segregate out its rehab business and report only those results in the Survey.

If you are able to meet the Survey qualifications, I request you to kindly participate in this financial survey which has the sole intention of providing current and accurate financial information for companies providing complex rehab products. In return for your participation in this confidential survey, you will be sent a copy of the final report free of cost.

Understanding the absolute need for confidentiality of your company's financial information, I will be the only person having access to your individual survey, and would only be using the collective survey information from individual companies to tabulate an overall performance report for the industry. No individual company information will be disclosed in any manner. Your unique company information would never reflect in any report and would not be accessible to anybody except me. I am obliged to adhere to the highest degree of business ethics and moral standards in performing this research. I assure you of complete honesty, confidentiality and efficiency in performing this study.

To participate in the survey, please follow these steps:

- 1.) Forward the attached Excel file to the key financial person in your company.
- 2.) Review the worksheets in the file, paying particular attention to the Survey Instructions on the first worksheet in the file.
- 3.) Complete the one page Rehab Business Cost Survey worksheet with your company's information.
- 4.) Email your completed worksheets to: [gautam.garg@simon.rochester.edu](mailto:gautam.garg@simon.rochester.edu)

In order to assist you in the process we will be holding two educational e-conferences on the following dates. Two conferences have been scheduled in case you are unavailable on the first

date. Participation in either of these e-conferences is encouraged and will assist you in completing the survey in the most accurate and efficient manner. The dates, time, and participation details are:

- **Monday 5/12 at 2:00 PM ET**

eConference Phone #: 866-236-3189 and use ID # 2478613168

Meeting URL:

<https://www.livemeeting.com/cc/tmgrp/join?id=QQPT9F&role=attend&pw=BAHER0512>

Meeting ID: QQPT9F

Entry Code: BAHER0512

- **Tuesday 5/13 at 4:00 PM ET**

eConference Phone #: 866-236-3189 and use ID # 2478613168

Meeting URL:

<https://www.livemeeting.com/cc/tmgrp/join?id=FZ5SS9&role=attend&pw=BAHER0513>

Meeting ID: FZ5SS9

Entry Code: BAHER0513

Time is of the essence. Our goal is to have a final report by June 30, 2008 so we need this information as soon as possible. Accordingly, we are asking you to email your completed survey to me at [gautam.garg@simon.rochester.edu](mailto:gautam.garg@simon.rochester.edu) no later than May 30, 2008.

If you have any questions, please contact me at [gautam.garg@simon.rochester.edu](mailto:gautam.garg@simon.rochester.edu) or by phone at 585-729 0410.

Thanks for your timely participation and helping us gather real business data!

Sincerely,

Gautam Garg

[gautam.garg@simon.rochester.edu](mailto:gautam.garg@simon.rochester.edu)

585-729 0410



## Rehab Business Cost Survey

### Instructions

- 1.) Complete the one page Rehab Business Cost Survey as follows:
  - a.) Questions 1 through 6- supply basic information about your business.
  - b.) Question 7- supply summary revenue and expense information for your most recently completed business year.
  - c.) Question 8- supply a breakdown of your "operating expenses" by functional area. Operating expenses are defined as all the expenses of your business excluding product costs, interest expenses, and income tax expenses. The functional areas are listed on the survey. See the included templates to assist you in allocating your costs within the specified functional areas.
- 2.) Once you have completed the Rehab Business Cost Survey, please email to Gautam Garg at [gautam.garg@simon.rochester.edu](mailto:gautam.garg@simon.rochester.edu)
- 3.) All responses will be held in strict confidence by the Simon School of Business.
- 4.) All responses must be received by 5/23/2007
- 5.) For questions or assistance please contact Gautam Garg at 585-729-0410

# Rehab Business Cost Survey Questions

1.) Company:

2.) Contact:

3.) Phone:

4.) Email address:

5.) Rehab Revenue %

6.) Year of Financial Results

7.)

