Section 1

Marketplace

1.1. MODELS OF VETERINARY PRACTICE

BASICS

OVERVIEW

Veterinary practices, in general, have changed very little over the past few decades. Although there are a number of corporate players in the field, the vast majority of veterinary practices in the country are owned as sole proprietorships, closely held corporations, or partnerships. The retail environment, on the other hand, has changed dramatically over the same period. Major retailers have entered bankruptcy protection, whereas online retailers and discount chains have evolved to better serve the perceived needs of the public.

Pet owners today want choices in the services they can request: 24-hour access to health-related information, the ability to price-shop for items they consider commodities, opportunity to participate as equal partners in health decisions, and the ability to interact on their own schedules. Today's consumer also wants choice, variety, value, and time-saving options. This is often hard to accommodate in current veterinary practice models.

TERMS DEFINED

Commodity: An item that is considered interchangeable, and whose price is a reflection of supply and demand. For example, one 500mg capsule of cephalexin is much like any other to a client, regardless of brand name and whether they get it at a veterinary hospital, at their local drug store, or through an online pharmacy.

Economy of Scale: The reduction in cost per unit that results when operational efficiencies allow increased production. Thus, there are savings, because as production increases, the cost of producing each additional unit decreases.

Full-time Equivalent: A method of comparing practices based on a full-time schedule of 40 hours a week. If a practice has two veterinarians, one working 50 hours a week and one working 20 hours a week, that practice has 1.75 full-time equivalent veterinary positions [i.e., (50 + 20)/40].

Mom-and-Pop: A colloquial term for a small, closely held company in which the principals owning the business are also the principals working in the business.

ISSUES AND OPTIONS

THE CURRENT SITUATION

- The veterinary small-animal market in the United States is a highly fragmented environment comprised of approximately 25,000 primary-care practices. The majority of practices employ fewer than three full-time equivalent veterinarians.[1]
- The small number of veterinarians per practice does not bode well for the continued success of the current veterinary model. Operating a veterinary hospital is an expensive undertaking, and there are few economies of scale to be derived from such small business ventures. Other small retail units, such as "mom-and-pop" drug stores or hardware stores, have largely been replaced by entities that have revolutionized those industries to better meet customer needs.
- Most veterinary practices in a community are remarkably similar, with little to differentiate one from another in the minds of consumers. They are often competing against one another for the same small market share, with new veterinary practices opening in local markets that can barely support the practices already in existence.
- The result is that communities often have many small veterinary practices with proportionately high overheads, because these practices tend to offer all veterinary services (e.g., surgery, hospitalization, radiography, etc.) and must be staffed accordingly. The competition puts downward pressure on prices while keeping hospital costs high. This leaves these small practices chasing the same resources that become harder and harder to attract: clients, trained staff, and associate veterinarians.
- The current model—in which clients who have pets with health problems schedule appointments with their primary–care veterinarians, receive treatment, and/or are referred to specialists and then are expected to follow special instructions—is a system fraught with inefficiencies. It is one that has never worked particularly well, either in human medicine or veterinary medicine. Current studies of compliance in the veterinary industry, in which veterinary estimates of client compliance are far more optimistic than the facts suggest, attest to this. Actually, few veterinary practices track compliance, increasing the likelihood that clients are not being adequately served by the practice or that they are receiving some of the needed services elsewhere (including non-veterinary outlets).
- Today's veterinary graduates also confound the picture for current practice models. Many of today's veterinary graduates are seeking lifestyle benefits that are harder to come by in small practices: a shorter workweek, on-the-job mentoring, continuing education, and the potential for piecemeal equity ownership. These smaller practices can also be difficult to market when the owner wishes to sell. Corporate practices have their own criteria for practice acquisition that often does not include small practices, and valuations for these small practices no longer mirror past standards wherein the seller could expect to be paid based on a certain percentage of gross revenues.
- Veterinary graduates these days also tend to concentrate in clinical practice, although needs assessments suggest that there are no shortages of veterinarians in practice; rather, need and opportunities exist in research, industry, and public health.[2]

THE MARKETPLACE

- Today's pet owner is also a savvy consumer, familiar with elite business practices such as those used by Wal-Mart, e-Bay, Disney, amazon.com, Internet pharmacies, and out-of-country pharmacies that offer lower rates.
- In the American family of yesteryear, there was a male head of the household, a female stay-at-home spouse, and two-plus children. With a stay-at-home mom, it was relatively easy to schedule a veterinary appointment during the workday. But things have changed—there is no typical American family anymore; most adults, both male and female, are working during normal business hours; and consumer debt is rising.
- As can be seen in other industries, consumers want selection, choice, value, and time-saving options, and they want it on their own schedules.

POTENTIAL FOR NEW MODELS

- Human physicians learned long ago that they could not be all things to all patients. These days, general practitioners rarely deliver babies, perform surgery, or do their own radiography. In many instances, offices of general practitioners do not even collect samples to send to the laboratory; instead, the patient typically goes to the laboratory to have the sample drawn.
- For a similar system to work and be convenient for veterinary clients, there needs to be considerable consolidation in the industry, which is only now starting to take place in earnest. For most small veterinary practices, the examination rooms are the profit centers that drive the practice. Performing other duties in the clinic, even such things as radiography and surgery, are often only marginally profitable, and sometimes are actually money-losing ventures when a true profit-center analysis is done.
- Currently, less than 10% of practices in the United States are corporate and without compelling evidence that they are leveraging hospital numbers to attain true economies of scale and scope. Whether this will change as more and more hospitals are added or assimilated has yet to be determined.

1.1. Models of Veterinary Practice

• Efficient models of veterinary practice have veterinarians performing the duties for which they are best suited and working in a collaborative fashion with other professionals to deliver more comprehensive care. Even in a two-doctor model, it will always be more efficient if one doctor is performing surgeries all day while the other is seeing clinical cases all day, rather than each doctor alternating between clinical and surgical duties. It is even more efficient if separate services are run as distinct profit centers. This would allow veterinarians to charge on the basis of their costs and not spread the costs of all hospital operations across the total client base. In too many veterinary hospitals, certain services (e.g., surgery) are subsidized by other services (e.g., pharmacy or laboratory), such that neither is appropriately priced to the consumer (one is unfairly high and the other is unfairly low). This, in turn, invites competition for the service that is priced unfairly high. Similarly, with enough general veterinary practitioners in a given hospital setting, there are economies of scale to permit the functioning of separate profit centers at fair prices to consumers and fair remuneration for practicing veterinarians.
• Creating profit centers in large collaborative practices is not enough to fully meet the needs of pet-owning clients. A truly client-centered practice should also emphasize the following:
  ◦ Access to specialists: Clients are very aware of specialists in human medicine, but are not necessarily aware that the same kinds of services are available for animals. Clients should realize that specialists are an extension of their primary-care veterinary hospital and that the specialists and primary-care veterinarians will work together with them as a healthcare team.
  ◦ Access to reliable medical information: Veterinary practitioners traditionally have not done a very good job of educating their clients on the entire spectrum of healthcare alternatives available. With websites and databases, it is now possible for veterinarians collectively to create an evidence-based database in which clients can research the most effective drugs, treatments, and tests to address the patient's individual needs. If clients don't get this kind of support from the veterinary profession they will seek it out elsewhere, so it is best that this access be viewed as part of the solution rather than part of the problem.
  ◦ Access to health educators: There is a much-needed role in client education that is currently unmet in the profession. Clients need help with understanding care pathways and treatment plans, having someone check on them periodically to see if they have questions or need a veterinary visit, and helping them navigate the veterinary healthcare arena. This kind of client advocate could be a veterinary technician or specially trained assistant, or could even be a network affiliate of a larger veterinary healthcare system. If veterinarians are concerned with compliance and client loyalty, this is an important consideration.
  ◦ Access to clients with similar concerns: Social media is very popular, and many people are comfortable hearing accounts from other individuals who share the same concerns. Sometimes, just hearing from another individual who has been through the process is enough to put clients at ease regarding procedures being contemplated. Having such a discussion moderated by a veterinarian or trained technician is even more valuable and helps stop medically inaccurate information from being disseminated.
  ◦ Access to training and behavior consultants: Surveys have shown that many pet owners do not initiate discussions with veterinarians about behavior problems, and the converse is also true. Behavior problems are the main cause of pets being relinquished, however, so training is a critical component of pet ownership that must not be ignored.

These are important changes, but they are not necessarily the only changes that need to be made to veterinary practice models in order to create a more effective healthcare delivery service.

EXAMPLES

A client who owns a Doberman pinscher pup searches a veterinary medical database linked to the primary-care veterinarian's website and learns that the breed is susceptible to von Willebrand disease. The client sees that there is both a DNA test and a von Willebrand factor assay available, and initiates a discussion with the health educator assigned by the practice. They schedule an appointment for the tests to be run. It turns out that the dog does, in fact, have von Willebrand disease. The client joins a veterinary-supervised discussion group for the disorder and makes arrangements with the veterinary hospital to be appropriately prepared for upcoming neutering surgery. The veterinary hospital provides a higher level of care at higher revenue, and averts a potential emergency—all initiated by the client. The alternative may have been that the diagnosis was made following complications of the surgery, proving costly for both practice and client.

CAUTIONS

It is hard to make firm conclusions about models of veterinary practice that currently do not exist. Also, developments in human medicine may take decades to filter down to the veterinary profession, and not all may be appropriate.

MISCELLANEOUS

ABBREVIATIONS

N/A

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1.2. CHALLENGES TO THE PROFESSION

BASICS

OVERVIEW

By definition, a challenge is a call to battle. In reviewing the Internet and in conversations with colleagues, the battles that the veterinary profession is currently waging include:

- The battering of the respect, credibility, and trust of veterinarians by the media and the Internet
- Balancing the value of a pet to a family and the value of a pet when it comes to the legal system, and the possibility of the recovery of non-economic damages
- A conflict between veterinary schools and the profession over the proliferation of veterinary school graduates
- A business model that provides a livable wage to hospital owners but in some cases does not provide a reasonable long-term ROI
- The failure to more generally apply business principles used by truly successful non-veterinary businesses
- An assault on the veterinary drug dispensary as a profit center
- Escalating cost of education, ultimate escalating student debt load, and the future of the profession
- A confrontation over the cost of care and the ability for the "average" consumer to be able to afford it
- A disconnect between the perceived value of the services and products sold by a veterinarian and the cost as determined in the mind of the consumer
- The challenge as to whether increasing acceptance of pet insurance could open the door to managed care
- The move to a part-time job versus a full-time career
- Corporate consolidators challenging the long-standing business model
- The challenge of being a sole practitioner
- Animal rights as headline news

TERMS DEFINED

N/A

ISSUES AND OPTIONS

RESPECT AND TRUST

For the longest time, the veterinary profession was considered to be one of the most highly respected professions. It appears from recent media sources that credibility, respect, and trust of veterinarians may have experienced some erosion.

