

The Financial Aspects of Wellness for Veterinarians (Part Two)

Key factors that veterinary staff need to understand and the best strategies to communicate with clients on the financial realities of veterinary medicine

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Agenda

- Veterinary Fees
- How the Fee Guide Works
- Pricing Strategies
- Are Exam Fees Shoppable
- What Drives Vaccine Fees
- Elective Surgery Pricing Pitfalls
- Pricing Professional Services
- Markups on Medication and Lab
- Clients Attitudes About Fees
- How To Talk to Clients About Fees

The Biggest Problem Facing Veterinarians

- “Dealing with clients about fees”
 - 2018 OVMA Member Survey
- “Financial stress”
 - Related to revenue shortfall resulting from “Dealing with clients about fees”

SBCV Fee Guide Objective

- Drive demand for veterinary medicine
- Cover cost of running a veterinary hospital
- Provide a professional level income to DVMs

The Simple Math Behind Raising Your Fees

Small Increases Yield Big Results

- Gross Revenue 500
- Expenses 350
- Net Income 150

- Increase fees 10%

- New Gross 550 10% change
- Expenses (same) 350
- New Net Income 200 33% change

Small Decrease Require Too Many Clients

- Gross Revenue 500
- Expenses 350
- Net Income 150

- Decrease fees 10%

- New Gross 450 10% change
- Expenses (same) 350
- New Net Income 100 33% change

To Maintain Your Net Income

- | | Fees | Production |
|----------|-------------|-------------------|
| Decrease | 10% | 50% Increase |
| | 15% | 100% Increase |
| | 20% | 200% Increase |
| Increase | 10% | 25% Decrease |
| | 15% | 33% Decrease |
| | 20% | 40% Decrease |

Inflation Drove 2022 Fee Guide

- **Why The Fees in the Fee Guide Are Higher for 2022**

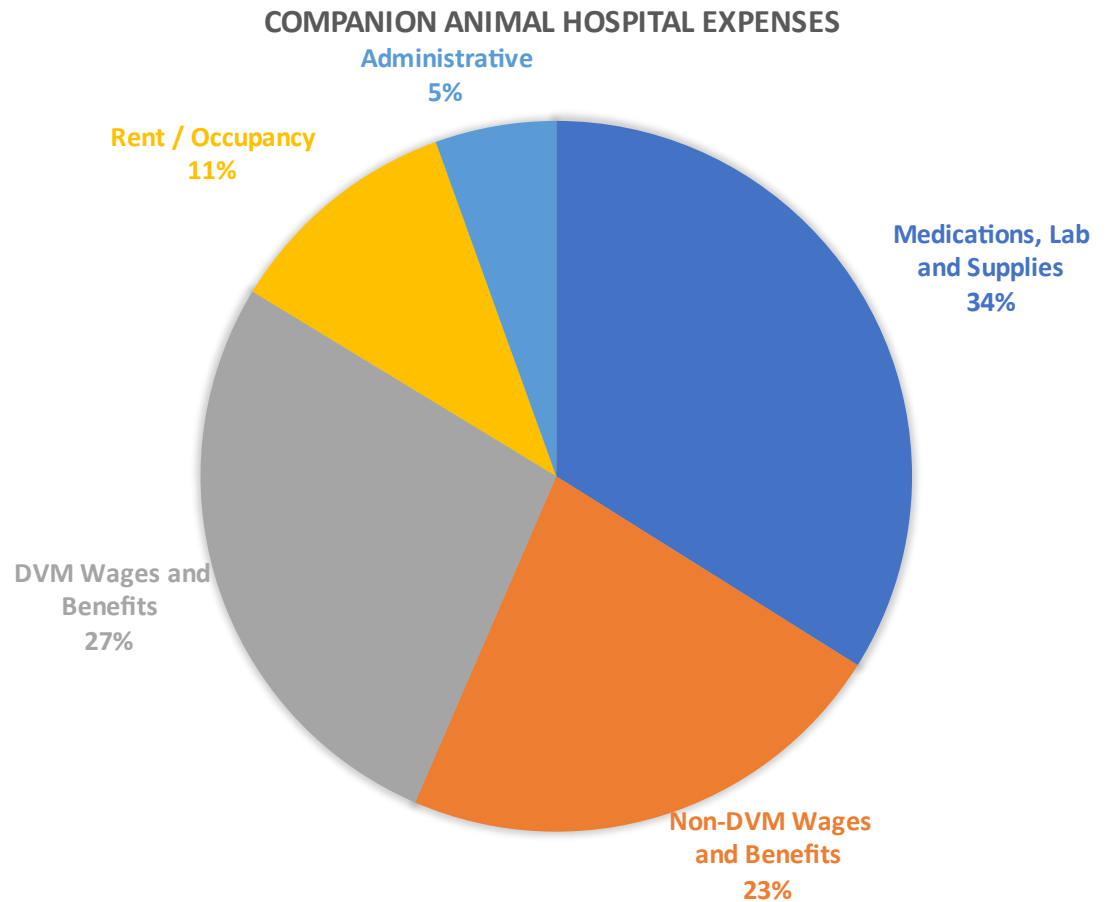
- Unprecedented demand for veterinary services, a shortage of skilled veterinary staff and resurgent inflation are expected to propel veterinary hospital expenses to all time highs for 2022. The shortage of labour alongside extraordinary demand for services is expected to increase DVM wages as much as 15% for 2022 and non-DVM labour may go up as much as 12%. Supply shortages and bottlenecks are driving up the price of medications, pet food and laboratory supplies, and more, all of which are expected to increase at a rate above inflation. Inflation projections are increasing as more reporting comes available, and could drive occupancy and administrative expenses 6% higher in 2022. Taking into account the contribution these expenses have on the average companion animal hospital; the overall impact is a 10% increase in the total cost of running a veterinary hospital in 2022. Veterinary fees need to go up in step with these higher expenses to allow veterinarians to offer competitive wages to both DVM and non-DVM staff, cover the cost of running a veterinary hospital and continue to provide high quality care to their patients.

Preamble In 2022 Fee Guide

Projected Inflationary Increases in Expenses for 2022

- DVM Wages + 15%
- Non-DVM Wages + 12%
- Medications / Lab + 9%
- Occupancy + 6%
- Administrative + 6%

- Overall Change + 10%



Take Away

- You must raise your fees **at least** 10% to cover expenses in 2022
- 2023 was Copy/Paste of 2022
 - Inflation running hot
 - Demand for veterinarians high
 - Supply of veterinarians low

Changes in Revenues

- Demand for services at all time high
- Shortage of DVMs
 - Existing DVMs requesting fewer hours
- Shortage of staff
 - Existing staff absences higher
- Pandemic hangover affecting production
 - Appointment times running high
 - Appointments per day down 25%
- SBCV veterinarians increasing fees in response to demand

SBCV Fees

	2021 Average Fee	2022 Average Fee	Change
Duration of examination (mins)	28	31	11%
Consultation (complete physical exam)	81.21	91.58	13%
Canine distemper and rabies	121.35	146.21	20%
Feline distemper and rabies	130.49	147.29	13%
Canine spay (all inclusive fee)	384.49	508.04	32%
Canine neuter (all inclusive fee)	327.45	443.96	36%
Feline spay (all inclusive fee)	285.71	388.85	36%
Feline neuter (all inclusive fee)	169.83	269.95	59%
X-ray fee for set-up / 2 plates	221.70	252.91	14%
CBC (includes differential - not collection)	84.95	85.76	1%
Heartworm test	95.50	83.51	-13%
Blood collection fee	30.21	32.50	8%
Complete urinalysis	65.68	71.70	9%
Anaesthetic (induction and 30 minutes of gas)	270.40	301.22	11%
General nerve block (one site)	48.40	53.62	11%
Surgery rate per 10 minutes	114.74	121.40	6%
Dentistry (exam, prophylaxis, hosp, anaesthesia)	639.13	715.67	12%
Cystocentesis	39.68	43.06	9%
IV catheterization (set up and 24 hours)	164.98	196.31	19%
Euthanasia (DVM / staff time, catheter, meds)	158.38	165.86	5%
Hospitalization (half day for 30lb dog)	45.34	56.68	
Dispensing Fee	13.96	15.50	11%
Pet Food Markup (cost x)	1.44	1.45	1%
Pharmacy Markup (cost x)	1.99	1.96	-2%
Laboratory Markup (cost x)	2.05	2.07	1%
Fee Index (100 = Fee Guide)	81	98	17%

SBCV Fee Guide Analysis

- 2022 Average Fees Above Fee Guide
 - Elective Sx
 - Dentistry
 - Euthanasia
- 2022 Average Fees Below Fee Guide
 - Hospitalization
 - Professional Procedures
 - Radiology
 - Exam
 -

One Fee Guide – Three Audiences

- Three audiences for your fee guide
 - Clients - easiest to deal with?
 - Non-DVM staff
 - DVMs
- You must have an appropriate message (value proposition) for all audiences
- What messages can we give our staff to soften the blow?

SBCV Fee GUIDE

- It is only a guide.
 - You can charge above, below or the guide
- Value Proposition: How Do You Envision Your Practice
 - *Mercedes Dealer* Higher Fees / Fewer Clients
 - *Honda Dealer* Mid Range Fees / Average # Clients
 - *Used Car Dealer* Lower Fees / More Clients
- There is no wrong way to practice
- Veterinary Website tab – “low cost veterinary clinics near us”

The Exam Fee

SBCV Exam Fee

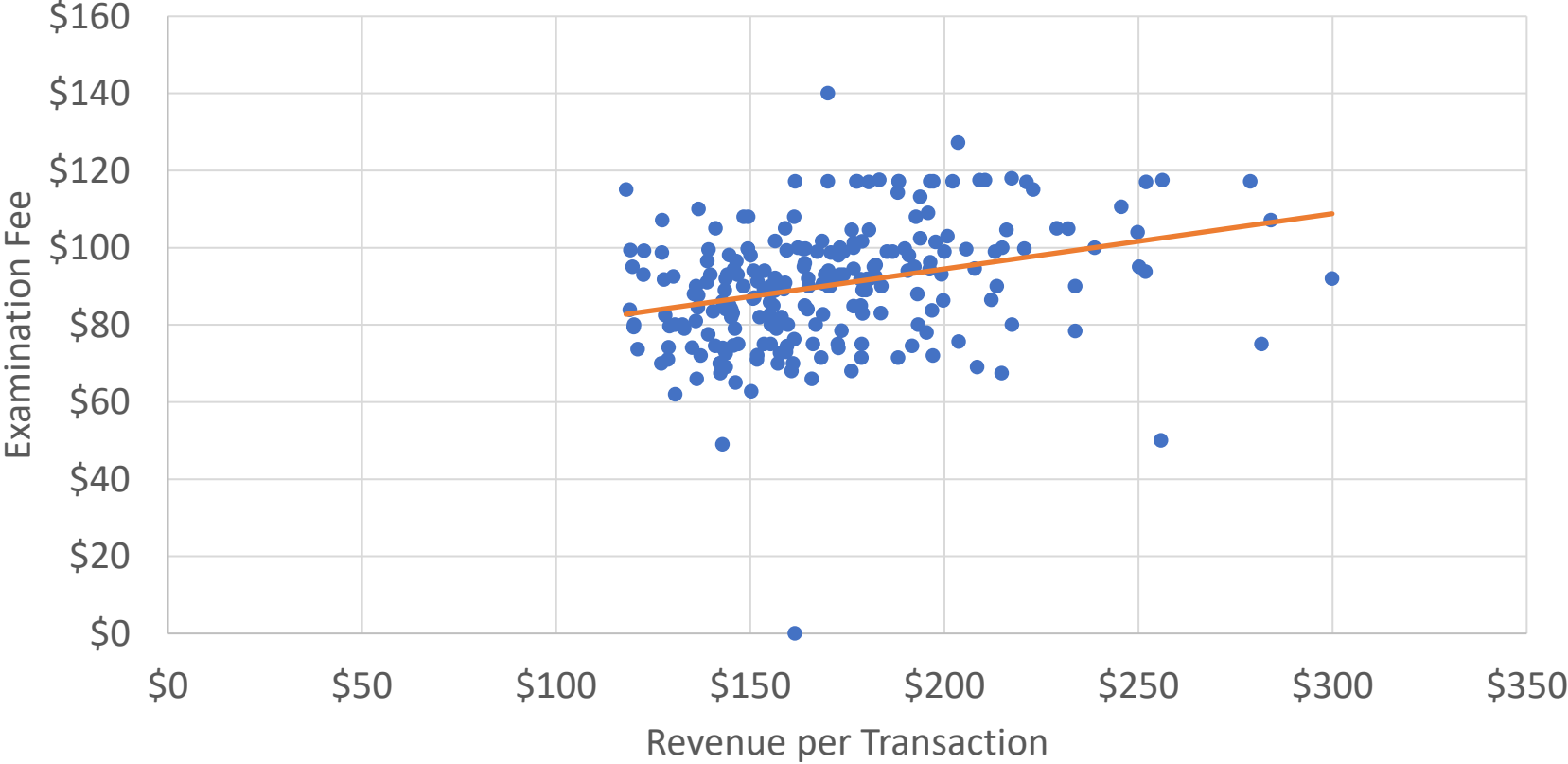
- Actual cost to provide an exam (30 mins)
 - \$\$198.67