Income Statement Summary (full year):	
Revenue	\$ -
Cost Of Sales	-
Gross Profit	-
Operating Expenses	-
Operating Profit(Loss)	-
Interest Expense	-
Other Income(Expense)	-
Pretax Profit(Loss)	\$ -

8.)	Operating Expenses By Function:	
	Intake, Qualification, Documentation	\$ -
	Evaluation, Specification, Fitting	-
	Purchasing, Receiving, Assembly, Delivery	-
	Billing & Collection	-
	Service & Repair	-
	Sales & Mkting	-
	Regulatory & Compliance	-
	Admin & Support	-
	Total Operating Expenses	\$ -

9.)	Prior Year Financial Information:	
	Revenue	\$ -
	Pretax Profit(Loss)	\$ -

## Sample Income Statement

Revenue	\$ 3,703,000	100.0%
Cost Of Sales	1,791,000	48.4%
Gross Profit	1,912,000	51.6%
<b>Operating Expenses:</b>		
Personnel	1,098,000	29.7%
General & Admin.	251,000	6.8%
Facilities	147,000	4.0%
Distribution	108,000	6.0%
Sales & Marketing	83,000	2.2%
Bad Debt	110,000	3.0%
	1,797,000	48.5% (A)
Operating Profit	115,000	3.1%
Interest Expense	44,000	1.2%
Pretax Profit	\$ 71,000	1.9%

(A) This is the cost pool to be allocated- All business costs exclusive of product costs, interest expense, and income tax expense.

## Sample Operating Costs

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Operating Cost Category	Total \$	Intake, Qualification, Documentation	Evaluation, Specification, Fitting	Purchasing, Receiving, Assembly, Delivery	Billing & Collect	Service & Repair	Sales & Mktng	Regulatory & Compliance	Admin & Support
Wages & Bene.	1,097,000	132,000	255,000	221,000	154,000	71,000	64,000	58,000	142,000
Technology	153,000	32,000	16,000	25,000	58,000	8,000	2,000	5,000	7,000
Facilities	179,000	15,300	15,400	79,100	17,800	26,000	7,700	2,000	15,700
Distribution	89,000	0	25,200	40,200	0	4,800	7,200	0	11,600
Other	279,000	36,900	47,800	65,700	53,600	19,900	12,600	11,500	31,000
<b>Total</b>	<b>1,797,000</b>	<b>216,200</b>	<b>359,400</b>	<b>431,000</b>	<b>283,400</b>	<b>129,700</b>	<b>93,500</b>	<b>76,500</b>	<b>207,300</b>
	100.0%	12.0%	20.0%	24.0%	15.8%	7.2%	5.2%	4.3%	11.5%

## **Costs Categories & Definitions:**

- 1.) **Wages & Benefits** (all personnel costs- wages, bonus, payroll taxes, health insurance, workers comp, etc.)
- 2.) **Technology** (telephone, computer costs, software, leases, r & m, etc.)
- 3.) **Facilities** (depec., rent, prop. insurance, prop. taxes, etc.)
- 4.) **Distribution** (outbound shipping, vehicle costs- leases, gas, r & m, mileage, etc.)
- 5.) **Other** (operating expenses not included above)

## **Allocation Factors:**

- By individual and estimated % of time spent on activity
- By estimated % of usage on activity  
(# of calls, # of computer stations, etc.)
- By square footage in department;  
by estimated % of usage
- By specific vehicles and % of usage on activity
- By # of FTEs in dept; by % of all other expenses; by supervisor's estimate;  
by % of revenue

# Operating Cost Worksheet

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Operating Cost Category	Total \$	Intake, Qualification, Documentation	Evaluation, Specification, Fitting	Purchasing, Receiving, Assembly, Delivery	Billing & Collect	Service & Repair	Sales & Mkting	Regulatory & Compliance	Admin & Support
Wages & Bene.	0	0	0	0	0	0	0	0	0
Technology	0	0	0	0	0	0	0	0	0
Facilities	0	0	0	0	0	0	0	0	0
Distribution	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0
<b>Total</b>	0	0	0	0	0	0	0	0	0

## **Study Author**

This study was conducted by Gautam Garg, MS, an independent graduate student with no relationship to the complex rehab industry. Mr. Garg had sole responsibility and access to send out the survey requests, respond to related questions, and then receive, summarize, and analyze all survey responses.

Mr. Garg was selected to conduct this confidential survey through a search process at the University of Rochester's Simon Graduate School of Business in Rochester, New York. Mr. Garg has a Master of Science in Business Administration degree from the school with a concentration in Finance. His undergraduate education culminated in a Bachelor of Engineering degree. Previous work experience involved financial, business, and engineering analysis. He can be reached by phone at 585-729-0410 or by e-mail at [gautam.garg@simon.rochester.edu](mailto:gautam.garg@simon.rochester.edu).