The Internet, sometimes referred to as Dr. Google when diagnosis and treatment are concerned, allows consumers to query everything at any time, and for free. There are many websites challenging the need for the level of care that is being provided by many veterinary practices. Specific questions include: Is there a need for blood testing, whether pre-anesthetic or baseline? Is there a tendency to overtreat in terminally ill cases? Is the more expensive and new surgical option that much better than what was used in the past? Even the level of well care that might be needed is under scrutiny.

Such myriad opinions can indirectly call the level of care and the type of care provided by veterinarians into question, which in turn can erode the level of trust that pet owners have for their veterinarian.

NON-ECONOMIC RECOVERY

At this moment in time, a pet is considered property (chattel) when it comes to evaluating its value in a legal case. And in most cases, case law calls for no more than replacement cost when a defendant, including veterinarians, is found guilty of damaging a pet owner by injuring or killing their pet.

From a veterinarian's standpoint, the higher the value of the pet in the eyes of its owner, the more that owner is likely committed to the care of that pet. However, with a higher value for the pet, the owner may seek a greater return in the case of malpractice, negligence, or other injury. This is a tough balancing act for the profession.

For the most part, outside of replacement costs, findings for non-economic recovery have rarely been included in settlements for animal-related lawsuits. Non-economic recovery is an additional payment for the loss of a pet above and beyond its replacement value, and the payment amount reflects the emotional damage or distress felt by the owner as a result of the injury or death to their pet. A non-economic recovery on a lawsuit will immediately increase the potential value for a suit, and with it, the value of the pet in the eyes of the legal system. This, in turn, will encourage more and more attorneys to look to veterinarians as a future profit center.

But, can veterinarians have it both ways? Pets treated as four-legged family members will likely receive recommended levels of care, but this preferred ranking as a family member (versus property) may mean they also have a greater value in the courtroom. Will veterinarians be the next target for the law students being taught animal law at over 100 law schools in the country?

THE VETERINARY SCHOOL MODEL

Currently (2013), there are 28 accredited veterinary schools in the United States, with at least five new veterinary schools having been proposed. Additionally, many of the existing veterinary schools have increased their graduating class size to address economic pressures.

While the number of veterinary school graduates projects to increase, in many areas of the country veterinarians are unemployed or underemployed.

Veterinary colleges are challenged to be economically viable. They are reacting to this by increasing admission class sizes and increasing the cost of education for these newly admitted as well as already enrolled students.

There are definitely some underserved areas and professional focuses when it comes to veterinary care.[1] However, identifying candidates for these locations or areas of interest is not being addressed by increasing class size. So, more veterinarians are graduating with the same general concentration (clinical practice) and are not necessarily addressing the greater needs.

As the cost of education is going up, so is the student debt for graduates of veterinary schools. With debt hovering around $150,000 upon completion of veterinary school[2] and fewer jobs, which are paying lower salaries, a vicious cycle is impending for the 3,000 or so veterinary school graduates and the profession as a whole.

With regard to veterinary schools, another question is whether the entire process from start to finish is based upon selecting the best candidates to complete the veterinary education or the best candidates for the consumer (veterinarians or industry or school). In other words, does the admission process and educational process meet the needs for the end user at this point in time?

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Taking this issue into another global veterinary issue: Is the current veterinary student gender-ation (gender and generation) adversely selected when it comes to business ownership or entrepreneurship? Is the student debt and the nature of those selected a barrier for entry to small business ownership? Taking this even further, if the current or recent gender-ation of graduates doesn't want to purchase veterinary businesses, who will?

THE VETERINARY BUSINESS MODEL

In the original so-called Mega-Study,[3] 19 standard business practices were noted as being associated with well-managed veterinary hospitals. It was also noted that almost 80% of practices use fewer than ten of those standard practices. Subsequent studies do not indicate much improvement in this area, even though it was statistically significant that those who used more standard practices were more profitable. For the most part, the veterinary business model remains entrenched in its 60-year-old approach to delivering veterinary care.

Profitability may not be directly correlated to happiness and career satisfaction, but it is definitely influential in these areas. The veterinary business model may not provide sufficient return on investment to meet the long-term needs of most veterinarian business owners, especially when it is time to sell their business. The current net profit margin for most practices does not provide return on investment commensurate with the risks involved.

The veterinary delivery model is more labor intensive than virtually any other healthcare model. Veterinarians require more staff per doctor than medical physicians or dentists. This would be fine, if the staff were delegated tasks that would make the practice more effective, efficient, and profitable. Although a registered dental hygienist can generate hundreds of thousands of dollars per year in practice revenue, a veterinary staff member is rarely allowed to fully utilize the skills they have. Veterinary hospitals that have fully leveraged staffs are the most profitable and report the highest level of staff satisfaction. Unfortunately, this model is not universally applied. Thus, as a rule, veterinary practices are "people heavy," and because payroll is the highest expense for the hospital, profitability wanes.

Another drain on profitability is the failure to make efficient use of the physical plant. Rent or mortgage is paid on 100% of the square footage. However, at any one point in time, only a small percentage of the area is being fully used. Although the exam rooms are in use for billable income, the surgery suite may sit unused. When the surgery suite is in use, often times the exam rooms are unused. Additionally, many veterinary practices actually close their doors and are not available for periods of time during the day. The rent doesn't stop when business is not being transacted. A business model that finds greater use of the various areas such as imaging, laboratory, exam rooms, surgery, treatment, and so on, at all times of the day (and night), will have a greater return on the physical plant investment. And because the physical plant is also a large expense, this increased efficiency should improve profitability.

After payroll costs, the highest expense for most veterinary practices is the inventory of drugs and supplies. With the current markups in use by most hospitals, the sales of drugs and supplies by practices may not provide a positive net profit for the practice. Past issues in the pharmacy were the result of too much inventory sitting unsold, the physical space required for storage, overlapping product lines, and shrinkage, among other factors. In recent years, a new challenge to pharmacy profitability has arisen and provides a huge challenge to practice profits.

The veterinary pharmacy today faces many challenges from the growth of online pharmacies, human pharmacies, and retailers. The in-practice dispensing of prescription drugs, flea control, heartworm control, and other products is being seriously challenged by outside competition (see 8.13: Medication Dispensing, Compounding, and Prescribing Practices). How veterinarians respond to this challenge will determine how well the current veterinary business model survives in this hyper-competitive landscape.

Another challenge to success is that many veterinary hospitals are operated with only a small number of veterinarians. The inefficiencies previously noted are exacerbated in these small practices where the physical plant is underutilized, as is the staff. Affordability makes these practices most attractive for young veterinarians seeking to buy a practice. On the other hand, profitability in these small practices makes the cash-flow method for determining purchase price lead to practices that are frequently undervalued (in the owner's eyes) or overvalued (in the buyer's eyes).

With over 40% of new and recent graduates going on to post-graduate internships and/or residencies, the proliferation of veterinary specialists has also rocked the delivery model. Whereas in the pre-specialist era veterinarians did everything in their own practice (and still do in many rural practices), in urban settings the immediate availability of specialists in surgery, ophthalmology, dermatology, internal medicine, emergency/critical care, and so on, has started to push the general practitioner into the role of preventative care and triage physician, with everything else referred to the appropriate specialist. Specialty veterinary medicine is offering new options for pet owners when it comes to the treatment of many conditions. For those pet owners who can afford it, specialists provide the best care possible. For generalists, specialists have become the "go-to" doctors for much of what was done in general practice not that long ago.

Non-traditional sources of veterinary care are also becoming available with more prominence. With pets being spayed or neutered at shelters before placement, the spay-neuter income has been diluted. Add to that private, public, and non-for-profit spay and neuter clinics, and the revenue potential gets sliced even thinner. Of course, vaccination clinics have been around for a while, offering a direct challenge to practice income at pet stores, feed stores, parking lots, and so on.

The overall foundation of the veterinary practice is being rocked by all of this and calls into question the presence of a model that will provide for all stakeholders in a practice setting.

COST OF CARE

Over the last 50 years or so, as the small animal practitioner plied his trade, improved his skills, and offered higher levels of care, the cost of care escalated but was still long considered a "healthcare bargain," when compared with the services offered by our human health counterparts. However, veterinary costs have certainly come under more scrutiny lately.

Over the last ten to fifteen years, veterinarians increased prices on a regular and continual basis. When prices were increased, the income for veterinarians also increased. These price increases usually encompassed all fees, albeit some of the more competitive services were raised at lower rates to remain in line with other practices.

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Unfortunately, in many cases, the fee increases were not accompanied by a commensurate value increase to the pet owner. Thus higher fees were often charged with no change in service, care, compassion, understanding, or education. The consumer has started to push back on care, and client visits to veterinary hospitals has dropped. Fewer veterinary visits, lower compliance, lower adherence, and more resistance to healthcare plans (estimates) will not bode well for the profession.

The cost of care question, which never seemed to be an issue previously, is now a real issue and further validates that the veterinary profession is not recession proof. It also will challenge the communication skills of many practices who were used to discussing a pet's needs without question and now will be facing questions from the client or even more second opinions before care is provided. It has also led to pet owners delaying care for conditions, and thus only increasing the cost of care because pets are coming in for care later than they should.

Reconciling the disconnection between the cost of care and the value of care is a challenge at all levels of veterinary medicine. It will require a combination of organized veterinary medicine and industry support to attack this issue.