• Exam Fee	Fee Guide	Average
	\$119.50	\$90.44

- 26% charging more than \$100

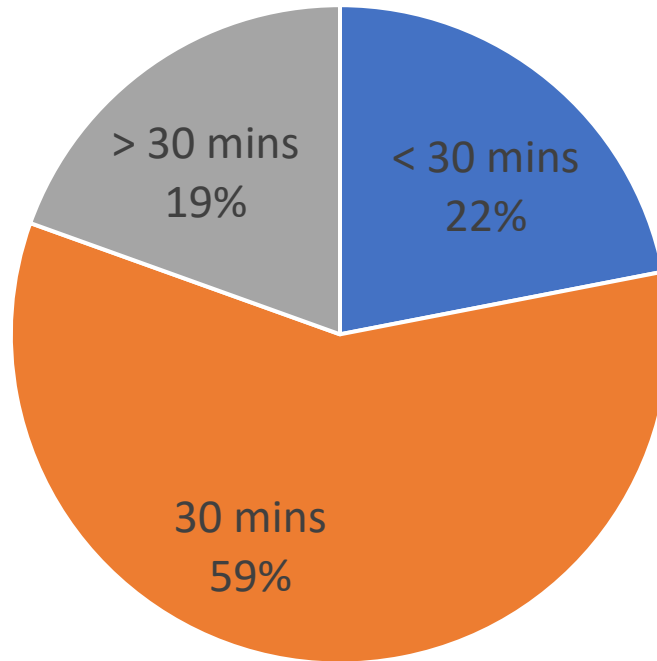
Exam Fees Are Not Shoppable

Examination Fee And Revenue per Transaction



How Long Are You Taking

SBCV Average Exam Time

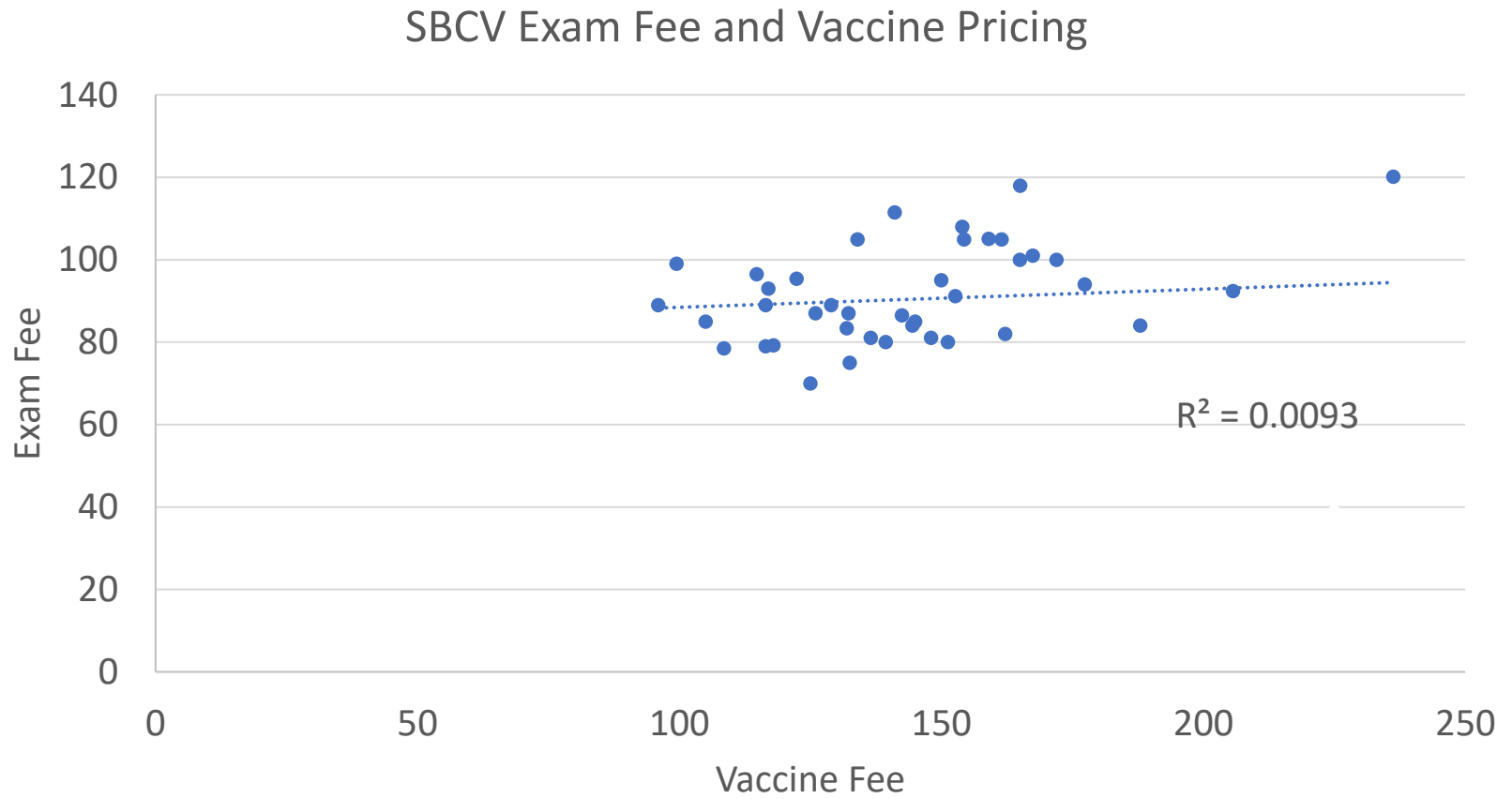


Argument for Cresting \$100

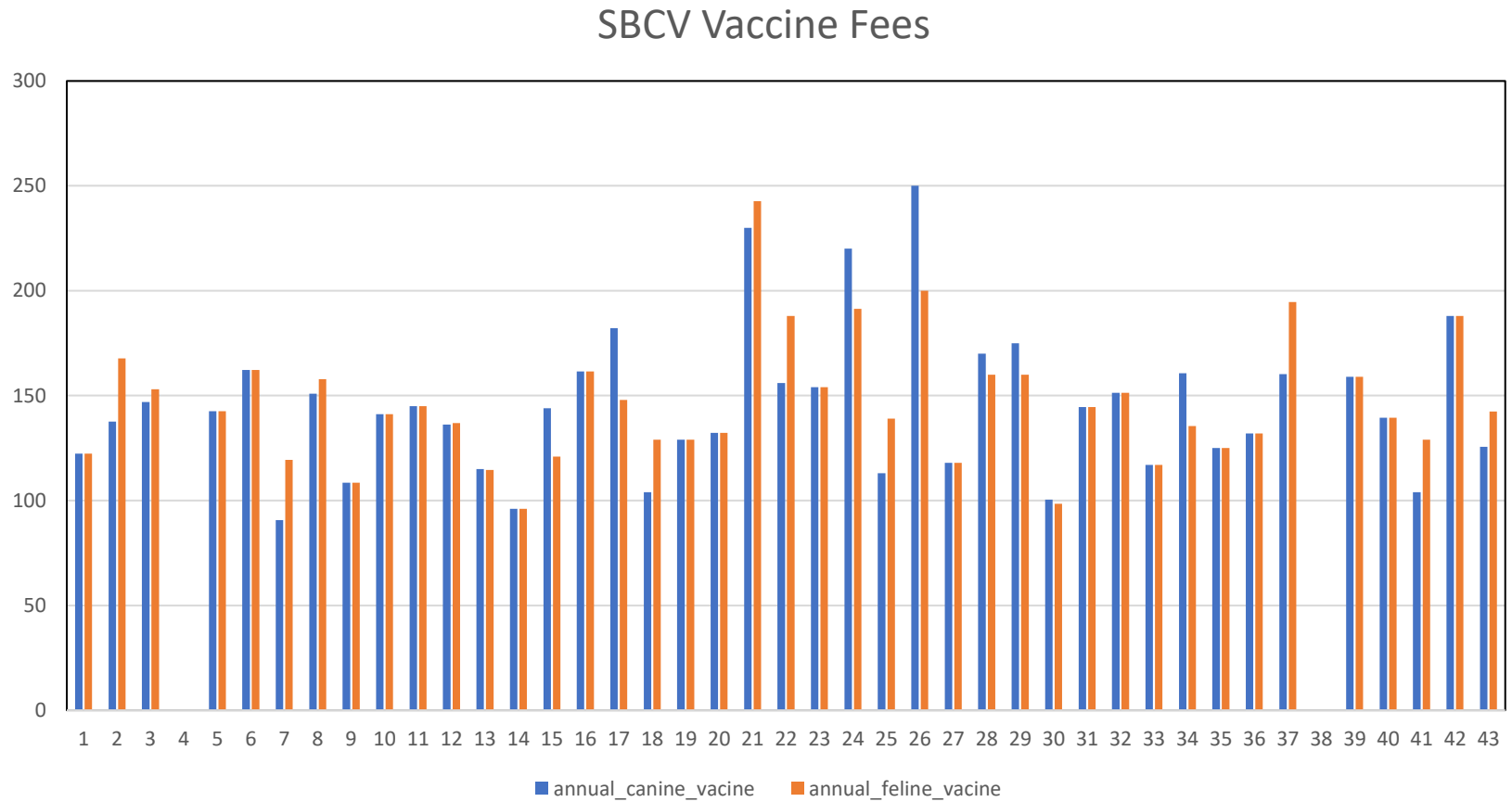
- “We all spend way too much time trying to convince @#\$%^ clients what they need to do for their pet.”
- Raise your exam fee to \$100
 - Sets realistic expectations for shopper calling around trying to get services for his sick pet
 - Weeds out the people who won't do anything anyway

Vaccine Fees

Exam Fee Does Not Influence Vaccine Fee

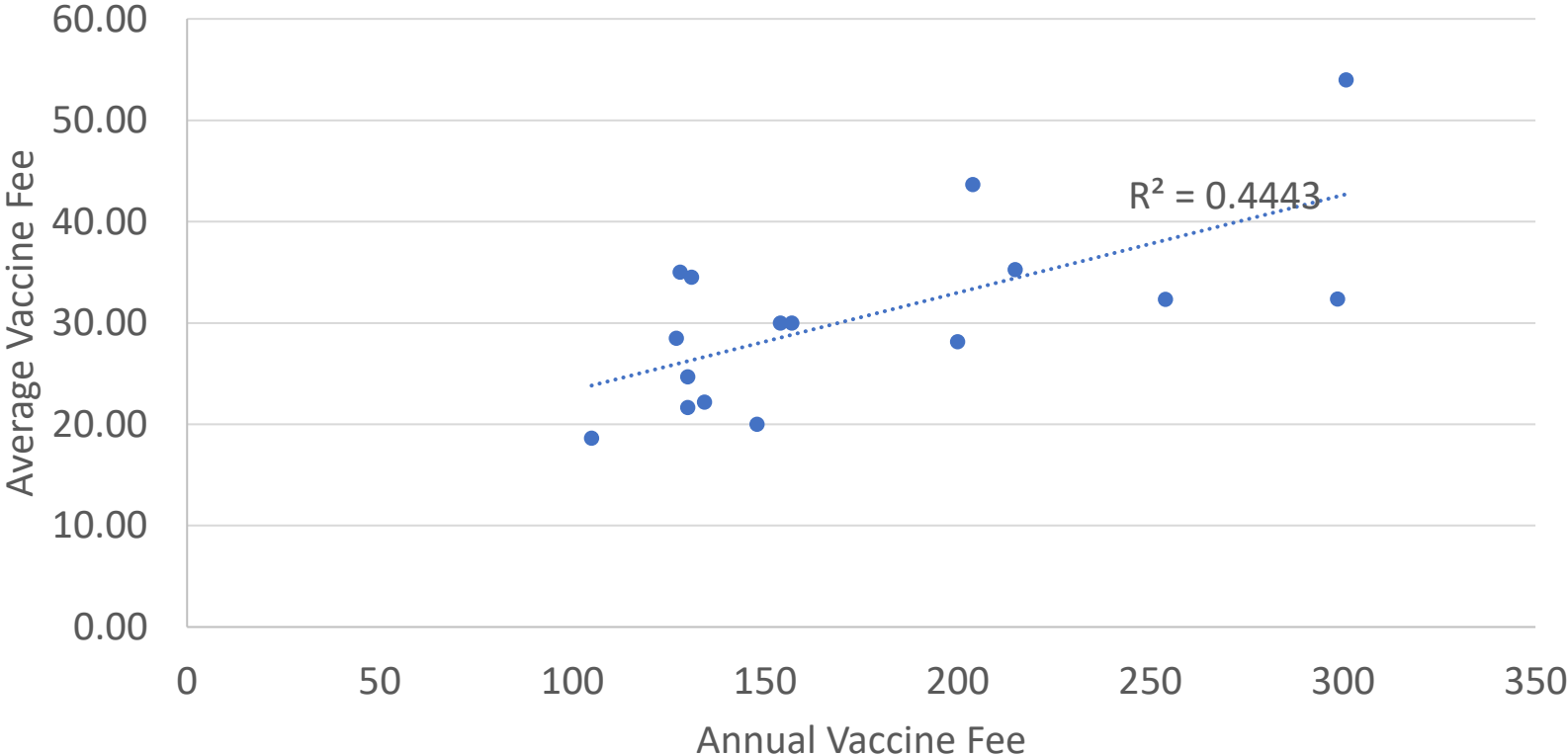


Does Species Influence Exam Fee?



