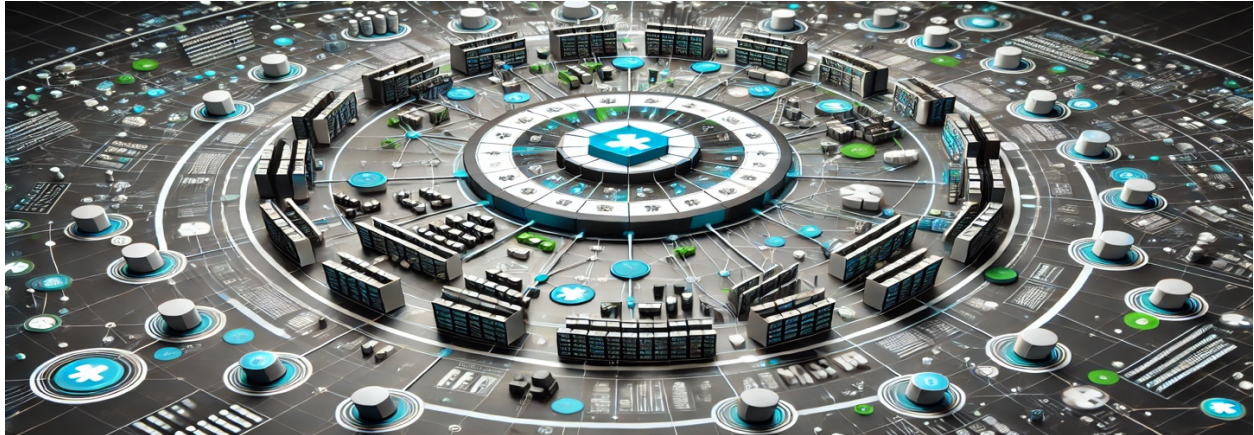




CFO-Led Transformation: Reducing Labor Costs through Hub-and-Spoke Optimization in a Long-Term Care Pharmacy



Background

As the CFO of a long-term care (LTC) pharmacy with a growing network of facilities, it became clear that the business was facing unsustainable labor costs due to inefficiencies in workforce management and operational processes. With labor costs exceeding \$5 million annually, I knew that transforming our business model was essential for long-term financial stability and growth.

We were handling medication distribution, packaging, and management at multiple locations, each operating independently, with no centralized oversight. This led to duplicated tasks, inconsistent labor standards, and rising labor costs. The lack of automation further compounded the issue, as manual processes created bottlenecks and errors that required costly rework.

Our financial analysis showed that addressing labor inefficiencies and optimizing workflows could significantly improve margins and operational scalability. As the CFO, I spearheaded an initiative to implement a **hub-and-spoke business model**, optimizing labor, streamlining operations, and driving automation, all while ensuring that the organization could continue to provide high-quality patient care.

Challenges

The main challenges from a financial planning and analysis (FP&A) perspective were:

- **Escalating labor costs** across independent facilities.
- **Inconsistent labor standards** and inefficient processes.
- **Lack of automation** leading to errors and process delays.
- **Operational scalability** was constrained due to the decentralized structure.

I collaborated closely with the FP&A team to analyze labor inefficiencies and develop a strategic financial model that would guide us through the transformation. Our goal was

clear: to reduce labor costs, implement automation, and create scalable processes without sacrificing service quality.

Solution: CFO and FP&A-Driven Transformation

As CFO, I took the lead in designing and executing the transition to a **hub-and-spoke model**, where one central hub managed medication preparation, packaging, and distribution, while smaller spoke pharmacies focused on patient-specific dispensing. This model allowed for the centralization of resources and significantly reduced labor redundancies across the network.

Key Initiatives Led by the CFO and FP&A Team

1. Development of Labor Standards:

- **Workforce Planning Analysis:** Working with FP&A, we conducted a deep analysis of labor needs across the network. By understanding where labor was being wasted, we developed standardized labor expectations for both the hub and spoke locations.
- **Labor Metrics and Financial Impact:** Together with FP&A, we introduced labor performance metrics and tracking to ensure that labor utilization was optimized in line with business volume, allowing us to reduce labor hours by focusing on efficiency.
- **Cost Modeling:** Our financial team created models that forecasted labor savings from consolidating staff at the hub while keeping the spoke locations lean and operational.

2. Implementation of Automation:

- **Financial Justification for Automation:** Through detailed ROI analysis, we justified the investment in automated packaging and dispensing systems. The automation would allow us to scale operations with minimal labor increases, supporting the long-term growth of the business.
- **Cost-Benefit Analysis:** The FP&A team performed rigorous cost-benefit analyses to determine which processes, such as medication packaging and labeling, should be automated. This analysis was essential in ensuring that automation would deliver measurable labor savings.

3. Process Flow Optimization:

- **Centralized Inventory and Distribution:** By consolidating inventory and distribution at the hub, we created process flows that reduced staffing needs at the spoke locations. This resulted in fewer staff handling inventory at each site, cutting down on waste and inefficiencies.
- **Financial Impact of Process Changes:** FP&A tracked the financial impact of these process improvements, demonstrating the clear savings that resulted from optimizing workflows and labor allocation.

4. Communication and Financial Leadership:

- **Board and Investor Communication:** As the CFO, I led presentations to the board and key investors, outlining the financial benefits of the new hub-and-spoke model and automation initiatives. This included detailed financial

modeling of labor cost reductions, revenue growth projections, and scalability.

- **Monitoring Financial Metrics:** Post-implementation, I worked closely with the FP&A team to continuously monitor labor costs, automation ROI, and overall financial performance. This ensured that the expected savings and operational improvements were realized.

Results

- **Labor Cost Reduction of \$5M:** The strategic financial planning and process optimization led to labor savings of over \$5 million annually. By centralizing operations and implementing automation, we were able to reduce labor hours across multiple facilities.
- **Operational Efficiency:** Automation cut manual errors by 40%, leading to faster turnaround times and improved service delivery to patients.
- **Scalability for Future Growth:** The hub-and-spoke model allowed the pharmacy to scale its operations, adding new locations without significantly increasing labor costs.
- **Financial Transparency:** Our FP&A processes provided clear visibility into labor cost savings, enabling us to make data-driven decisions and communicate effectively with stakeholders.

Conclusion: CFO-Driven Success

This transformation was not just about reducing costs—it was about creating a **scalable, efficient financial model** that supported the company's long-term growth. By leveraging my expertise in FP&A, labor standards, and process optimization, I was able to guide the organization through a major operational shift while delivering significant financial returns. This case exemplifies the value a strong **CFO and FP&A team** can bring to operational transformations, especially in industries like long-term care pharmacy, where labor and efficiency are critical to financial success. If your business is facing similar challenges, my CFO services can provide the strategic financial leadership needed to drive sustainable growth, improve profitability, and optimize operations.