PET INSURANCE

Although many countries have large numbers of their pets insured, the United States continues to wallow around approximately 5% of all pets being insured (see 5.11: Pet Health Insurance). The challenge of getting pet insurance accepted by both veterinarians and consumers is not helped by websites that suggest it is not a good return on investment. As long as pets remain property, and as long as insurance for pets remains property insurance, the issues associated with human healthcare insurance are really not applicable.

Having owners buy pet insurance will help address the challenge of cost of care and could help increase veterinary visits and the amount spent, thereby making practices more profitable and pets healthier.

CORPORATE-OWNED PRACTICES AND CORPORATE CONSOLIDATION

The presence of veterinary practices that are owned and operated by large financial backers may be considered a challenge or a benefit, depending on to whom you speak. Those veterinarians that have sold their practices and benefited from the deep pockets of a corporation may offer one opinion. Those veterinarians that have practices impacted by the presence of a corporate practice in their community may have another opinion.

Over the last twenty years, the increasing presence of corporate practices has concerned many practitioners. The concerns include: unfair competitive edge; loss of identity of the veterinary profession similar to other franchised businesses; diminishing standards of care; lower prices; higher salaries and challenges to meet the available benefits; and other factors. Even with these concerns, the number of corporate-owned practices is still less than the 15% of all practices that was once projected. It is still undetermined what role corporate veterinary practices will play in the future of veterinary medicine, but most of the fears regarding corporate practices remain unsubstantiated.

THE SOLO PRACTITIONER

One might wonder why this is a challenge, just as one would question whether corporations are a challenge. The single-doctor practice model has existed for decades. It is a model that human physicians followed for decades until various challenges they faced caused them to change.

A single doctor has the challenges of balancing business and clinical care; leadership and doctoring; day-to-day operation and long-term vision. And they do this without having other professionals around to support them. The opportunities for survival, let alone growth, all depend upon the doctor coming to work each day, every day, until the business can support a second doctor. The good news is there is no reason to share the profits. The bad news is that the profits are limited to the abilities of the doctor in charge.

With the gender-ational changes, the need to balance life and income has taken a front seat to many other priorities. In a single-doctor practice, the ability to balance life is challenged by the need to be profitable. The time needed to run a single-doctor practice comes from the time that would be spent at home or taking care of oneself. This business model has become less attractive because of the time challenges and the somewhat constrained profitability, based upon how much work one doctor can do.

EXAMPLES

To get a feeling for the public perception of the veterinary profession, all you have to do is listen. Whether it is online, at the bank or the grocery store, while walking the dog, or visiting a pet store, consumers are offering unsolicited comments about their veterinary experiences.

Complaints to veterinary associations about pet owners' experiences seem to have increased. Concurrently, the number of calls from pet owners seeking more affordable care, discounted vaccinations, discounted spay-neuter procedures, and even free care has grown. Most calls do not involve actual malpractice. Pet owners may complain about overtreating, poor communication, failure to provide full disclosure, overcharging for products available cheaper elsewhere, and so on.

On the veterinary side, job listings are decreasing even as qualified applicants are increasing, at least in some markets. Many veterinary graduates in the United States can be assured of their student debt, but not necessarily assured that they will have gainful employment to service that debt.

CAUTIONS

These challenges noted represent challenges that have been identified by the veterinary profession. Addressing these challenges and finding solutions will require an overarching effort from practitioners, organized veterinary medicine, industry supporters, and universities.

MISCELLANEOUS

These challenges do not mean that the veterinary profession is not thriving. They are just indicators of the maturation process and the need for evolution within the profession. Additionally, the number and variety of challenges indicate that the world in which veterinary medicine survives is also changing very rapidly. The long-term question examines what is needed for veterinary medicine to overcome the challenges, re-configure or transform itself, and continue to flourish.

1.2. CHALLENGES TO THE PROFESSION

ABBREVIATIONS

ROI: Return on Investment

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1.3. TRENDS IN COMPANION ANIMAL VETERINARY PRACTICES

BASICS

OVERVIEW

The number and type of practice models for the ownership and management of veterinary practices have proliferated in recent years. These diverse practice models will continue as will increased hybridization of models. No single model is likely to dominate, and in the aggregate these trends will lead to a decreased proportion of practices owned and operated as conventional small-companion-animal practices. Although it's not possible to predict all the future changes, it seems certain that certain trends will continue, including:

- Proliferation of larger practices;
- Continued consolidation in general practice and referral practice at national, regional, and local levels;
- More specialists working in general practices and in smaller markets;
- More innovation of models or combinations of models intending to solve new or emerging business challenges, or targeting increasingly specific sectors of the care-delivery spectrum.

TERMS DEFINED

Competition: The process of two or more businesses vying for the same group or a fixed pool of customers.

Consolidation: The mergers or acquisitions of smaller companies into a single, larger company.

Differentiation: A manner of creating competitive advantage through offering products or services that stand out from rival businesses through the quality, service level, or cost of the services. Offering a unique combination of services or a uniquely focused set of services are other means of differentiation.

Diversification: A manner of attempting to gain increased sales through offering new products or services or by selling products or services into new markets.

Economies of Scale: The cost advantages an organization gains through expansion, or more simply doing things efficiently. Common economies of scale involve purchasing, managerial knowledge, and finance.

Market Maturation: As a growth market for services or products begins to transition into a more stable market, this often marks a time when customer needs or demand are not evolving or growing rapidly. As a market shifts from growth to maturation, businesses need to adopt different strategies due to the nature of competition and the demands of the customer. Signs of mature markets often include competition, differentiation, and diversification.

Practice Models: The array of various aspects of ownership and management of veterinary practices including the practice size, and the scope and breadth of services or markets served.

ISSUES AND OPTIONS

Key Factors: A larger and more diverse selection of practice models exists today than ever before. Practice models evolve in responses to economic forces. Some of the forces contributing to the proliferation of practice models include generational preferences, market forces, and the supply of veterinarians.

Generational Preferences: Recent graduates have had a reduced interest in practice ownership perhaps reflecting both their generational tendencies and an awareness of the challenges of business ownership (see 1.10: Generational Differences). Real or perceived lack of access to capital may be an issue as graduate veterinarians manage increasingly larger student-debt burdens.

Market Forces: In many metropolitan areas or regions, the demand for veterinary services may be considered a "mature market," having reached a balance of supply and demand. Competition, differentiation, and diversification all become more prominent in mature markets. In response to these forces, practices will continue to consolidate, and new practice models will spring up to exploit smaller or more specialized or fragmented niches.

Supply of Veterinarians: Veterinary student enrollment has grown systematically. The supply of specialists has grown consistently due to the high interest in specialization and due to growth in the number of internship and residency training programs in private practice. Speculation about the consequences of these changes is rife within the profession and can be polarizing. In recent years the increases in the supply of veterinarians have coincided with reduced demand for veterinary services and reduced rates of pet ownership to some extent, producing a relative or absolute oversupply of veterinarians in some areas of the country. The increased supply of veterinarians has facilitated the operation and growth of larger practices, from an ease of staffing perspective.

EXAMPLES

CURRENT MODELS

Primary-care (general) practice has been the most common practice model traditionally. Varying sizes of practices exist, including smaller practices owned and operated with one to three veterinarians and mid-sized or larger practices employing four or more, and sometimes as many as 25 or more, veterinarians. Mobile and house-call practices also fall into the primary-care practice category, often functioning as the smallest-sized general practices.

Consolidated practices are practices created by mergers with, and acquisitions of, other practices or practice groups. Consolidation is often driven by business imperatives such as profitability through economies of scale, revenue growth, and market competition. As practices grow in size, they may achieve a variety of business advantages unavailable to smaller practices. Current business tools and technology continue to increase the ease of operating multiple locations across a city, region, or country. Consolidation is taking place at national, regional, and local levels. Nationally and regionally, there are a number of consolidators operating dozens to hundreds of practices. National and regional consolidators may be publicly traded or privately held, and may have investment backing from any number of sources including private equity firms. In addition to acquiring existing practices, some national and regional practice groups start new hospitals. Consolidation is occurring locally in many geographic markets, with certain practice groups owning and operating two to six hospitals. The difference between a general practice with multiple locations and a consolidated practice may be mostly one of semantics as both types increasingly focus on economies of scale and on growth. Consolidated practices still own a relatively small proportion of all practices but their growth is continuing and new consolidators continue to emerge.

Species-specific practices focus on a single species of pet. The most common example of this is a feline-only practice, and other examples include dog-specific practices, avian, and/or exotic-specific practices.

Care segment-specific practices focus only on a certain segment of care or specific aspect of the pet's life cycle. This type of care is often delivered by animal shelters, spay-neuter clinics (for-profit and not-for-profit), vaccination clinics, hospice practices, and even urgent care practices.

Other Management Structures: More recently, a number of new structures have emerged as structures for ownership and/or management of practices. These include:

1.3. TRENDS IN COMPANION ANIMAL VETERINARY PRACTICES

• **Contracted management** occurs when a management company manages the business operations of the practice for a fee. This model may blend certain aspects of investment-backed entities (see Investment-backed Entities), where the management fee may also include an equity interest in the practice. Contracted management is being practiced in primary-care, specialty, and academic practice.
• **Group purchasing organizations (GPO)** can be viewed as a subset of contracted management and also may be known as buying groups. GPOs work to improve profitability of participating practices through economies of scale in aggregating buying power, often focusing on drugs and medical supplies. They often develop offerings in other areas such as office supplies, laboratory services, and business services such as credit-card processing, payroll processing, and even management services. GPOs currently operate in the United States, Canada, Australia, and the United Kingdom.
• **Investment-backed entities** invest private funds into existing practices, but purchase less than a full interest in the practice. Beyond providing financial capital for the owner, the entity brings management expertise and a focus on the business aspects of the practice. There are at least two of these entities operating today.
• **Peer groups** are intended to facilitate general business knowledge for owners. These groups may also endeavor to improve profitability through operating as a GPO. At times, these groups may facilitate mergers or consolidation, either intentionally or as an unintentional outcome of bringing like-minded business owners together. Peer groups often focus on collaboration between practices similar in scope or mission (e.g., general practices, equine, feline, referral).
• **Specialty practices** have undergone a proliferation of practice models. Older models of specialty practice continue to exist and to thrive in certain circumstances. Examples of these models include "cooperatively owned" practices, where a group of local general practitioners own and operate the practice; the "condo model," where multiple practices operate under a single roof; and the "clustered model," where a group of separate practices are located in close proximity to one another to create a medical campus effect. There has been a steady movement to owner-operated referral practices such that the various specialty services are operated by a single entity, which is usually held closely by a single owner or small group of partners working in the practice. The owner-operated practices are often able to operate more nimbly than the older models of specialty practice.