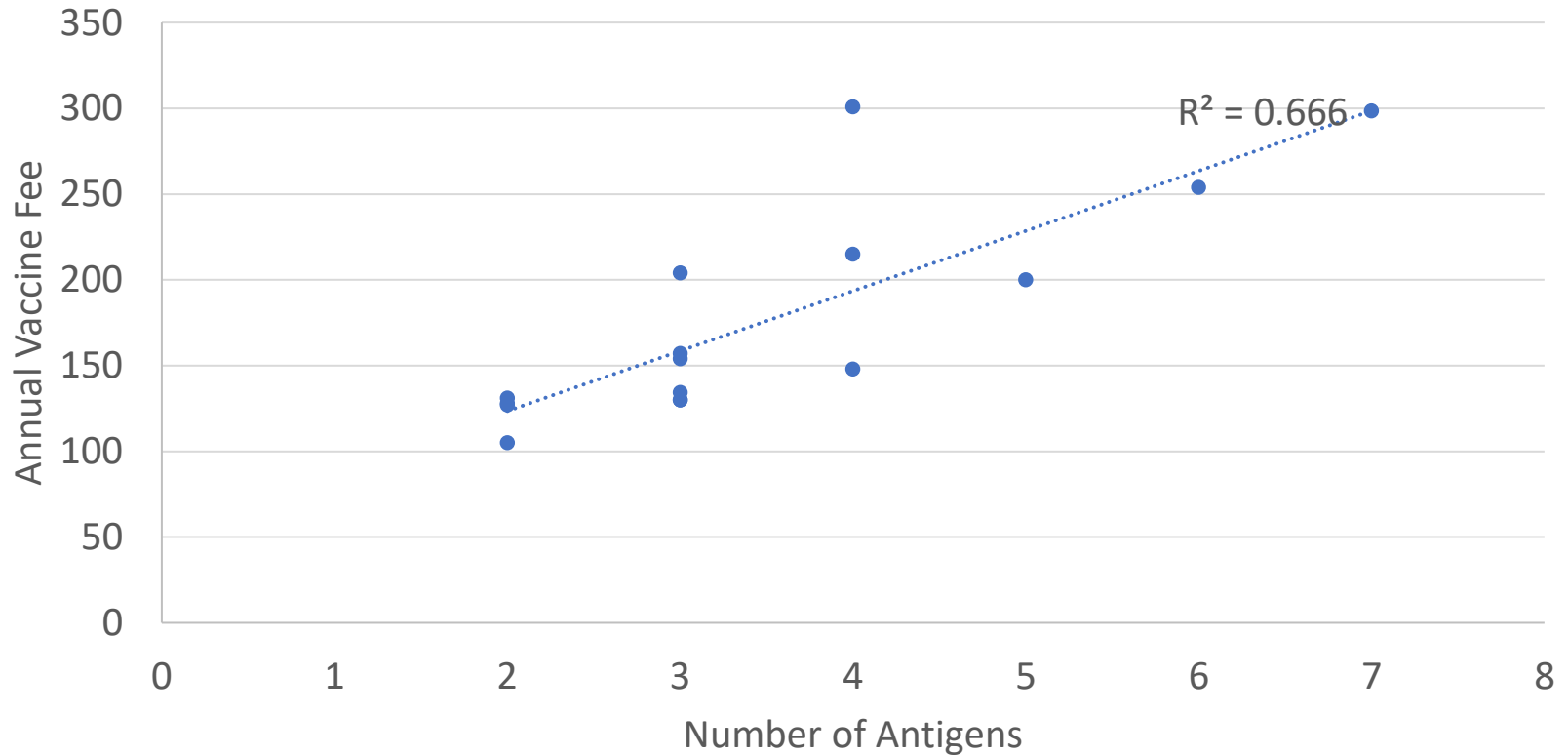
Annual Fee and Individual Vaccine US Data

Average Vaccine Fee and Annual Vaccine Fee



Number of Antigens Influences Annual Fee

Canine Annual Fee and Number of Antigens



Vaccine Fees – Too Many Cooks

- What does the receptionist quote?
- What does the DVM prescribe?
- What does the client pay?
- Do these match?

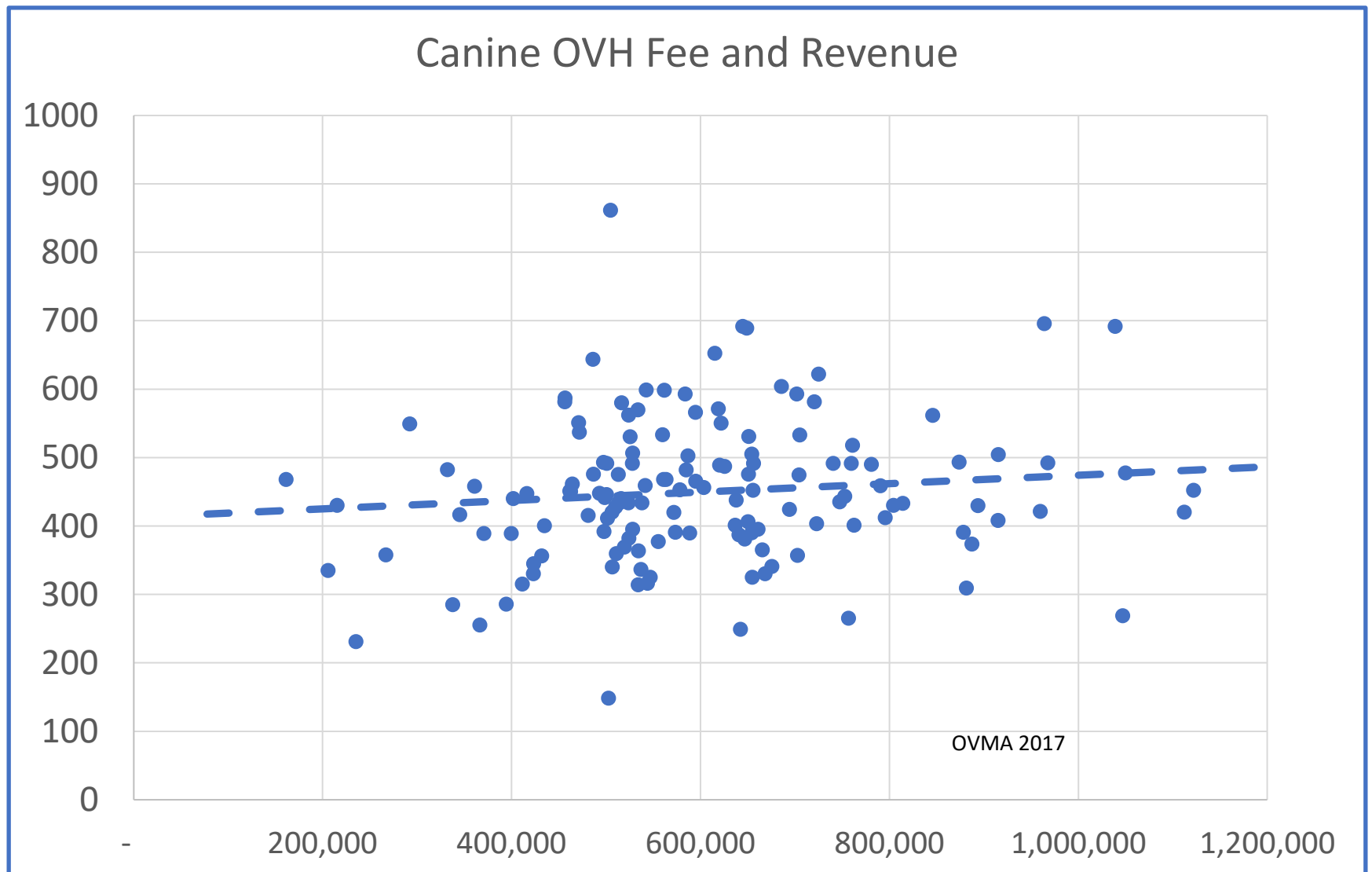
- What is the cost?
 - Exam + \$20 - \$50 of antigen
 - Exam + no vaccines

Harmonized Vaccine Fees

- Charge Everyone the Same Fee
 - What you lose from one you gain from another
- Use most popular vaccine combination
 - Exam + core + non-core
 - or
 - Exam + core + 3 non-core + canine influenza
- Total vaccine revenue / number of vaccine exams

Elective Surgery Fees

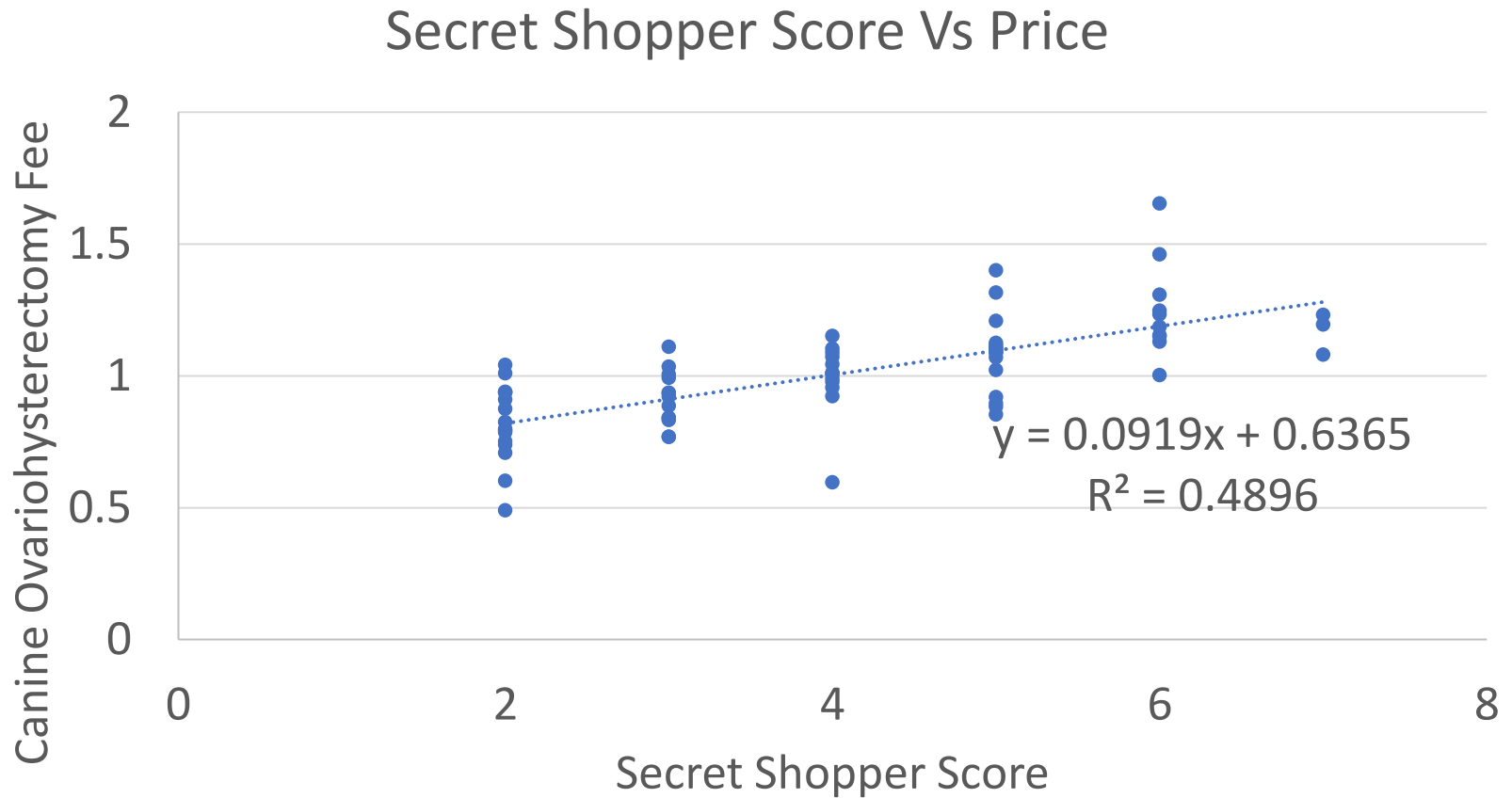
Elective Surgery Fees and Income



Quoting Elective Surgery

- Quoting with Pre-op Blood
 - 25% of hospitals include pre-op blood with quote
 - 29% higher than average fee
- IV Fluids
 - 20% of hospitals do not include with quote
 - 21% lower than average fee