In many areas of the country, there are also specialists who work on a mobile basis, working regularly at many or a few general practices. Some fixed-location specialty practices provide certain services on a mobile basis.
• Through the use of **telemedicine**, certain types of specialty care may be provided to general practices, using technology and information systems. Telemedicine is currently offered through any number of providers operating locally, regionally, or nationally.
• **Academia** has also undergone a proliferation of practice models. Some veterinary schools are expanding by operating stand-alone practices, which may be located at some distance from their primary campus location or even in a different region. Other practice models in the academic setting include contracted management and partnerships with private practices.

CAUTIONS

If the model of smaller veterinarian practices continues to have diminished appeal to graduate veterinarians, then these practices will generally have diminished economic or resale value. If a cycle of diminished appeal leading to diminished value develops, this may hasten the proliferation of other models relative to the presence of the more traditional, smaller general-practice model.

No single practice model is best on an absolute basis because they each have relative advantages and disadvantages. The choice of business or practice model should be intentional and should match the needs of the individuals involved and the business plan and market sector. Ideally, the practice model should solve current challenges while being durable and flexible enough to meet future challenges. From time to time, veterinary practices may find that they need to change their model or their business plan to adapt to the needs of the pet owners and practice owners and to create the best conditions for success.

MISCELLANEOUS

ABBREVIATIONS

GPO: Group Purchasing Organization

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N/A

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1.4. VETERINARY TRADE AREAS

BASICS

OVERVIEW

Knowing your practice's trade area will help you to:
- Effectively site a new start-up practice, relocate a current practice, or add satellite clinics to your existing business.
- Understand your market penetration.
- Identify marketing opportunities.
- Develop accurate and data-supported non-compete covenants.

TERMS DEFINED

Trade Area: Also known as a catchment area, this is the geographic area around a business wherein you are most likely to acquire the majority of customers. The *majority* of customers are generally defined as 80% of the total customer base.

ISSUES AND OPTIONS

The size of a trade area is dependent on several factors:
- the industry, including any special niche the business occupies within the industry;
- the population in which the business resides—for example, a rural setting versus an urban setting;
- competitors or the availability of acceptable alternatives;
- topography;
- travel time and distance; and
- traffic patterns.

A defined trade area can be used to help locate a business as well as to identify a non-compete zone for contractual purposes.

IDENTIFYING THE TRADE AREA FOR AN EXISTING PRACTICE

The extent to which these factors affect the trade area of your current practice depends primarily on the nature of your business. Are you a general small-animal practice, a specialist, or an emergency clinic? For example, the trade area for a small-animal veterinary practice will be far more affected by travel time, distance, natural barriers (rivers, mountains), and traffic patterns than a specialist or emergency center. In general, potential customers will travel 10–15 minutes from home for a service they consider to be a commodity (i.e., readily accessible) and 45 minutes to one hour for services they perceive to be specialized. A general small-animal practice falls into the commodity category *if there is not a scarcity of options.*

- **Zip Code Mapping:** This methodology is simplest and also the least accurate of the three methods discussed here. The accuracy of the trade area will be affected by the size of the zip code. Urban and suburban zip codes are smaller geographically than those in more rural areas. A large zip code area may show penetration by your clients and also significant penetration by other practices. Zip codes alone do not specify where in the actual zip code a client lives. Therefore, it would be difficult to claim a zip code as legitimate evidence of your practice's penetration. It is important when plotting zip codes to also include your competitor's locations on the map.

The easiest way to map zip codes is to have your practice management software run a list of all active clients (seen in the clinic in the last 12–18 months) and export the list to an Excel spreadsheet. In the spreadsheet, sort the list by zip code and count the number of clients in each unique zip code and transfer that number to a map. (This can be accomplished very quickly within Excel using the sort and sum tools.)

- **Drive Time:** For this method you will need a mapping software program that generates drive-time zones based on the number of minutes you enter. If you want to combine drive time with the zip code mapping, you would upload the zip code numbers into the mapping software and then generate the drive times. Adding the zip codes will improve the accuracy somewhat, but the drive time boundaries will probably offer better information.
- **Client Address Mapping:** This is the most accurate methodology and does require a mapping software product. Follow the instructions for using your practice management software to download active clients. Download the entire address list into an Excel spreadsheet and then upload this data into the mapping software or provide them to a consultant who can provide a demographic assessment for you. Most mapping software programs have a limit to how much data can be uploaded at a time, so be prepared to spend some time performing this activity, depending on your connection speeds. After all of the data are uploaded, it will be easy to see your trade area. You should also run drive-time boundaries on top of the addresses to determine how far your client base is typically traveling for your services. This method will also help you to visualize where you may have gaps in your current market penetration, thereby providing you an opportunity to target market.

IDENTIFYING A TRADE AREA FOR A START-UP PRACTICE

Understanding the feasibility of a new start up trade area is essential before making a decision about where to site a practice. The old saying "Location, location, location" is absolutely true.

The best method for this is the drive-time process and mapping software is required, or the services of a consultant with the software. Identify a location or locations and generate drive zones around each consistent with the type of practice you are considering:
- Small animal practice: 10–15 minutes
- Mobile or large animal practice: 30–60 minutes
- Emergency practice: 30–45 minutes (can be up to one hour)
- Specialty practice: 60 minutes

It is possible to manually generate a drive zone map by driving the specified times in each direction away from the desired location, but that is very tedious and time consuming.

An alternative method of evaluating your potential trade area is the simple radius circle. Draw a circle around your prospective location or locations based on the type of practice you are considering. A small animal practice would be 3–5 miles. The radius methodology can be moderately to extremely inaccurate, depending upon the road conditions and route options created by issues such as natural barriers (lakes, rivers, and bridges), large commercial developments, or parks with no roads. Potential clients tend to evaluate distance from services by drive times rather than distance.

After you have defined the boundaries of a potential trade area, it is even more important to understand who lives there (see 7.7: Demographic Assessment). Simply identifying the area in which you would like to place your business does not tell you if it will sustain a new entrant to that area. Additionally, it is important to identify, from a veterinary services and pet ownership perspective, if the quality of the population will allow you to make a living. Population or number of households divided by the number of existing veterinarians is an inefficient and potentially misleading metric. For example, a location may show a dense population (large numbers), but if significant segments are composed of multi-unit rentals, the location would not likely house a large number of pets and would probably experience a lot of occupant turnover. It would certainly not be the same profile as neighborhoods with owner-occupied single-family homes, inhabited by couples with or without children. Working with a consultant with experience in trade area analysis will help you with your search.

Knowing and understanding your trade area, whether you are an existing practice or a new start up, will help you to:
- Market your practice.
- Determine the financial feasibility of a location.

1.4. VETERINARY TRADE AREAS

- Understand your client base (if combined with a full demographic and psychographic analysis).
- Identify gaps in your practice's market penetration.
- Identify the impact of your competitors on your trade area.

EXAMPLES

N/A

CAUTIONS

N/A

MISCELLANEOUS

ABBREVIATIONS

N/A

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N/A

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1.5. Today's Pet Owner

BASICS

OVERVIEW

Today's pet owner is an informed consumer and, more than at any time in the past, has the ability to acquire pet health information from sources other than a veterinarian. In years past, there would certainly be books on pet care, and members of the "fancy" had access to periodicals targeted to purebred ownership and healthcare. However, now the Internet provides ready access to virtually limitless amounts of information and product sales.

For veterinarians to compete effectively in such an environment of information overload, they must increasingly rely on value delivery, customer service, and acting as an advocate for pet owners—helping dog and cat owners navigate the confusing path toward optimal pet healthcare.

TERMS DEFINED

Market Research: Determining attitudes and behaviors of various public segments and their causes in order to plan, implement, and measure activities to influence or change those attitudes and behaviors.

Demographics: Description of objective and quantifiable characteristics of an audience or population such as age, marital status, household income, and pet-spending index.

Psychographics: Research that attempts to explain behavior by analyzing people's personality traits and values.

Medicalization: In veterinary medicine, this term has come to represent the percentage of animals that have been seen by a veterinarian at least once in a 12-month period. This is different from the sociologic use of the term to describe non-medical issues that are described in medical terms of prevention, diagnosis, and treatment.

ISSUES AND OPTIONS

Even though the numbers change slightly from year to year, Americans remain a population of pet lovers. In the most recent demographics available, approximately 56% of households in the country owned a pet and close to two-thirds of those pet-owning households actually owned two or more pets.[1] This does vary a bit, depending on the survey selected, but it is fairly consistent with the other major survey done that contends that 62% of US households owned a pet, representing approximately 78.2 million dogs and 86.4 million cats.[2]

MEDICALIZATION

Although the United States is clearly a country of pet lovers, that affection does not necessarily translate into regular veterinary visits. In addition, there is often a significant discrepancy between veterinary care provided for dogs versus what is done for cats.

Over 60% of pet owners consider their pet a family member, whereas 36% consider them companions, and only 1% consider them property.[1] With those kinds of numbers, one would expect very high levels of medicalization. In this context, medicalization refers to any level of care that a pet receives in a 12-month period, but obviously this does not necessarily represent optimal care.

Close to 75% of pet-owning households took their dogs to the veterinarian at least once a year for routine checkups and preventive care.[1] From that same study, only 45% of households owning cats had taken them to the veterinarian at least once a year. Feline visits have actually declined 13.5% from the same survey done five years previously, which means that most cats are not receiving the level of veterinary care needed, and the situation seems to be worsening.