Lower Fee or Higher Value – CVJ Study



Dentistry

“Oral Surgery” Costs More Than “a dental”

- “You guys charge more than dentists”
- Separate the oral surgery from the prophy
- Split the bill
- Staged Dentistry
 - Prophy & Tx plan visit 1 / estimate part A
 - Oral Sx visit 2 / estimate part B

Fee Guide Example

Scenario
Canine Dental Prophy with Carnassial Extraction that takes 30 minutes to remove via sectioning. 40 Kg. in weight. Antibiotic and pain control injections are given.

Procedure Code	Description	Unit Cost	Units	Price
1805	hospitalization - part day (boarding + monitoring)	\$79.20	1	\$79.20
1051	blood collection	40.20	1	40.20
1207	preanaesthetic blood profile with CBC	I.C.	1	I.C.
1350	anaesthetic induction plus 10 minutes of maintenance	221.50	1	221.50
1380	IV fluids during anaesthetic	134.00	1	134.00
1356	anaesthesia fee (includes monitoring and agent - per 10 min)	72.00	4	288.00
1601	dental examination	77.60	1	77.60
1603	dental prophylaxis / polish - technician performed (grade iii/iv)	152.50	1	152.50
1608	dental x-ray	67.30	1	67.30
1609	dental x-ray (additional)	33.00	5	165.00
1604	fluoride gel application	17.50	1	17.50
1650	dental nerve block	59.20	1	59.20
1785	injection-intramuscular/subcutaneous (first)	36.50	1	36.50
	preoperative pain medication			
1356	anaesthesia fee (monitoring & agent - per 10 min) - for extraction	72.00	3	216.00
1635	extractions per 10 minutes	150.20	3	450.60
1786	injection-intramuscular/subcutaneous (additional)	16.60	1	16.60
	postoperative pain medication			
1732	dispensing fee (per prescription)	24.50	1	24.50
	*plus medications with mark-up			
		Total*		\$2,046.20

Fee Guide Example

Scenario				
Canine Dental Prophy with Carnassial Extraction that takes 30 minutes to remove via sectioning. 40 Kg. in weight. Antibiotic and pain control injections are given.				
Procedure Code	Description	Unit Cost	Units	Price
STAGE 1				
1805	hospitalization - part day (boarding + monitoring)	79.20	1.00	79.20
1051	blood collection	40.20	1.00	40.20
1207	preanaesthetic blood profile with CBC	I.C.	1.00	I.C.
1350	anaesthetic induction plus 10 minutes of maintenance	221.50	1.00	221.50
1380	IV fluids during anaesthetic	134.00	1.00	134.00
1356	anaesthesia fee (includes monitoring and agent - per 10 min)	72.00	4.00	288.00
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1608	dental x-ray	67.30	1.00	67.30
1609	dental x-ray (additional)	33.00	5.00	165.00
1604	fluoride gel application	17.50	1.00	17.50
	Subtotal			1242.80
STAGE 2				
1650	dental nerve block	59.20	1.00	59.20
1785	injection-intramuscular/subcutaneous (first) preoperative pain medication	36.50	1.00	36.50
1356	anaesthesia fee (monitoring & agent - per 10 min) - for extractio	72.00	3.00	216.00
1635	extractions per 10 minutes	150.20	3.00	450.60
1786	injection-intramuscular/subcutaneous (additional) postoperative pain medication	16.60	1.00	16.60
1732	dispensing fee (per prescription)	24.50	1.00	24.50
	Subtotal			803.40
	plus medications with mark-up		Total	2046.20

While we are talking dentistry...

- Wellness and Dentistry Real Life Story
 - Use dentistry to sell wellness
 - Split bill over 12 months
- 25 dentals pre-wellness
- 65 dentals post wellness
 - 52 from wellness plan including dentistry

While we are talking wellness plans

- Wellness and Elective Real Life Story
- Elective Surgery Falling for Years
- Using Elective to sell Wellness
- 51 Neuters
 - 34 on wellness plan including neuter
- 45 Spays
 - 34 on wellness plan including spay

Wellness Hospitals Have a Vibe

- Real Life Wellness Practice
 - Waiting room has a vibe
 - “Clients are not nervous about their bill any more”
- 50% of clients are on wellness plans
 - “Even when they are slammed, the staff sell wellness plans because they know it makes their life better”

Professional Services

Procedures that can be done by a technician

Professional Procedures

- | | Fee Guide | Average |
|--------------------|-----------|---------|
| • Blood Collection | 37.60 | 32.50 |
| • Cystocentesis | 54.60 | 43.06 |
| • Dispensing Fee | 22.90 | 15.50 |
- Charge more for professional procedures to bridge the gap on Certified Technician Wages

Ultrasound Guided Cystocentesis

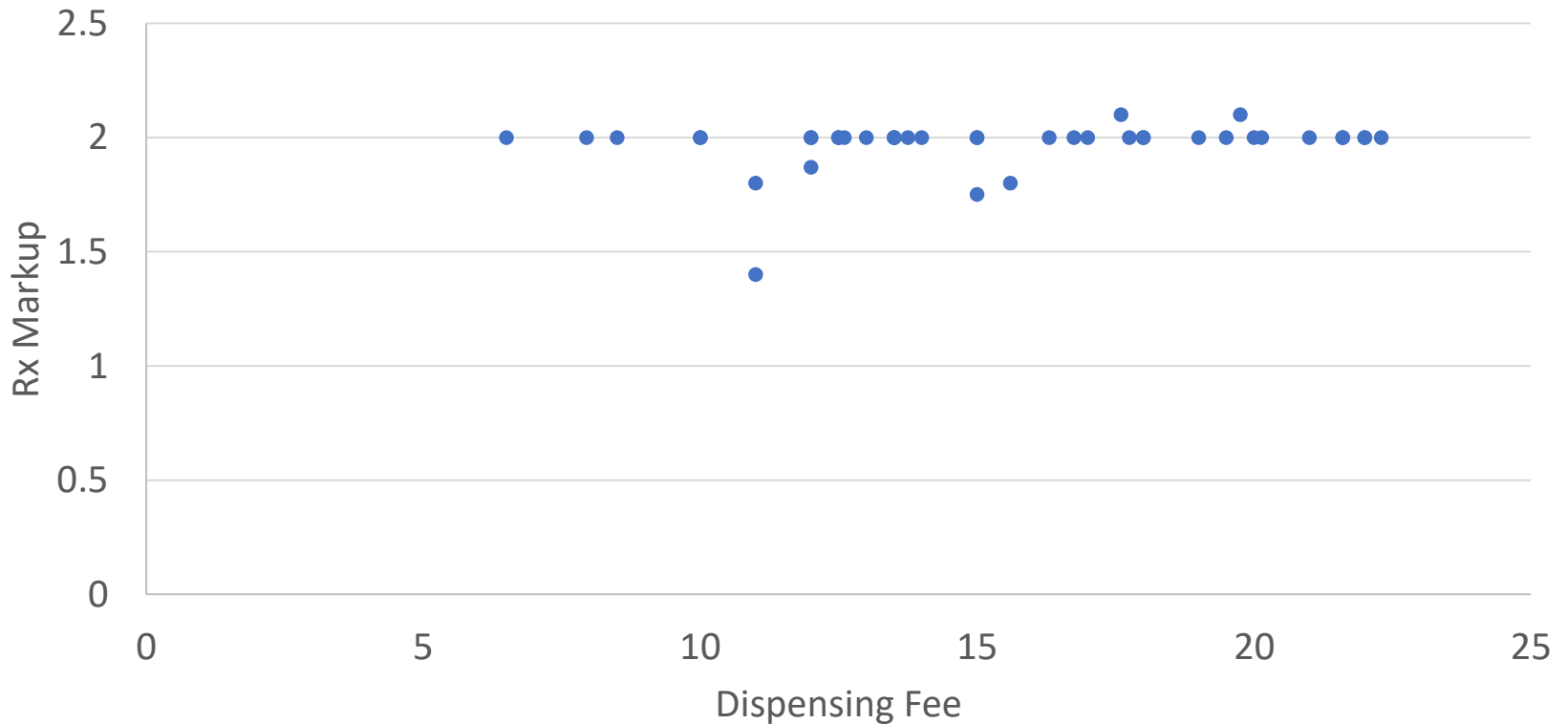
- New Grad “had” to use ultrasound for cysto
 - Charge \$75 for cystocentesis with complimentary bladder screen
- Revenue started increasing
 - More adept with ultrasound
 - Starting finding bladder stones
 - Selling more diets
 - More treatment
 - Increased Rx
- SBCV Fee Guide cystocentesis \$36.20 (add on)
 - Charge \$36.20 extra for US guided cystocentesis
 - Make US cystocentesis standard operating procedure
 - Will pay for ultrasound

Markups

- Drug Markups
 - How much are we losing to internet sales
- Lab Markups
 - Is there a ceiling

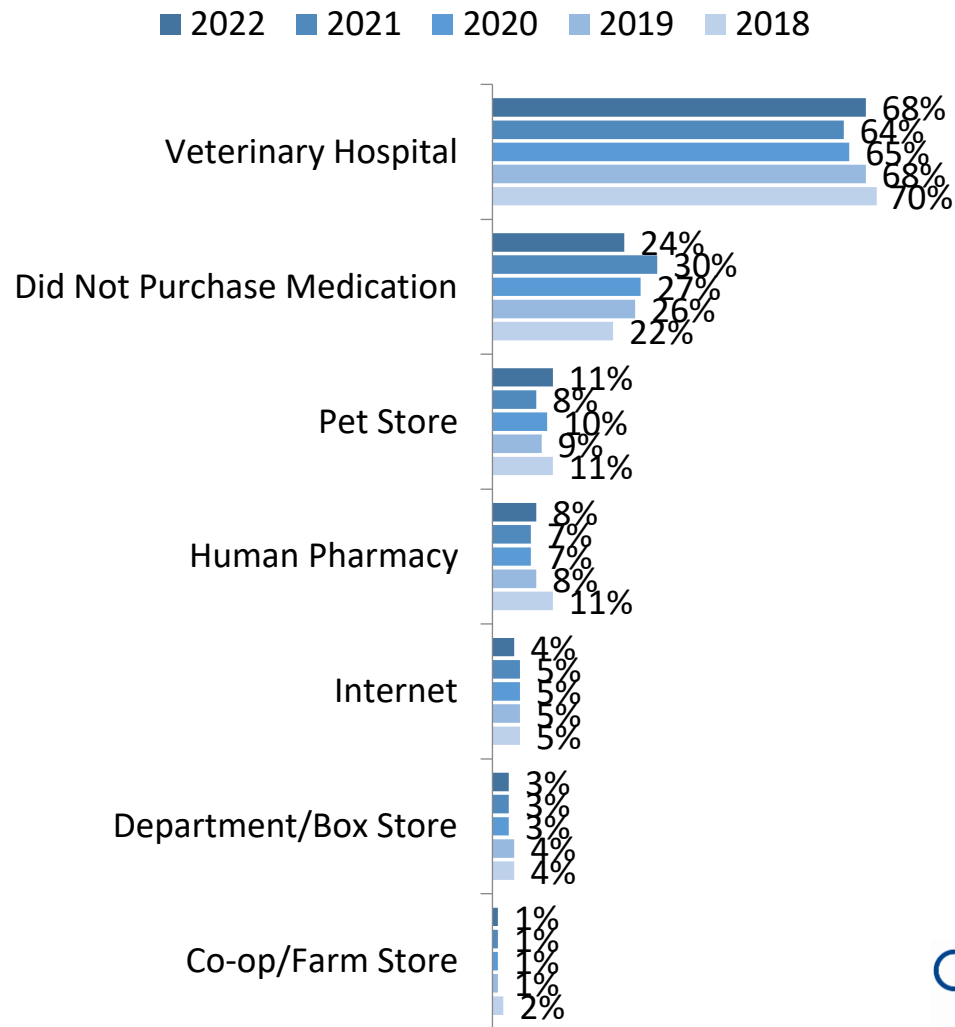
Relationship Between Dispensing Fee and Rx Markup