One clear determinant of medicalization rates is the human-animal bond (see 1.15: Importance of the Human–Animal Bond). Although households that owned dogs saw the veterinarian an average of 1.6 times a year, households that saw their dog as a family member had, on average, 2.9 veterinary visits a year, compared with 2.0 visits a year for households considering their dog a companion, and only 1.2 times a year for households considering their dog property.[1] The same benefit seems to hold true for cats as well. Households that owned cats saw the veterinarian an average of 1.6 times a year, whereas households that saw their cat as a family members had, on average, 1.9 visits a year, compared with 1.2 visits a year for households considering their cat a companion, and only 0.5 visits a year for households considering their cat property. In another study, owners with strong owner–pet bonds took their pets to veterinarians 40% more often than owners with weaker owner–pet bonds.[3]

From these studies, it is reasonable to suggest that promotion of the human–animal bond by practices is the best way to improve medicalization of existing patients. It is less clear how veterinarians, as a group, can help drive current non-users of veterinary services to more closely bond with their pets and to seek appropriate veterinary attention.

DEMOGRAPHICS AND PSYCHOGRAPHICS

Although the standard family unit of one husband, one wife, and two-plus children has evolved considerably in the last half century, it is less clear that so-called non-traditional families are any less pet-friendly, and there is much evidence that total pet numbers and numbers of households owning pets are fairly steady. One thing that seems to be very consistent across all age groups is who is ultimately taking responsibility for pet care. By a resounding 80.7%, the primary pet caretakers are female.[1]

The big question on the horizon for veterinary care is the generational differences yet to be observed as the Millennials (those born between 1982 and 1999, although there is not consensus on this range) become the next big generation of pet owners (see 1.10: Generational Differences). The Millennials, as a cohort, represent about 80 million people in the United States, a generation even bigger than the Baby Boomers, and it is not known with any certainty what their attitudes will be toward pet ownership and regular veterinary care.

The Millennials have sometimes been referred to as the Peter Pan generation for delaying traditional rites of passage into adulthood, such as moving out of their parents' homes or getting married, so there is some question as to what percentage will embrace pet ownership when they do set up their own households. It does seem that this generation may be the first to be economically worse off than their parents, but whether this affects pet ownership or spending on pets has yet to be determined.

One thing that likely will change regarding the Millennials is how they will want to receive veterinary services. For a generation that experienced firsthand the convenience of the Internet, cell phones, and social media, will the Millennials be content to bring their pets physically to a veterinary office when they otherwise seem to be well and not in need of specific services? By the same token, will veterinary offices need to evolve their business models from relying on owners physically bringing a pet to an office?

SPENDING

From the most recent statistics available, the U.S. pet industry represents sales of approximately $53 billion and of that, less than $14 billion is spent on veterinary care.[2] Perhaps more compelling is that fact that although these same surveys indicate that pet spending has grown at perhaps 3.75% between 2011 and 2012, veterinary spending has grown at only a relatively anemic 1.3%. This seems to indicate that although pet owners value their pets and spend consistently on them regardless of the economy, veterinary care may not be valued as highly as some other goods and services.

We have already seen that visits to veterinary offices are a direct reflection of the human-animal bond (see 1.15: Importance of the Human-Animal Bond), but the same is true of expenditures.

1.5. TODAY'S PET OWNER

Dog-owning households that considered dogs to be family members spent 1.6 times more on veterinary expenditures per household than those that considered their dogs to be companions and 2.3 times more than those that considered their dogs to be property.[1] In the same study, cat-owning households that considered cats to be family members spent 1.7 times more on veterinary expenditures per household than those that considered their cats to be companions, and 5.1 times more than those that considered cats to be property.

Veterinarians have also not done as good a job as needed at educating clients about the need for routine veterinary care (see 2.10; Lifelong Excellence in Healthcare and 3.10: Discussing Lifelong Care). Vaccination remains the main reason for pet owners to visit the veterinarian[3] and this can be confusing for owners when vaccination protocols change.

Even though there are more cats than dogs, because medicalization rates are higher in dogs than in cats, and expenditures per pet are higher in dogs than cats, 68% of total veterinary expenditures are spent on dogs.[1] This represents a challenge, but also a great opportunity to become more feline-friendly and to reap the potential benefits of providing needed professional services to cat owners (see 2.5: Creating a Feline-Friendly Hospital).

A look at today's pet owners would not be complete without examining their attitudes about the current use of veterinary services. One-third of dog owners and over 40% of cat owners would not take their otherwise healthy pets to the veterinarian if vaccinations were not necessary.[4] This demonstrates that veterinarians have not done an acceptable job in detailing the importance of regular veterinary visits, regardless of vaccination.

According to the previously mentioned usage study,[4] pet owners would be prepared to take their pets to the veterinarian more often if certain criteria are met. The following are the top-four criteria, each followed by the percentage of owners that either completely or somewhat agreed:

- If they knew it would prevent problems and more expensive treatment later (59%)
- If convinced it would help their pet live longer (59%)
- If each visit was less expensive (47%)
- If they really believed their pet needed exams more often (44%)

In addition to all the other factors responsible for driving client visits and appropriate healthcare spending on pets is something completely under veterinary control. One of the largest impediments to clients doing the right things for their pets is effective communication about what pet owners should be doing, and making very direct recommendations for action rather than vague suggestions. Clear and thorough communication with the client can ultimately increase compliance by as much as 40%.[3]

EXAMPLES

N/A

CAUTIONS

N/A

MISCELLANEOUS

When it comes to today's pet owners, veterinarians need to convey value in their offerings, take time to educate clients on the immediate and lifelong healthcare needs of pets, and make clear recommendations as to what medical care is appropriate.

ABBREVIATIONS

N/A

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1.6. TODAY'S VETERINARIAN

BASICS

OVERVIEW

• The veterinary profession and the "typical" veterinarian have gone through drastic changes over the last several decades.
• In the middle of the twentieth century, the average veterinary school graduate was a 21- or 22-year-old-male who planned to work full time and become an owner in a food-animal or a mixed-animal practice located in a rural setting. These veterinary students were typically able to pay for their tuition with a part-time job or minimal student loans that could be paid off in small payments over a short period of time.
• There has been a significant shift in demographics, from a predominantly rural population to a more urban population concurrent with substantial consolidation of food animal production. These changes, in addition to the increase in number of human-animal bonds in which animals are seen as family members, and an overall increase in pet ownership, have changed the demand in the market.
• Today, the average veterinary school graduate is a 28-year-old-female who plans to be an associate (employee) in a small animal hospital in an urban setting. Their student loan burden is likely to exceed $150,000 requiring roughly 30 years to repay the debt.[1]
• As the age of graduation and the student loan debt has increased, there has been proportionally less increase in veterinary starting salaries. In addition, there continues to be increased enrollment in veterinary schools, adding to the number of veterinarians competing for veterinary employment.
• Several other significant pressures continue to change the landscape of the veterinary profession. There is a serious need to address these challenges and look for opportunities to ensure the success of the profession throughout the twenty-first century.

TERMS DEFINED

Profitability: Represents the revenues for a practice once all expenses are paid, a fair market rent is paid, and the owner is compensated for working as a veterinarian. It is basically a measure of the return on investment for owning and operating the business. Profitability is directly correlated with the value of a practice.

Gross Revenue: The total monetary amount taken in by a business without accounting for any expenses.

ISSUES AND OPTIONS

GENDER ISSUES

• A dramatic shift has been seen in the proportion of males to females in the veterinary industry. According to the recent American Veterinary Medical Association (AVMA) survey, of the almost 2,700 veterinary students in the national graduating class of 2012, over 75% of them were females.[1]
• In 2012, the mean starting salaries for full-time employment were $52,255 for males and $43,673 for females. When adjusted to exclude academic positions, the mean salaries were $69,405 for males and $63,844 for females.
• Historically, there has been a gender gap with salaries between males and females. This gender difference was found to still be present in many recent studies.
• Female practice owners make 30% less than their male counterparts. Although it does not completely account for the difference, some of this can be attributed to the fact that many female practice owners entered the business market later, have been shown to charge less for their services, and may work fewer hours than male practice owners.[1, 2]

STUDENT DEBT AND SALARIES

• The AVMA survey found that 89.2% of the 2012 graduates of U.S. veterinary colleges had a mean student loan debt of $129,439.
• There were 12.3% of graduates who had no educational debt.[1] This leads to a disparity between the significance that must be placed on the income required of those with and without student loan debt. Veterinarians with such loan burdens require higher salaries to maintain the same standard of living. The debt may also make it impossible for these veterinarians to accept the lower salaries found in some areas of the profession.
• According to the 1998 Biennial AVMA Economic Report on Veterinarians and Veterinary Practices, the average income for veterinarians was just over $20/hour. The study showed that there was very little real growth in incomes for veterinarians between 1985 and 1995.[3] This trend continues today.
• The salaries of veterinarians are lower than other similarly trained medical professionals and continue to fall in comparison.
• These trends may continue to negatively impact the attractiveness and standards of the profession due to the fact that it may reach a point where it is not feasible to pay the student loan debt with the salaries that are available and still support a family or a standard of living expected of a professional.
• The National Research Council (NRC) of the National Academies Workforce Needs in Veterinary Medicine Study concluded that the decline in state funding for veterinary education and research is causing increased student loan debt and decreasing incomes, which are not compatible.

WILLINGNESS TO OWN A PRACTICE AND DEVELOP BUSINESS SKILLS

• The 2005 AVMA-Pfizer business practices study reported that nearly half of veterinary associates planned to own practices in the future and about 17% were undecided. The same study reported that two-thirds of equine and food animal practitioners were practice owners compared with less than half of small animal practitioners.[4]
• Corporate ownership of veterinary practice continues to increase. The cost of veterinary practice has also increased, which makes it more efficient to share the cost of technology between multiple veterinarians. This has led to a trend toward larger practices with more associates. These corporate and/or larger practices can be appealing to those who do not want to own practices or want to work only part-time.
• There continues to be a deficit in the general business knowledge of veterinarians. Studies have shown that business skills correlate with the financial success of veterinarians. Veterinarians who review the financial data of their practice earn more than those who don't. Possessing other abilities, such as communication and negotiating skills, are associated with higher incomes.

1.6. TODAY'S VETERINARIAN

• Owner salaries are generally much greater than associates, but there is a large gender gap of salaries between male and female owners.[4]
• Veterinary practice owners typically look at the trends in gross revenue if they review any practice statistics at all. The more important number to look at is the profitability of a practice. There has been a decrease in the profitability of practices over the past 15 years (from 18.5%–15.2%). When profitability of a practice declines, so does the practice value.[5]
• Veterinary graduates are still primarily being paid a guaranteed salary without a production.[1]
• Twenty-five percent of 2012 graduates did not have health insurance as part of their benefits.[1] Government regulations in this area may cause a significant burden to veterinary hospital owners and may continue to decrease the profitability of practices. This might cause a decreased interest in ownership.
• The average age at graduation was 28 for the class of 2012, and the student loan debt usually requires payment over a 30 year period.[1] This massive debt over such a long period may limit the ability of graduates to obtain funding and pay the start-up cost for a veterinary practice. This may also further decrease interest in ownership.

NUMBER OF VETERINARY STUDENTS AND VETERINARY SCHOOLS

• The marketplace is driven by supply and demand. The number of veterinarians continues to increase. In the United States alone in 2012, there were nearly 2,700 veterinary students who graduated from the 28 veterinary schools.
• Many schools, in addition to increasing tuition, are increasing enrollment to make up for lost funding from the government.
• There have been other schools outside the United States that have received accreditation, such as Ross University and the National Autonomous University of Mexico.
• Several veterinary programs plan to expand their facilities. There are also multiple proposed projects to build additional veterinary schools and start new veterinary programs.
• There is a concern that the combination of increased tuition, lower salaries, and increases in veterinary school enrollment could lead to decreased mentorship, lower academic standards, and less-qualified graduates. On the other hand, the increase in enrollment may add to the diversity of the profession.

DEMAND FOR VETERINARIANS

• The other side of the market equation is demand. There has been much debate on the current and future demand for veterinarians. Various studies have shown conflicting results.
• Areas of the veterinary profession that may experience a shortage in the future seem to be in rural and underserved areas, government positions, teaching, research, and biosecurity.
• The type of veterinarians that are needed in the future may change based on changes in demand. The need for veterinarians in nontraditional areas and in the public sector is increasing.
• Projections cite a need in critical areas such as "bioterrorism and emergency preparedness, environmental health, food safety and security, food production systems, regulatory medicine, diagnostic laboratory medicine, biomedical research, health promotion and disease prevention, public health and epidemiology."[6]
• These changes could provide new opportunities for employment for veterinarians, which may help to compensate for the increased enrollment in veterinary schools.
• Unfortunately, those graduating from veterinary school do not seem to be choosing these areas of practice. Most students continue to concentrate on small animal practice.
• In 2012, only a very small number of new graduates planned to pursue employment in the public sector (3.2% of males and 4% of females), whereas the majority (67.9% females and 58.1% of males) were planning to work in the private sector.[1]

SPECIALIZATION VERSUS NOT BEING "CAREER READY"

• Another growing trend in recent years is participation in internships after graduation. Nearly one-third of the graduates planned to pursue this route (28.9% of females and 37.3% of males).
• Although specialization within the veterinary field has helped raise the standard of practice and benefited patients and clients, only 35% of female graduates plan to pursue a residency. In contrast, 50% of male graduates plan to enter residency.
• Other reasons cited for pursuing an internship were to practice better medicine (41.3% of females and 37.6% of males) and the belief that they were not ready to practice and needed more training (20.9% of females and 5.5% of males).
• Increased salary was cited as the primary reason for an internship by an extremely small percentage of those surveyed (only 0.4% of females and 2.8% of males).[1]
• Those seeking internships because they do not feel they are prepared to practice and need more training are likely to be adding to their debt during the additional year of training.
• The issue of not being "career ready" upon graduation is a serious concern that veterinary schools need to address by adapting their programs. This was discussed extensively in the North American Veterinary Medical Education Consortium's (NAVMEC) Roadmap for Veterinary Medical Education in the 21st Century.
• Overall, these pressures continue to make it difficult to maintain the quality of life expected of a health professional. There are many professional jobs that require less education, have higher salaries, less debt, and allow a career to be started much earlier. This may continue to decrease the feasibility of becoming a veterinarian.

LEGAL ISSUES AFFECTING THE PROFESSION

• Currently in the United States, there is an ever-increasing number of law schools teaching animal law. Attorneys have even called the veterinary profession an "untapped" market for lawsuits.
• The veterinary profession has done a remarkable job promoting the human-animal bond. Pets are now part of the family, often cared for like children, and even left trusts when the owner passes away. Another consequence of the increase of the human-animal bond has been a shift away from the view of animals as "chattel."
• Recently, there have been several lawsuits that have attempted to change the way the courts look at animals and allow for non-economic and punitive damages. Some states have adopted the use of terms such as "animal guardian" and other nomenclature that may add to a change in the standing of the owner and the animal in lawsuits and setting new legal precedents.

1.6. TODAY'S VETERINARIAN

• The concern is that as the number of lawsuits increase along with an increase in the monetary awards for the cases, the cost of veterinary medicine will also have to increase to cover the considerably higher malpractice insurance rates that will undoubtedly result. Several studies have shown that there is a point at which the market will not support significantly higher fees that will eventually cause a decrease in demand for services.
• As with other professions, workman's compensation insurance continues to be a large financial drain on practices. As the claims for workman's compensation increase, rates for this insurance will also increase, further lowering the profitability of veterinary hospitals.
• Government requirement for health care may also have a negative impact on clinics and veterinary practice owners. Currently only 75% of graduating veterinary students are being offered health insurance from their employers. The number of technicians and veterinary staff who receive these benefits are much lower than in other similar businesses. If clinics are required to provide health insurance, this could prove to be a significant financial burden.
• Veterinary insurance is currently carried by a small percentage of pet owners (see 5.11—Pet Insurance). The system is generally an easy process with the veterinarian invoicing the client for services rendered, and the client submitting documentation to the pet insurance company for reimbursement. Most claims that do not involve a preexisting condition are paid without much difficulty. Pet insurance has allowed many clients to be able to provide a much higher level of care in certain circumstances. However, as the number of insured pets increases, there is some concern that these insurance companies might attempt to exert more input and control, as is seen in human medicine.
• The gross sales in the pet industry as a whole continue to increase, even during periods when veterinary visits and profits have been in a decline. This includes areas such as pet food, boarding and grooming, and pet accessories. Large corporations have noticed this trend and have made moves to capture part of the market in new areas such as pet food and veterinary drugs and preventatives. These retail pressures will require that veterinarians make changes in their business practices in order to remain profitable.

GENERATIONAL DIFFERENCES AND TRENDS

• Many veterinary practice owners today are members of the Baby Boomer generation (see 1.10—Generational Differences). Americans in this generation are reaching age 65 at a rate of about 10,000 per day. Statistics show that by 2030, 18% of the population will be at least that age.[7]
• Currently, 6 in 10 Baby Boomers are deciding to delay their retirements.[7] This is true in the veterinary market as well. Many practice owners have relied on the thought that has been perpetuated for years that you "need land and building to retire." This was a sound idea when real estate values continued to increase at a steady rate and owners had significant value in the real estate of the practice they could sell. After the real estate market contraction, many owners experienced a marked decline in the value of their land and were forced to reevaluate their retirement options. In addition, many clinics that seem successful may not have the profitability that the veterinarian may have thought, which lowers the value of the practice.
• At the opposite end of the spectrum from the Baby Boomers are the Millennials. This generation includes those who are currently graduating from veterinary school and many of the current and future technicians and support staff in veterinary hospitals (see 10.1: Workplace Management).
• Currently, 37% of 18–29 year olds are unemployed or out of the workforce. This statistic does include veterinary students still in school and those seeking higher education. Due to the recession, 1 in 8 Millennials were living at home again.[8]
• Some traits that have been attributed to Millennials are their belief that the government should do more to solve problems and a decreased value on work ethic, ethics, and moral values. They are considered to be very self-confident. Millenials also place parenthood and marriage far above career and financial success, which have been valued in previous generations.[8]
• Successful management of Millennials is very different than previous generations. The book, *Managing Millenials*, is a resource that provides some insight into the challenges and opportunities.
• One of the characteristics of Millennials that may be a benefit to veterinary practices is their use of technology. Currently a significant percentage of veterinary practices have websites, which is something that is almost mandatory to succeed in today's market. The use of social media, which is fused with the life of Millennials through their use of technology, may also benefit practices by providing an opportunity for online marketing and education.

EXAMPLES

N/A

CAUTIONS

N/A

MISCELLANEOUS

ABBREVIATIONS

AVMA: American Veterinary Medical Association
NRC: National Research Council
NCVEI: National Commission on Veterinary Economic Issues
NAVMEC: North American Veterinary Education Consortium

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1.7. VETERINARY STAFF

BASICS

OVERVIEW

Veterinary practices are "powered" not only by veterinarians, but also by a number of very important paraprofessional and administrative staff.

- The ultimate profitability of a veterinary practice often depends on the successful leveraging of veterinary skills over its non-veterinary staff.
- Leveraging is critical because the veterinarian's time and availability comprise the limiting factor, or bottleneck, in delivering veterinary services.
- Pricing in the veterinary practice must be sufficient to be able to adequately compensate all staff working in that practice. In too many instances, staff salaries are kept artificially low in an attempt to shield clients from the true costs of delivering high-quality medicine.

TERMS DEFINED

Veterinary Technician/Technologist: A veterinary aide, often equated to a nurse, and referred to as a veterinary nurse in some countries. Typically, technicians receive an associate's or bachelor's degree from an AVMA-accredited program and are recognized in most state practice acts. However, in some areas there is no legal definition of technician nor is there mandatory registration, and any veterinary aide may use the term.

Veterinary Assistant: A title sometimes used for individuals who have received training less than that required for identification as a veterinary technician or technologist. There is no AVMA-approved credentialing process for veterinary assistants.

Office Manager: Administrative staff primarily responsible for reception, clerical, and nonmedical staff in a practice. There is no standard definition for this term, and it is unregulated, so anyone can refer to himself or herself as an office manager.

Practice Manager: Similar to an office manager, but typically with more responsibility for staff supervision and human resource issues. Also an unregulated term, although there is a certification program (Certified Veterinary Practice Manager) offered by the Veterinary Hospital Managers Association (VHMA).