Markup Does Not Influence Dispensing Fee



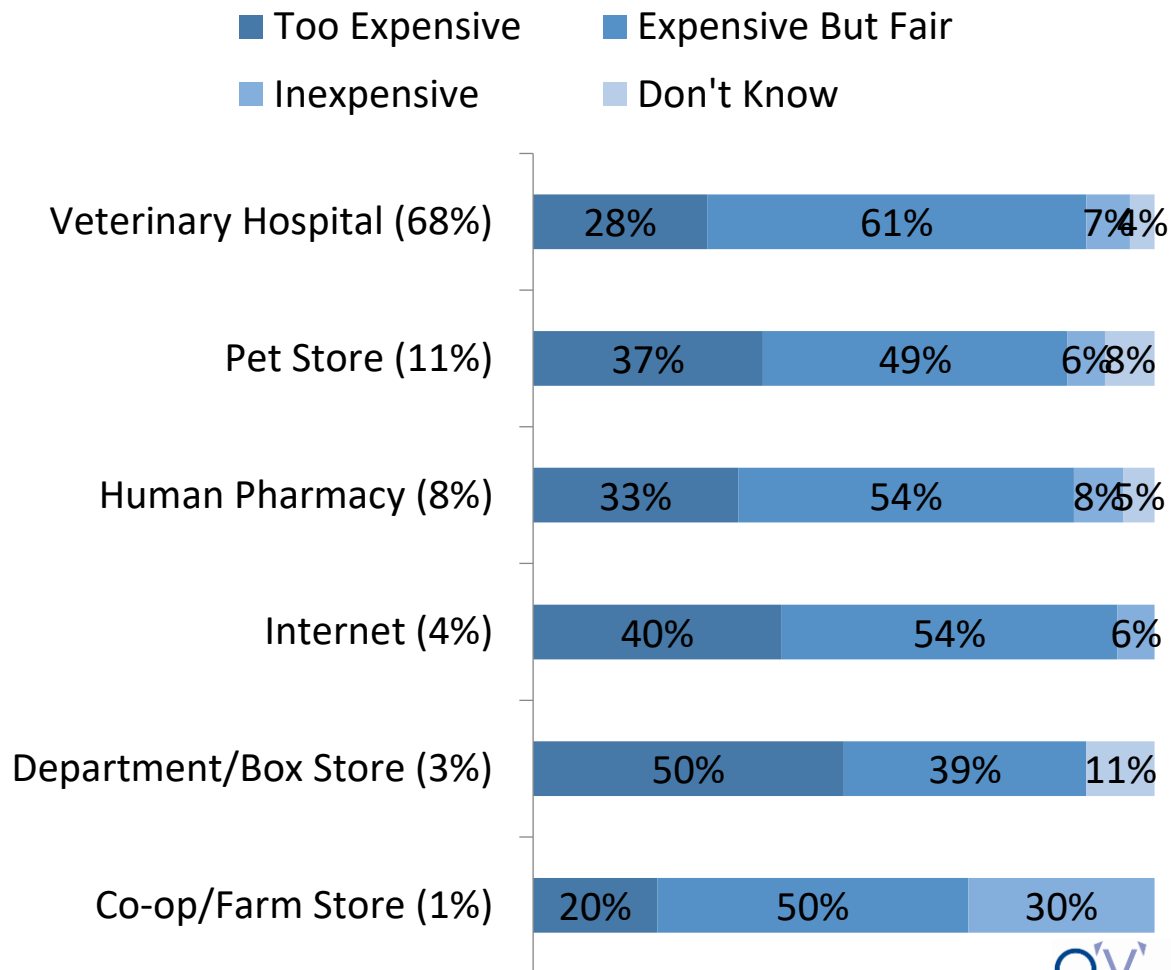
Veterinarian beats out Rx.com

*Where did you
purchase medication
for your pet?*



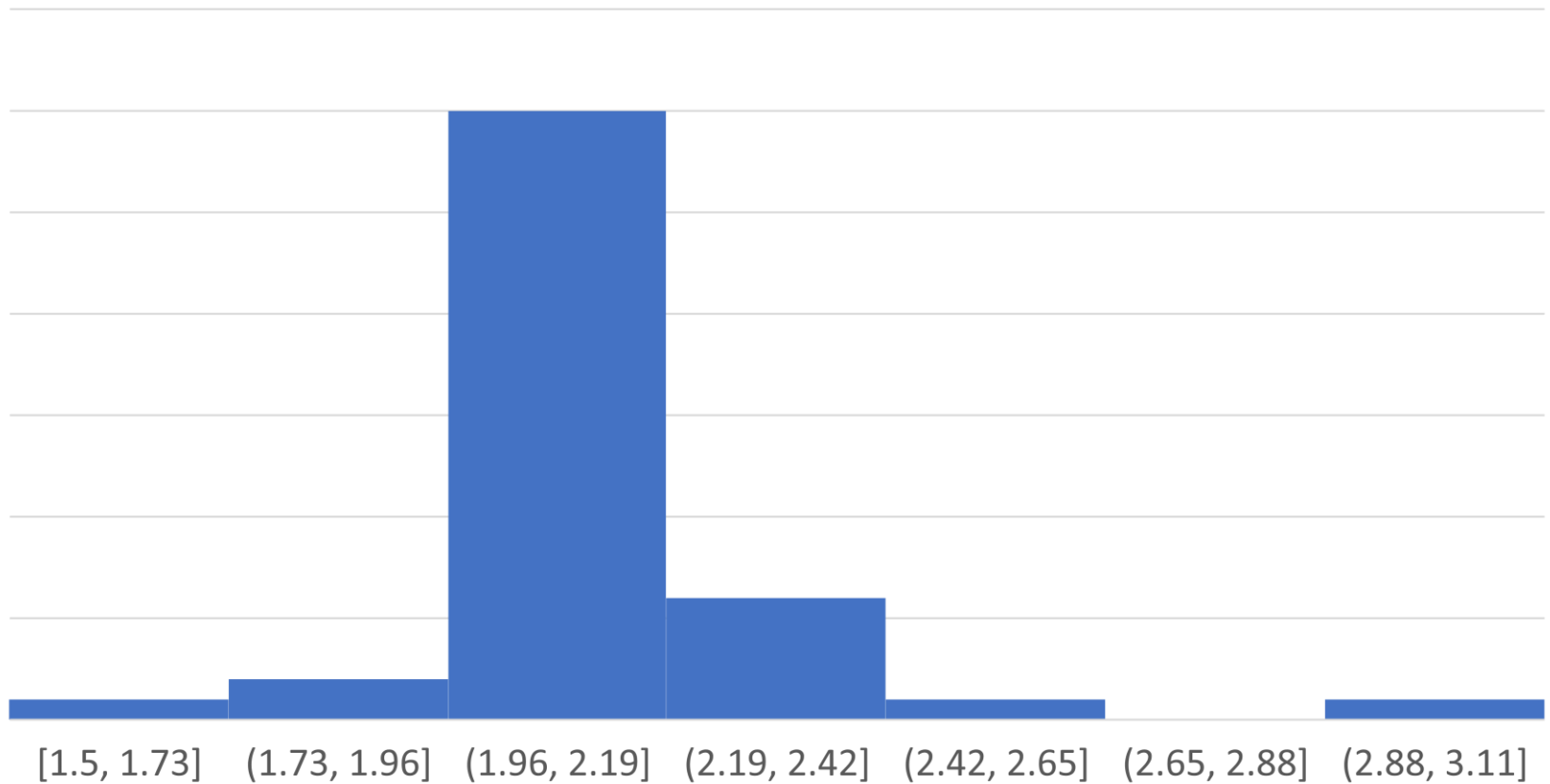
Purchasing Medication Through Veterinary Hospital Best Option

Sentiments on cost of veterinary medications by source of medications?



Reference Lab Markups

Lab Markups - What is Marked Up

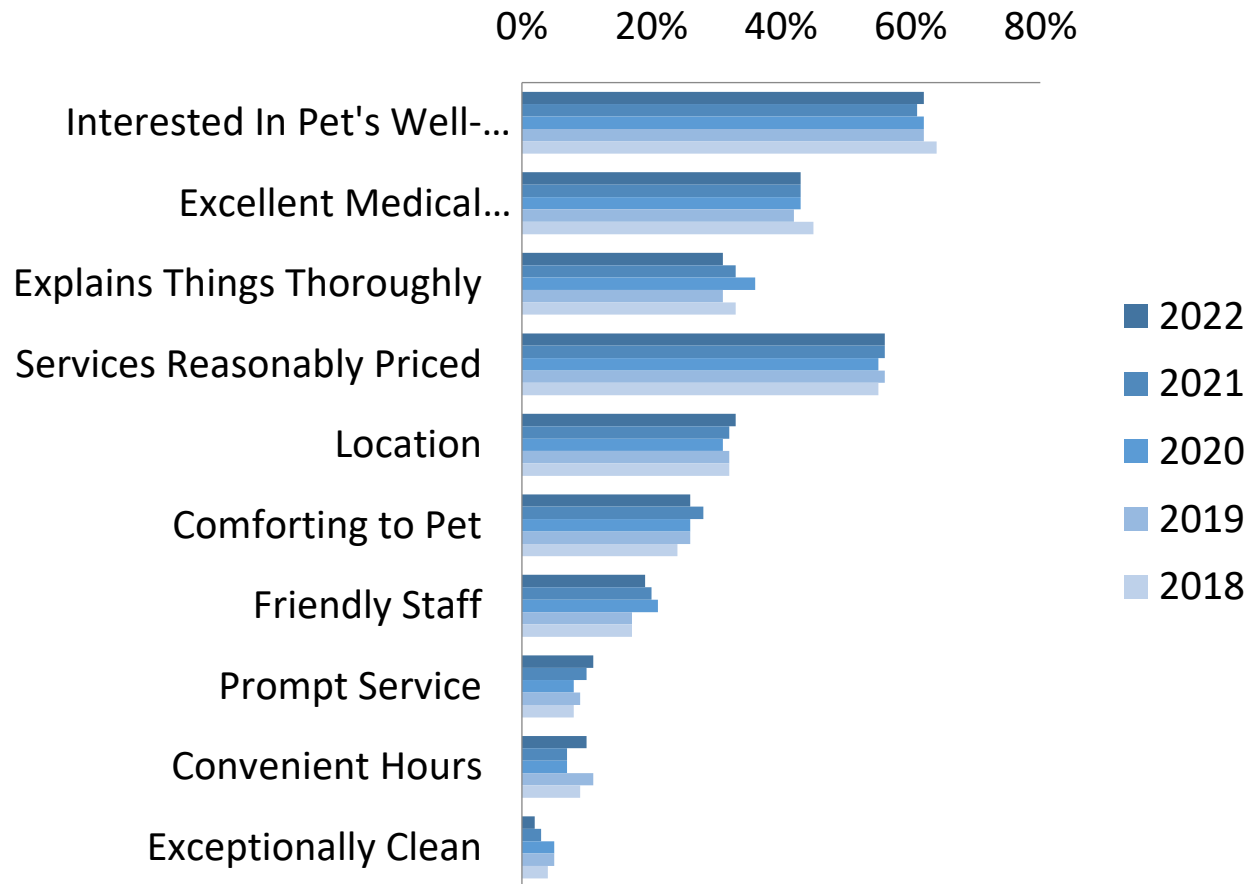


Pet Owner's Attitudes Regarding Cost of Care

- Annual Pet Owner's Survey
 - Veterinary Fees
 - Spending
 - Value of Services
 - Insurance
 - Wellness Plans