Hospital Administrator: Similar to Practice Manager, with more responsibility for veterinary doctors and technicians. This is also an unregulated position.

ISSUES AND OPTIONS

VETERINARY TECHNICIANS/TECHNOLOGISTS

- Veterinary technicians are the most important medical paraprofessionals in veterinary practice, and certified or registered technicians in most states can legally do everything in a veterinary practice except make a diagnosis or prognosis, prescribe drugs, or perform surgery.
- From both a medical and financial perspective, veterinarians should do those tasks they alone are qualified to do—diagnose, prescribe, and perform surgery. All technical tasks, including laboratory work and radiography, can be delegated to technicians. The veterinary technician is educated and trained to support the veterinarian in surgical assisting, laboratory procedures, radiography, anesthesiology, prescribed treatment and nursing, and client education. Some veterinary technicians pursue additional credentials such as Veterinary Technician Specialist (VTS) in specialties such as emergency and critical care, anesthesiology, surgery, internal medicine, behavior, dentistry, nutrition, and others, as recognized by the National Association of Veterinary Technicians in America (www.navta.net). In turn, technicians can delegate tasks that do not require their skill levels to assistants, creating efficiency in the process.
- Veterinarians are the greatest limitation to the successful utilization of veterinary technicians. Too many veterinarians are reluctant to delegate clearly technical duties such as blood collection, positioning for radiography, and administering prescribed medications, which serves to build inefficiency into the system and frustrate technicians in the process.
- There are very real problems with a system in which there is not a well-defined paraprofessional status. There are not enough trained veterinary technicians if all veterinary practices were to decide to hire only graduates of technician programs. Many veterinary practices continue to train their own staff, often to perform duties for which they are not qualified. An option is to enroll staff in the AAHA Distance Education Veterinary Technology Program (DEVTP; see devtp.aahanet.org). This is an AVMA-accredited associate's degree in veterinary technology offered through distance education.
- Other paraprofessional groups (e.g., nurses, dental hygienists) have been recognized for contributions to their respective professions, and veterinary technicians deserve the same recognition, respect, and potential for remuneration.

VETERINARY ASSISTANTS

- Veterinary assistants are a disparate collection of veterinary employees with skill levels below those of technicians and technologists. While there are distance and on-site programs providing diplomas for veterinary assistants, none are accredited by the American Veterinary Medical Association.
- Veterinary assistants act as support personnel to both veterinarians and veterinary technicians. Many assistants aid in the restraint and handling of animals, they feed and exercise the animals, and they help in other capacities commensurate with their training.
- If veterinary assistants are to have any dealings with the public, and most do, it is critical that they receive appropriate training. It is also mandatory that they receive specific safety training for tasks that they might occasionally perform, such as helping in radiographic procedures, handling laboratory specimens, and dealing with a variety of chemicals and pharmaceutical agents.

RECEPTIONISTS

- Receptionists, also known as client service representatives, often present the first impression that clients have of a veterinary practice. They project the level of professionalism to be anticipated, because when a client visits with a pet, the receptionist is usually the first and last person with whom the client deals. This is a critical position, and one best not minimized by practices hoping to improve their customer service and profitability.
- Receptionists/client service representatives also field questions from clients on the telephone, so it is important that they have excellent communication skills and be able to handle a variety of questions and requests from clients. Accordingly, these front office professionals must be adequately trained on practice protocols and procedures so that the information they provide to clients mirrors that provided by the veterinary and paraprofessional staff.
- Because receptionists are so important to the effective operation of a veterinary practice, considerable time should be spent selecting candidates with excellent communication skills, a professional demeanor, and an honest desire to serve the pet-owning public. Receptionists are the gatekeepers to veterinary services in a practice, and although an excellent receptionist can effectively bond clients to a practice, less-skilled individuals can cost a clinic dearly.
- Just as technicians have career options outside the realm of clinical veterinary practice, professional client service representatives are also in high demand. It is unfortunate that many practices continue to hire relatively unskilled individuals for front office duty. In some respects, the receptionist/client service representative is actually more important

than the veterinarians in helping clients to bond to the practice rather than to individual doctors.

VETERINARY MANAGERS

- Most veterinarians are not skilled in business matters, and the efficient management of hospital operations and administration can often be more cost-effectively delegated to others with appropriate training.
- Even when veterinarians are well skilled in business matters, there is often better financial return if they spend their time delivering veterinary medicine rather than trying to manage the day-to-day operation of a busy hospital.
- The lack of standardization of the titles and duties of veterinary managers within the profession has made it difficult to select managers based on credentials and duties to be performed. In general, office managers handle more administrative duties such as making bank deposits and managing accounts receivable, while practice managers and administrators are more likely to be involved with strategic planning, equipment purchases, and reviewing and adjusting fees.
- The Veterinary Hospital Managers Association (www.vhma.org) also provides credentialing in terms of their Certified Veterinary Practice Manager (CVPM) designation.
- Many veterinary practices continue to train existing staff (receptionists, technicians, spouses) to be management staff. This is a less expensive alternative to professional management, but can be far more costly in the long term because small financial missteps tend to become magnified.
- Even when veterinary practices hire or train practice managers, it is critical that they also engage the services of an outside management consultant to monitor processes and provide unbiased advice and support for the in-hospital manager or administrator.

EXAMPLES

A veterinary practice scheduled a specified number of cases each morning, leaving time for the doctor to periodically work with the technician to take radiographs, collect laboratory samples, and treat animals. The system worked well, according to the veterinarian, with the technician restraining the animals and the doctor doing the procedures. Unfortunately, most technicians lasted less than six months in the practice, and then a new technician needed to be hired and trained. This was affecting the productivity of the practice. A consultant was called in to investigate and advise, and to work with the practice manager in terms of staff allocation, training, and scheduling.

Following the consult, a new protocol was instituted in which the receptionist scheduled the doctor for full-time office appointments and a veterinary assistant was hired to support the technician. Now, when laboratory sample collection was needed, the assistant restrained the animal and the technician collected the samples. The paraprofessional team also did radiographs, patient treatments under the doctor's direction, and assisted the veterinarian in the examination room when needed.

As a result, the veterinarian became more productive, which was reflected in her production-based compensation. The technician was fulfilled in her position and remained with the practice as a loyal and valued employee. The assistant learned new skills and became a valuable part of the healthcare team. The receptionist was happy because appointments ran on schedule and there were fewer complaints from clients regarding waiting times for their appointments. The practice manager oversaw a more effective hospital system, one that generated revenues far surpassing the costs of the additional staff member. The system was not only more efficient in terms of healthcare delivery to clients and pets, but was also more rewarding for the healthcare team and more profitable for the practice.

CAUTIONS

- Veterinary practices must compete with all other businesses in the retail marketplace for staff, not just with other veterinary practices. This means that salaries and benefit packages must be competitive.
- As a compensation guide, veterinary staff working in a practice should be able to afford the recommended medical care that practices advocate to their clients. In too many instances, veterinary staff cannot afford to properly care for their own animals by following recommended hospital guidelines.

MISCELLANEOUS

- It is not enough that veterinary staff perform their own duties effectively and efficiently; they must be capable of functioning as a healthcare team to truly deliver exceptional healthcare.
- Because veterinarians can only perform one duty at a time, they are the rate-limiting step in delivering cost-effective care to animals. Leveraging the skills of the veterinarian across a diverse support staff allows additional quality care to be delivered, and in a more profitable manner.
- Veterinarians should be aware that their time is better spent seeing clients or performing procedures, rather than restraining animals, collecting laboratory samples, or providing all aspects of client education.
- Similarly, it is possible to leverage the skills of veterinary technicians with the aid of veterinary assistants.

ABBREVIATIONS

AAHA: American Animal Hospital Association
AVMA: American Veterinary Medical Association
CVPM: Certified Veterinary Practice Manager
CVT: Certified Veterinary Technician
DEVTP: Distance Education Veterinary Technology Program
NAVTA: National Association of Veterinary Technicians in America
VHMA: Veterinary Hospital Managers Association
VTS: Veterinary Technician Specialist

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1.8. FUNCTIONING AS A HEALTHCARE TEAM

BASICS

OVERVIEW

- Each person on a veterinary healthcare team contributes to the goals of providing exceptional patient care and customer service and ensuring a successful business.
- A great team is formed by a group of people who have a shared purpose and who know how their individual roles fit with the others on the team.
- A dedicated, proficient team that understands basic practice management will always achieve extraordinary goals and boost the practice's compliance rate.
- Simply being a good technician, doctor, or surgeon is no longer enough. Success derives from a synergistic team composed of a committed, focused leader and a cohesive group that believes in the practice vision.
- Good communication is crucial to functioning as a whole unit. A sure recipe for failure: Mix several team members who do not know where the practice is going with a leader who will not communicate consistent expectations and consequences.
- Successful teamwork relies on clearly defined written job descriptions, ongoing training, and individual opportunities for self-improvement.
- Constructive, specific, and recurring performance evaluations provide accountability and direction and further define expectations.
- All practices should strive for compliance—clients complying with your medical recommendations and hospital team members complying with your practice's philosophy and business standards.

TERMS DEFINED

Skills-Based Compensation: A system of wages and raises based on achievement in different skill blocks as determined by the individual practice's need.

Standards of Performance: Written protocols regarding patient care, customer service, and team professionalism.

Total Quality Management: Consistent performance, expectations, and consequences of nonperformance from all staff and doctors.