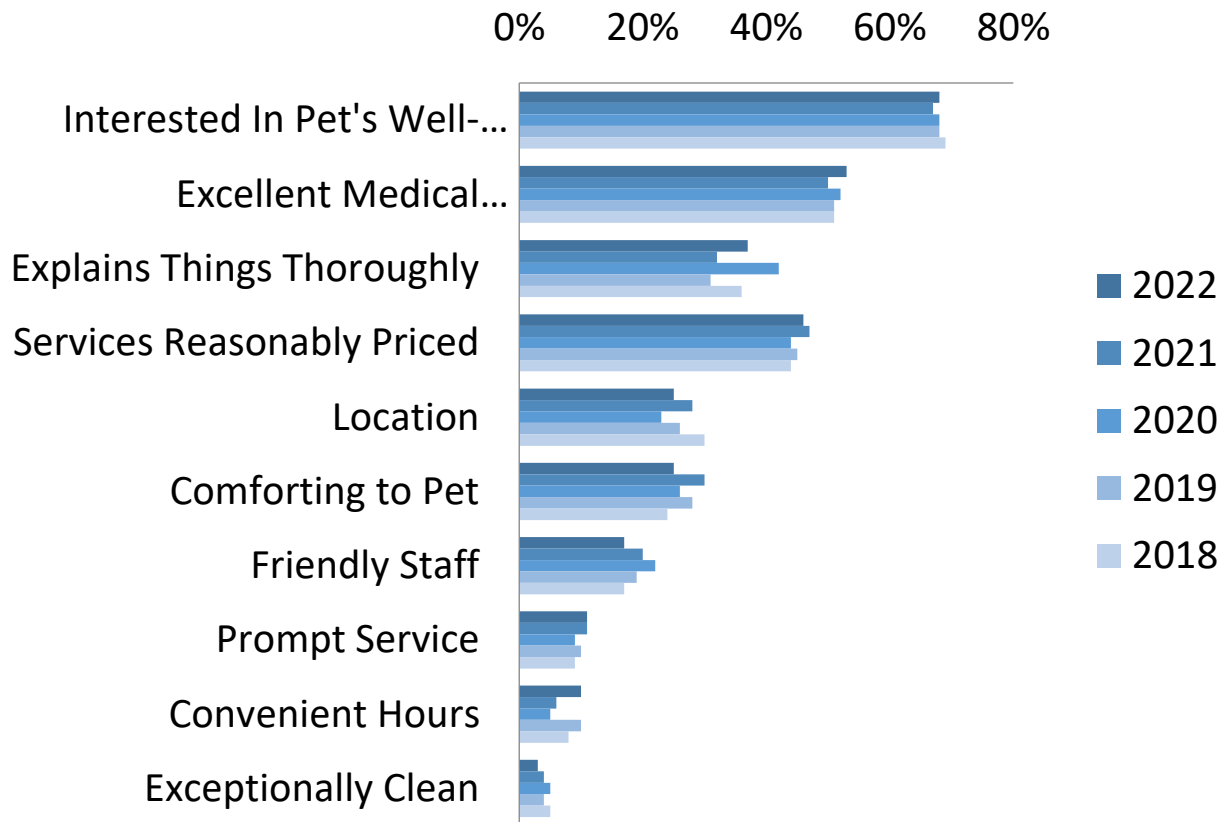
Price Declining
in Importance

Most Important Factor in Choosing a Veterinarian



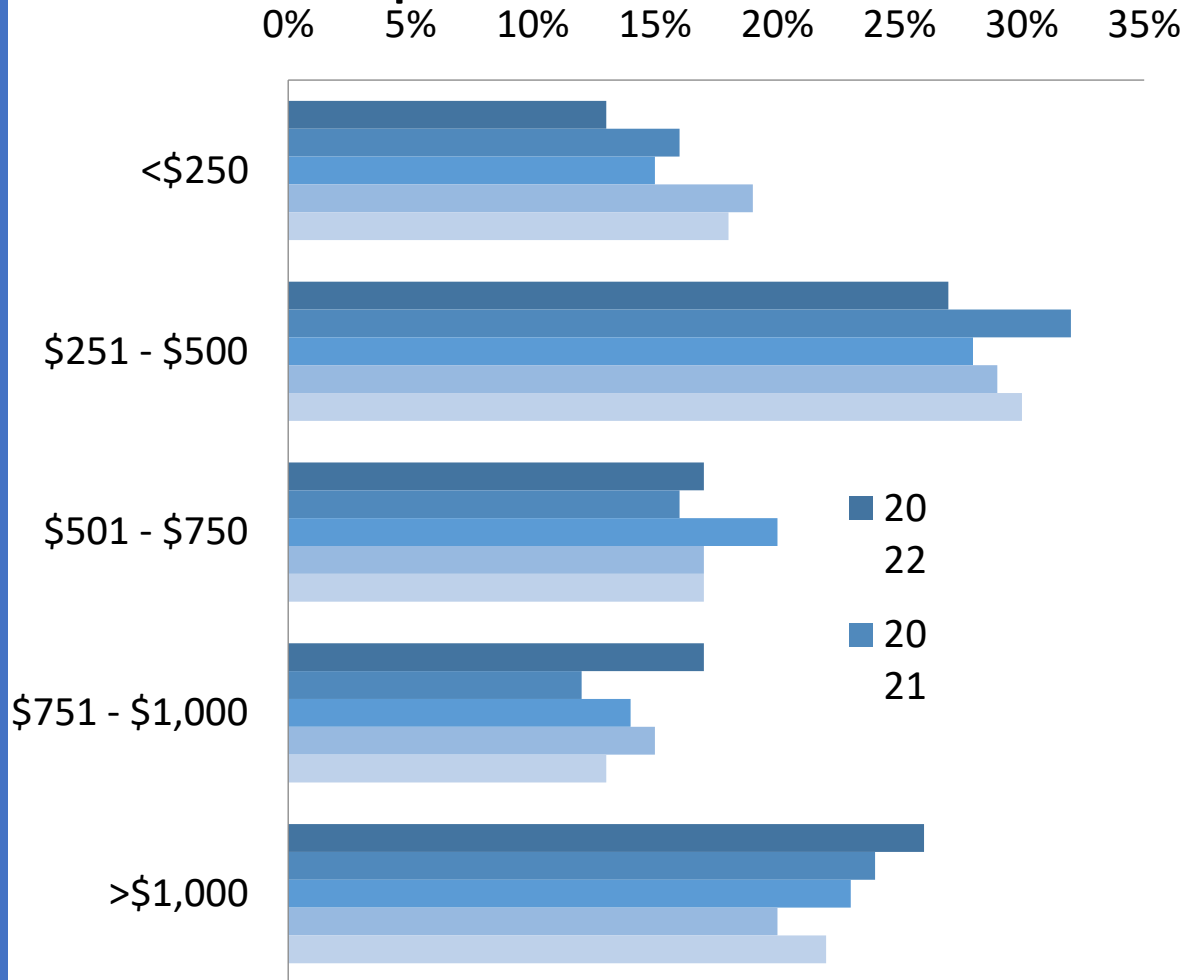
Price
Significantly
Less
Important to
Top Clients

Most Important Factors in Choosing Veterinarian Clients Who Have Visited in the Last Year



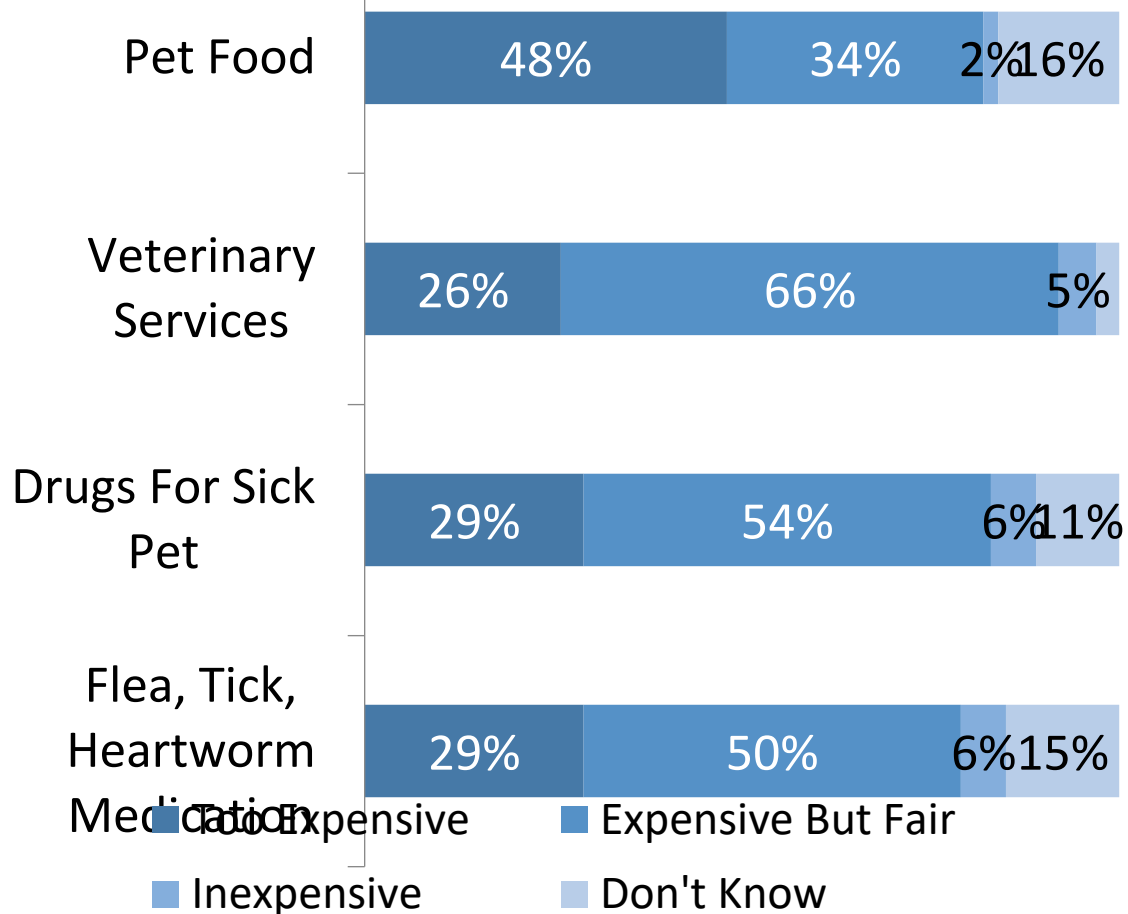
Spending
Continues to
Increase

Amount Spent at Veterinarian Last Year



Veterinary
Services
Perceived as
Expensive but
Fair

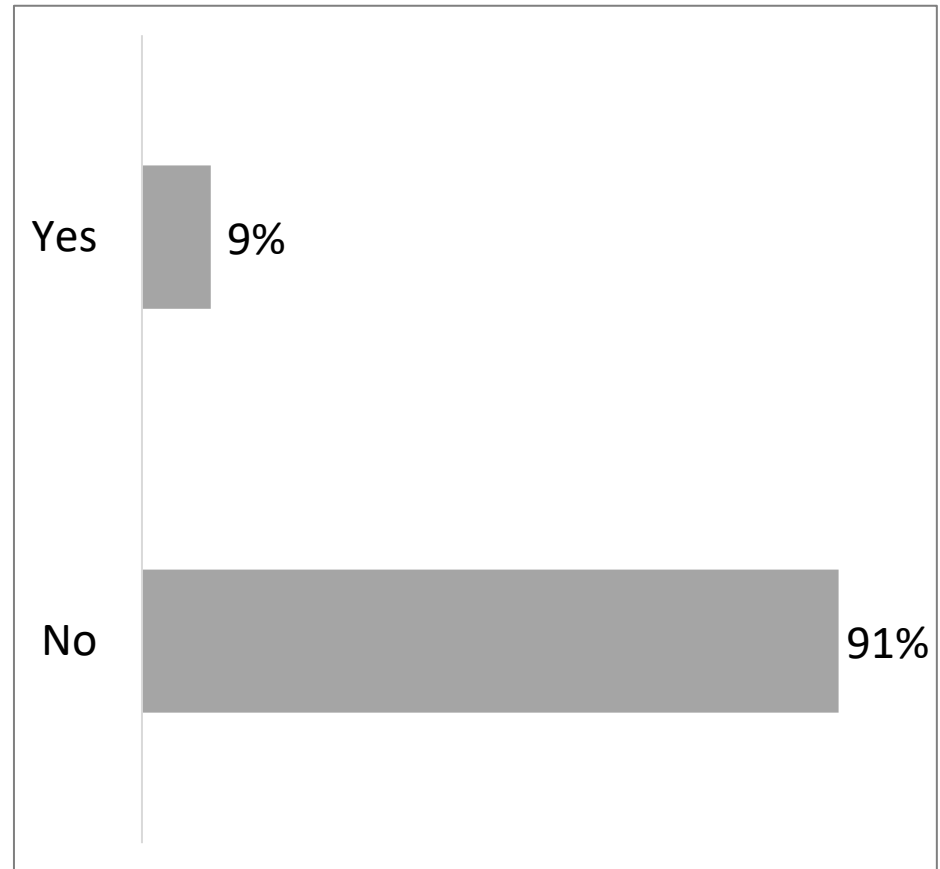
Perception of Veterinary Products and Services



Insurance Makes Veterinary Care Less Expensive

- Historically pet insurance saw 1% to 1.5% penetration.
 - Removed from Pet Owner Survey
- COVID Millennial Pet Parents
 - *“When a millennial couple comes in with a COVID puppy, I expect them to have insurance.”*

Do You
Currently
Have Pet
Insurance?

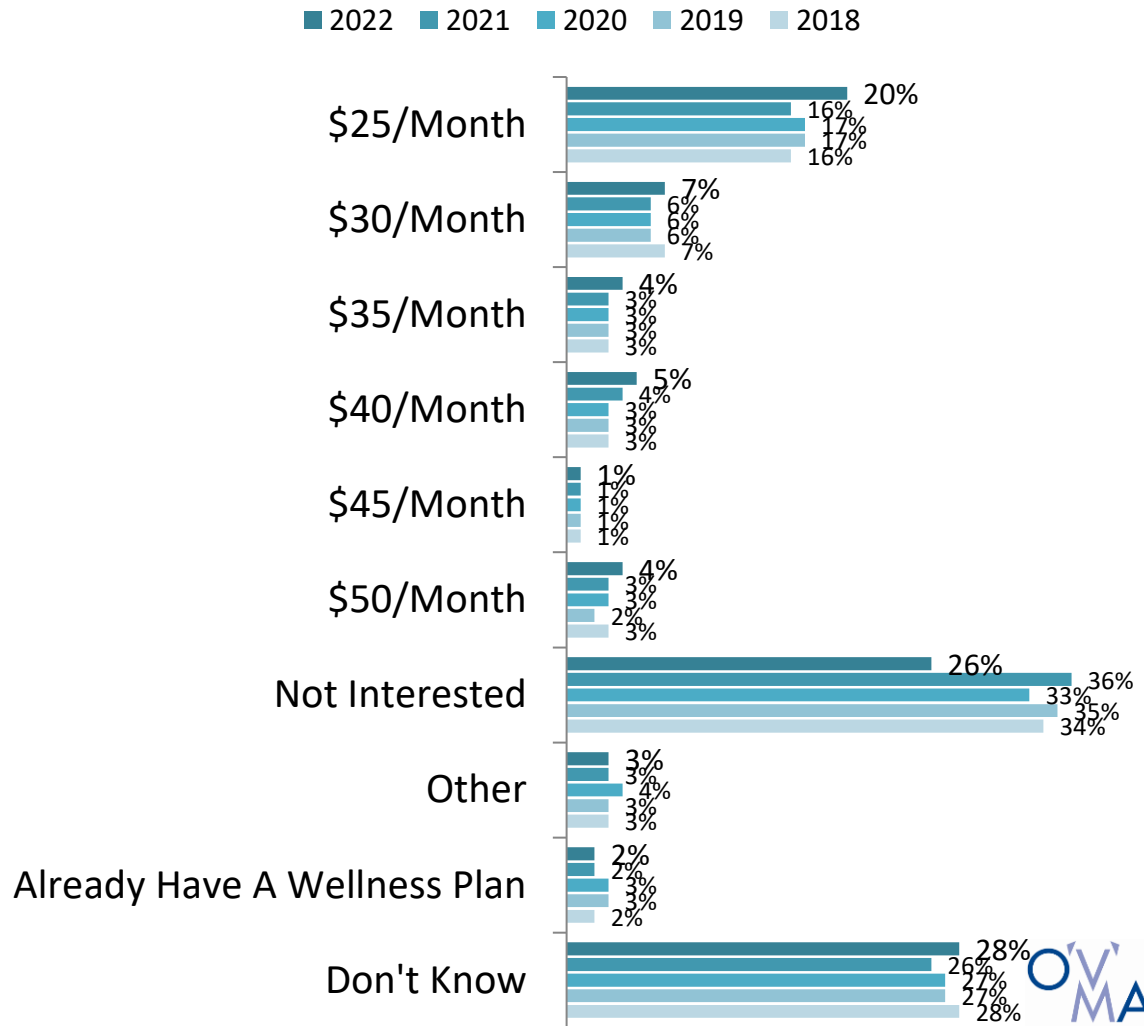


Wellness Plans Offer Predictable Costs

- *I don't have \$720 on me but 60 per month is not a problem*
- Wellness plans are a colossal pain in the admin
 - Increases spending per client
 - Increases compliance
- Worth the effort

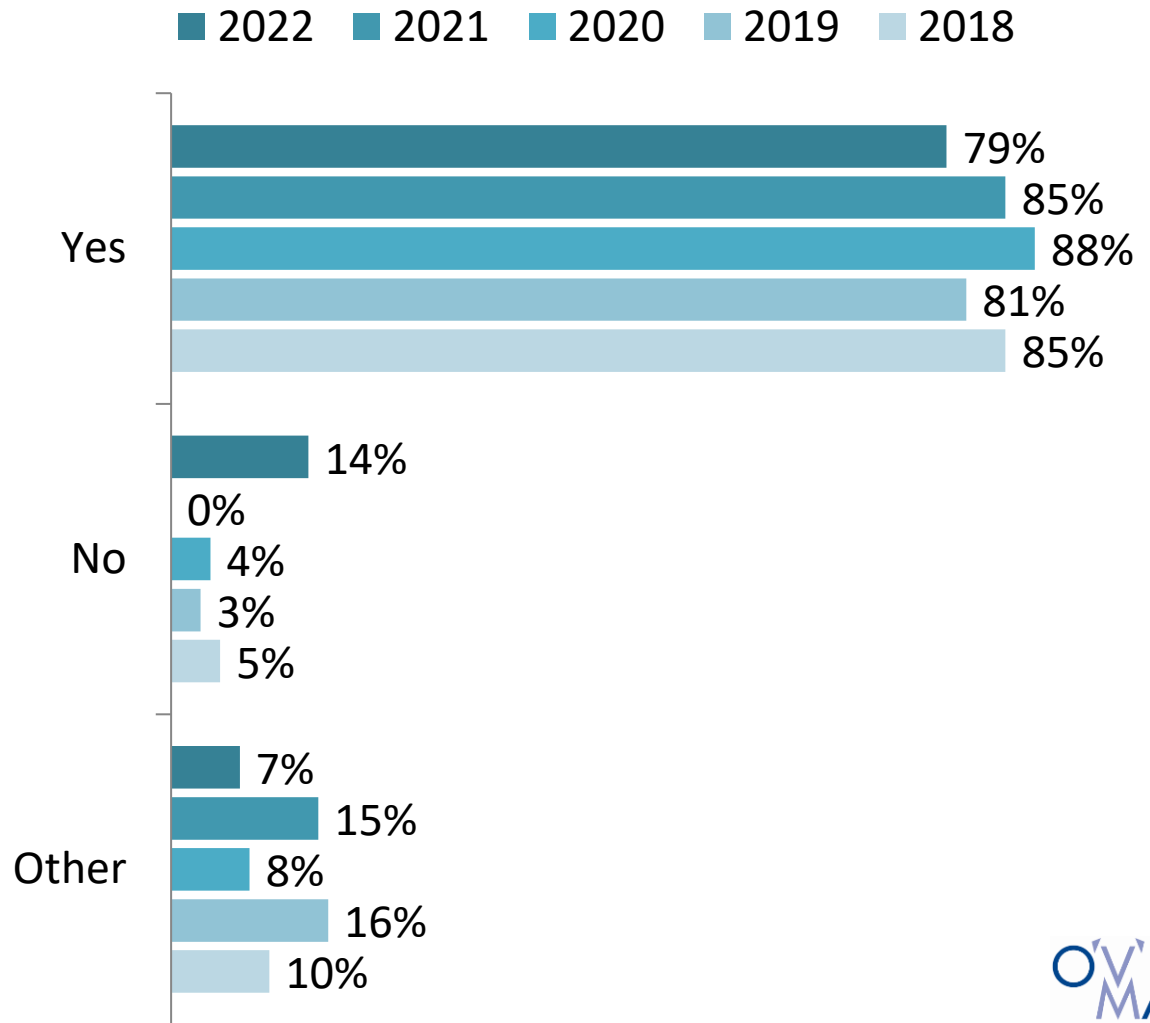
Wellness Plans Gaining in Popularity

How much would you be willing to pay for a comprehensive healthcare package for your pet?



Wellness Plans Struggling to Maintain Service Standards

*Are you happy with
your current
healthcare/wellness
plan?*



How to Talk to Your Clients About Fees

Perception of Value for Veterinary Care

- Veterinarian / Non-DVM Staff

- Time involved
- Cost of equipment / supplies
- What we did to your pet
- Bloodwork costs \$175
- Result should not affect price

- Pet Owner Client

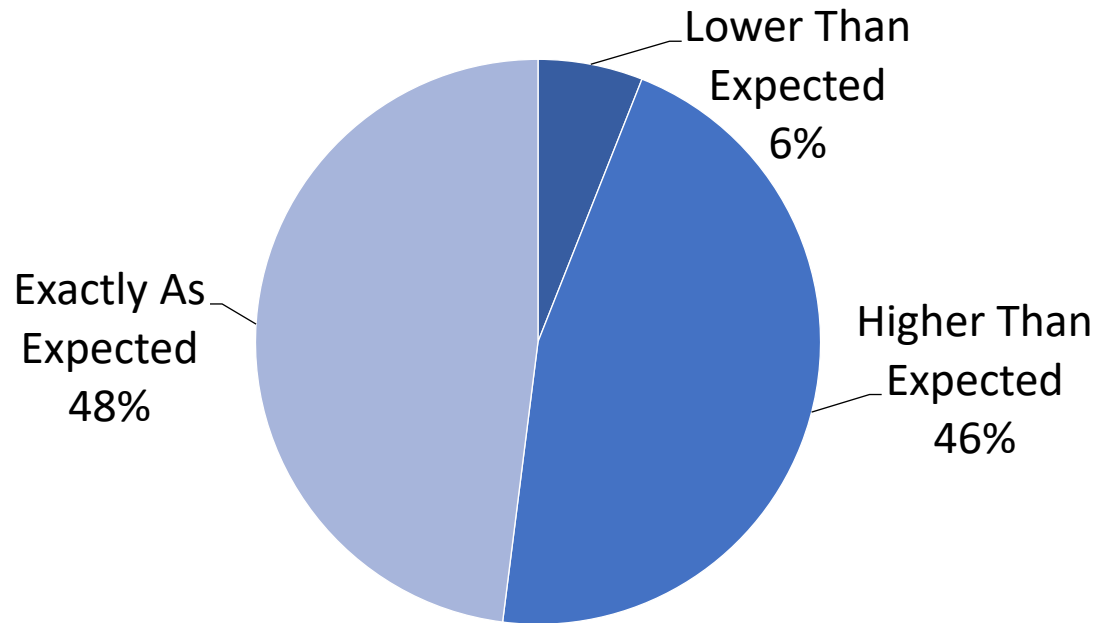
- Overall health
- Wellbeing of pet
- What will that do for my pet
- Health profile to check kidneys
- Value is based on outcome

Explaining Value

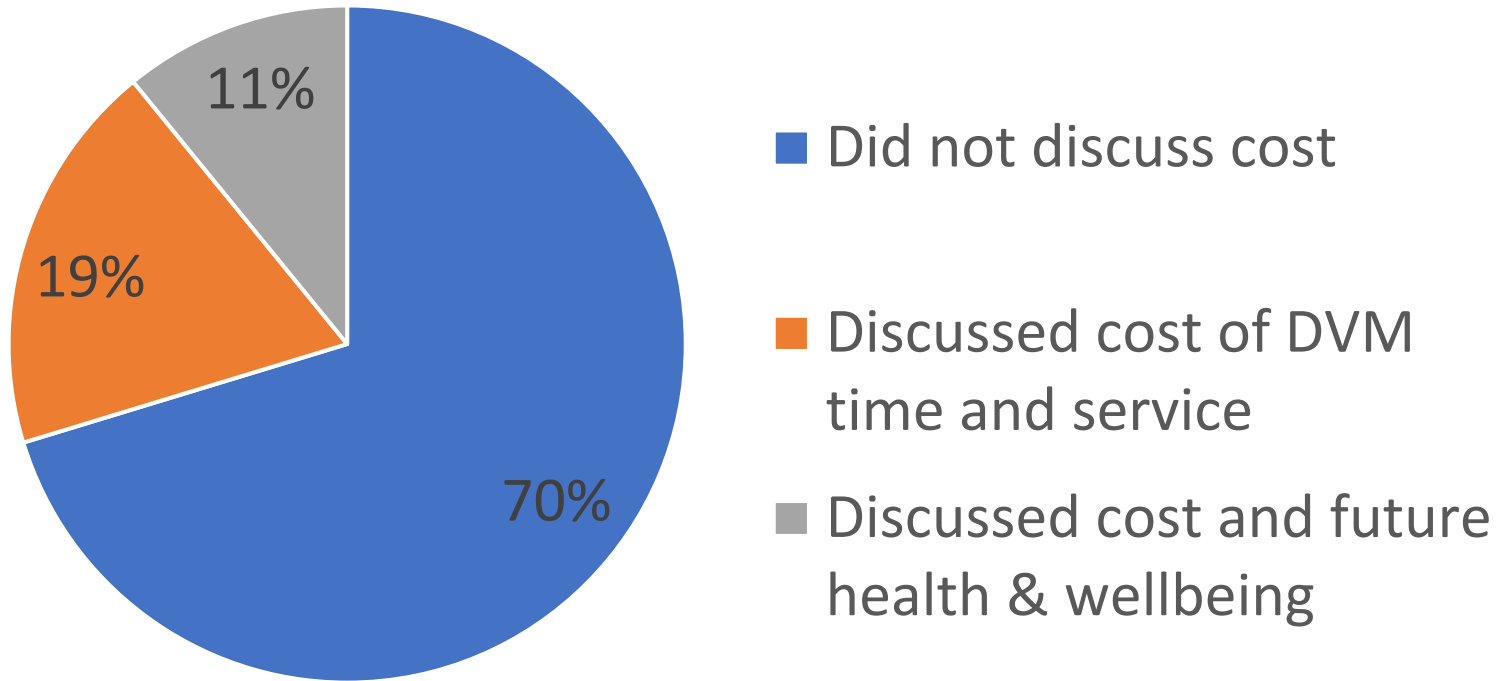
- Most veterinarians and staff do not talk about cost of value
 - Failure to discuss the cost of veterinary care upfront can contribute to client suspicion and mistrust (JAVMA 2007)

- When they do, they do it wrong

At the end of
your
appointment,
the final bill
is:



OVC Veterinary-Client-Patient Interactions



Effective Communication Techniques

- Written estimate
 - Critical for client – builds trust
 - Shows what you are going to do and what is costs
 - OVC researchers found an estimate falls short of showing value
 - In addition to the estimate, someone (DVM or Certified Technician) explains the value of the time and services in relation to the patients future health and wellbeing
- A written estimate is not enough

Communication Skills 101

- Empathize with client
 - Find out client's
 - Cost awareness
 - Financial situation
 - Beliefs regarding cost of care
 - Verbalize your understanding back to the client
- *“I can see that you are concerned about the cost of the dental surgery. Lets take a few minutes and look at some options available to us.”*

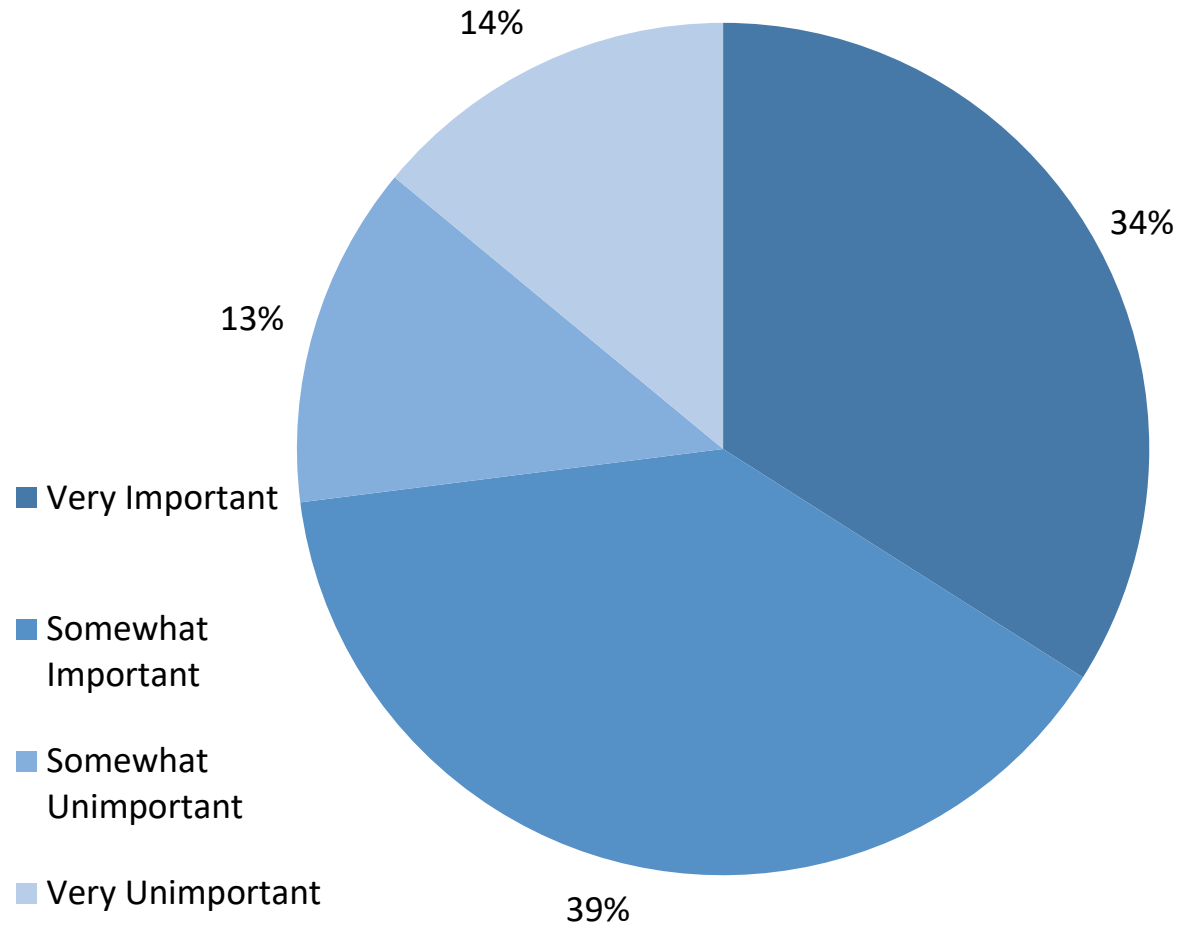
Communication Skills 101

- Partnership Statements

- “Us”, “let’s”, “we” suggest a partnership in the health and wellbeing of the pet
 - Not responsibility for cost of patient’s care
 - Prevents the client from feeling alone when the costs seem unmanageable
 - Suggests willingness to find a manageable solution for pet
-
- “That is more than you paid last year. Let’s go through the estimate together and see what additional services Buddy is getting this year. We might be able to come up with a way to manage this unexpected expense.”

73% of Pet Owners
Expect a
“Partner”

Importance of Seeing the Same Veterinarian



Communication Skills 101

- “I wish...” statements
 - Allows you to enter a client’s world when they need help
 - Shows you acknowledge the emotional impact of the financial situation
- “I wish there was a less expensive option but given Buddy’s condition we need to take x-rays to find out what is going on.”

How to Talk to Clients About Fees Checklist

- Give them the estimate before treatment
 - Don't stop
- Discuss the estimate
 - Future health and wellbeing
- Empathize
 - Cost awareness
 - Financial situation
 - Beliefs of the cost of care
 - Verbalize cost finances and beliefs back to client
- Use partnership statements / “I wish...” statements

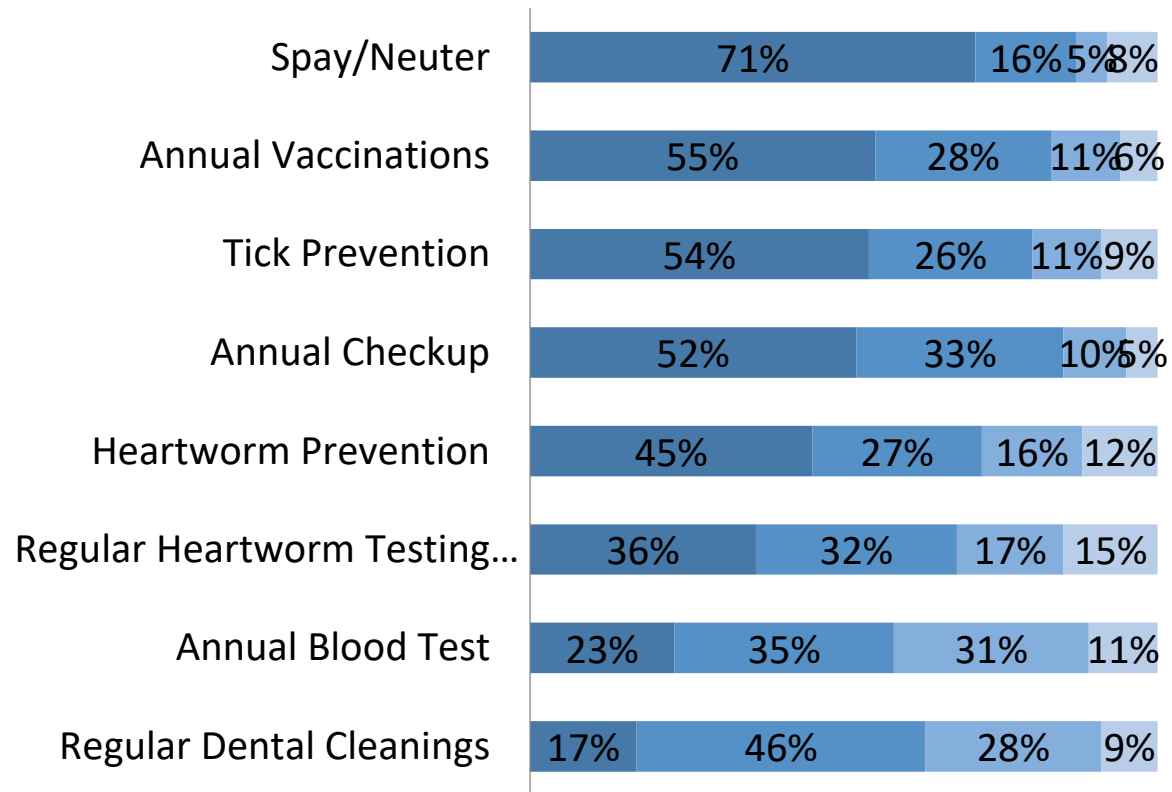
Can We Drive “Beliefs of the Cost of Care”

- If pet owner's believe the procedure is important the value is higher and the price is less important

Ignore the
Eastern
Influence?

Importance of Various Medical Procedures

■ Very Important ■ Somewhat Important
■ Somewhat Unimportant ■ Very Unimportant



Talking About Overall Health and Wellbeing

- Dental cleaning
- Vaccines
- Annual Vaccines
- Nutrition plan

- Staff meeting topic
 - How are conveying the value of _____

Explanation on the Value of Elective Surgery

- Future health and wellbeing
 - *“I know my elective surgeries are a lot more expensive but we think it’s important to perform a cardiac pre-Op ECG screen and pre-Op blood testing before the surgery to make sure the pet is safe for anaesthesia.*
 - *We also use more expensive drugs but these are better at controlling pain and are safer for the pet.”*

Time to Share

- Explanation on the value of a procedure from a client's perspective
 - Future health and wellbeing