ISSUES AND OPTIONS

PRACTICE LEADERSHIP

- A leader sets the practice's vision and goals (see 10.5: Leadership). A manager communicates the vision to the staff so they can accomplish the practice's goals. A leader defines values, fosters professionalism, and sets benchmarks.
- A manager handles interpersonal conflicts and provides hands-on direction. A practice's leader and manager are not necessarily the same person, but every practice needs someone performing each role.
- Leaders must create a psychologically safe culture whereby it is safe for any team member to raise issues, challenge ideas, and develop innovative solutions.
- Through good leadership, team members can better appreciate how their actions contribute to the larger good of providing exceptional patient care and client service.
- Through good leadership, the culture operates within a few strong core values of trust, respect, and accountability (both individual accountability and team accountability).
- An inspirational leader generates enthusiasm and excitement. An organizational leader plots the path to achieving goals. The strongest leaders meld both qualities.
- Effective leaders evaluate each unique situation and respond accordingly, mentor and motivate staff, and teach others. Top leaders recognize strengths and weaknesses in themselves and others then match complementary qualities that further benefit the practice while encouraging personal growth.
- Leaders seek out and proactively offer both positive and negative feedback. They hold themselves to a higher standard for patient care, customer service, performance, and self-mannerisms.
- A leader can create a dysfunctional team by not communicating consistent expectations and consequences.
- Fundamental among the "levels of leadership" is emotional intelligence (EI), according to author Daniel Goleman.[1] He defines EI as the ability to manage our relationships and ourselves effectively (see 10.7: Emotional Intelligence). The five competencies of EI are:
  - Self-awareness
  - Self-regulation
  - Self-motivation
  - Empathy
  - Effective relationships

JOB DESCRIPTIONS

- Most employees support the practice's vision and want to please the team. Specific, detailed job descriptions outline exactly what they need to do to fulfill their duties.
- Written job descriptions are crucial for smaller practices, in which one employee may assume several roles during a week or even a day. Included in the employee manual should be job descriptions for all positions, as a ready, accessible reference, and teams should be encouraged to use them when they must step outside of their own roles.
- Effectively written job descriptions include a detailed summary of the position and how it affects the practice, performance expectations, required and desired qualifications, and a thorough list of specific duties (in addition to some other duties the employee may assume during unique circumstances). Use them as a training outline.

1.8. FUNCTIONING AS A HEALTHCARE TEAM

• Also included in job descriptions is a section that describes skills and/or competencies needed to perform the tasks. Skills are learned through education and performance. Competencies are traits or behaviors that must be displayed while performing the role.
• Established, written performance standards (PSs) detail behavior expectations and consequences for not following through. Benefits of having PSs include consistency of care, efficiency, and a standard to which practice leadership can measure performance and team members can understand consequences.

TRAINING AND CONTINUING EDUCATION

• Hire for attitude and personal characteristics, and train for skills.
• Find and match a team member's niche with the practice's needs. Once the match is achieved, nurture and encourage each employee to grow and contribute to the hospital's goals.
• Proactively cash in on teachable moments and create them whenever possible.
• Take advantage of regular team meetings to incorporate training (see 6.9: Staff Training). Encourage doctors and team members to share information from continuing education courses or conferences attended during these group meetings.
• Compensate employees who take on extra responsibilities and complete them outside of normal business hours. Pay for or reimburse self-improvement expenses.

PERFORMANCE APPRAISALS

• Traditional performance evaluations try to motivate a person based on historical data that is often subjective or nonspecific. A more effective process is to provide positive appraisals based on goal-setting and accountability.
• Performance appraisals are an opportunity to talk about what is being done well, to celebrate successes, or to develop a plan to correct poor performance (see 6.18: Staff Performance Appraisals).
• A two-part appraisal is most effective. The first part counts for 40–50% of the total review and is completed by the team member in advance to review goals and contributions and set the stage for his or her continued progress; the second part is filled out by the evaluator and measures operational tasks. It counts toward 50–60% of the total review.
• Just as you base wages on skills, you should base raises on skills enhancement. Evaluate individual raises on how well the employee has improved patient care, customer care, and the financial health of the practice.

INTERVIEWS

• Conduct Stay Interviews with your team to discuss what keeps them staying at the practice, what motivates them, what they like best about the job, and what they would like to see changed.
• Stay Interviews are a great way to spend some time with your team members and really listen to your best and brightest for ideas to improve the business and employee relations.
• Exit Interviews are a helpful tool, not for convincing the person who is leaving to stay, but for addressing concerns that the remaining team members may be dealing with. View the exit interview as an opportunity for management to learn some important information to improve the culture of your practice.

MEETINGS

• Meetings are the most powerful team-building tool used to reinforce your practice mission to your team (see 6.14—Making Meetings Work). Regular team meetings raise practice benchmarks, provide TQM, increase profits, and improve compliance. You can address current practice or client issues, new medical developments and techniques, and training.
• Put team members in charge of presenting results from projects, such as tracking performance goals or establishing new procedures, to foster ownership and accountability.
• Make sure your meetings are productive and efficient–and end on time. An hour-long meeting with 13 support staff and two doctors carries significant costs in wages and lost revenue, even before you figure in the cost of refreshments! It's better to accomplish two or three things than trying to pile too much on the agenda. Therefore, have an agenda and post it for the team to review prior to the meeting date. Encourage preparation for the topics to be discussed in a safe and open environment.

MOTIVATION

• Appreciation for a job well done is a team-building tool doctors say they use liberally, but the support team say they do not see often enough (see 6.12: Motivating the Healthcare Team).
• Immediate and appropriate positive reinforcement motivates employees to strive harder, whereas incentives such as bonuses, days off with pay, or personalized gifts reward achievement in exceeding goals.
• Delegation gives leaders the chance to share that rush one feels when achieving a goal. It also allows the practice a chance to develop its leaders by giving individuals a chance to take charge of a short-term project, learn leadership skills, and thus be more prepared to step in when a leadership position is vacated.

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• Naturally self-motivated team members do not rely on outside recognition as much as others do. Understand and respect each person's needs, but do not heap hollow praises.
• Encourage team members' interests and ideas that can enhance your practice goals. Foster accountability and ownership by putting them in charge of a project complete with deadlines, guidelines, and budgets.
• Personalize incentives for each employee—what motivates one might backfire with another. Also, don't reward the entire team when only one or two individuals deserve the accolades.

EXAMPLES

EXAMPLE 1: IN THE BEGINNING

At the beginning of a training session, ask your team to complete a written test on the topic, but do not grade them. Review the correct answers together to identify and correct inconsistencies in procedure.

EXAMPLE 2: PERFORMANCE REVIEW

The employee should fill out the performance review form in advance:
• List what you consider your three biggest contributions to improve the hospital.
• List three accomplishments you made this past year of which you are most proud.
• List three ways you have improved client service during the past six months.
• List three times that you have stepped out of your comfort zone to overcome a tough situation.
• In the last six months, what self-improvements and CE (CPD) courses/books/meetings have you attended or read? How have you implemented these improvements?
• Are you on track for your CE/CPD goals? Include a copy of your skill lists.
• What are your CE/CPD goals for the next six months?
• List six new goals for the next year. What is your plan to accomplish them?
• What areas do you need to focus on for the next six months and the next year?
• List what projects/teams you would like to be involved in during the next year.

EXAMPLE 3: GOLDEN RULES

The following are Golden Rules for effective team meetings:
• Schedule meetings in advance with posted agendas.
• Rotate the meeting leader and note-taker to help the team take ownership and develop potential leaders.
• Prepare the meeting room in advance, including refreshments.
• Prepare audio/visual or written materials in advance and provide enough copies for all.
• Start and end on time.
• Create a fun, nonthreatening environment to encourage open exchanges.
• Allow enough time for comments, questions, and feedback.
• End with consensus, conclusions, and a summary.
• Provide clear follow-up action plans in writing.
• Always start and end the meeting with an upbeat message to motivate your team.

CAUTIONS

• Your team members consider veterinarians to be the practice authority and will take performance cues from them. Lead by example, because the team watches your every move.
• The worst leaders and managers are those who try to please everyone. Good leaders willingly don the bad-guy hat occasionally to ensure their teams stay focused and directed.
• Drive for improvement must come from within. Some people are self-motivated and self-directed, while others are just not interested in going as far as you would like them to. Respect individual temperaments, but realize that for some employees you will need to push and push and push.
• It takes more than one or two successful meetings or the perfect job description to function as a team. Team building is a continuous process filled with fluctuating performances and stress levels, which peak with each new hire or change. Do not get discouraged when it seems your efforts are failing. You build a team with much teeth gnashing and banging of heads against a wall.
• Remember, the more we learn, the more we realize how much we do not know. We will never be as wise as we thought we were at 16.

1.8. FUNCTIONING AS A HEALTHCARE TEAM

MISCELLANEOUS

ABBREVIATIONS

CE: Continuing education
CPD: Continuing Professional Development
EI: Emotional Intelligence
PS: Performance Standards
TQM: Total Quality Management

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1.9. Differing Perspectives of Practice Teammates

BASICS

OVERVIEW

Your veterinary practice is composed of a very diverse group of individuals. Just think about your team; you may very well be looking at four or five generations when you consider the ages of your team members. You also have the newly hired and the seasoned professionals, the full-time career employees and the part-time parents returning to work now that the kids are in school. With so much diversity, how can a business possibly meet all the different needs of the practice team?

One mission of the business should be to create a workplace that will attract talent and keep team members engaged. In order to accomplish this feat and remain competitive in today's economy, your business must consider the needs of a diverse workforce. However, you cannot spend your resources concentrating only on the needs of your team because you also have to consider the needs of your clients, the patients, and the business.

By developing programs to address a few key areas important to your team, you can satisfy all of those stakeholders with "needs"—because a great team will deliver exceptional client service and help the business to thrive.

TERMS DEFINED

Absenteeism: The practice of regularly missing work without good reason.

On-boarding: Teaching a new hire the skills they need, the standards of care expected, and the correct way that things are done at your practice.

Presenteeism: The practice of being at work while ill or not performing to full potential while at work.

ISSUES AND OPTIONS

ON-BOARDING

- Hiring new team members starts with an analysis of current staffing levels as compared to the needs of the business (see 6.6: Effective Staff Recruitment). After all, you cannot hire what the business needs if you do not take the time to evaluate the strategic plan of the business and the status of your personnel. Knowing your plan and your current team will allow you to successfully staff your facility.
- To maintain the right balance of individuals in your practice, you must have a performance appraisal system in place, which not only assesses skills and knowledge, but also behaviors and attitude.
- A newly hired person needs to feel a connection to the team and needs to perform their job well. Do not leave the on-boarding process to just anyone in your practice. Establish a trained core group who is responsible for teaching a new hire the skills they need, the standards of care expected, and the correct way that "things are done around here" (rather than letting poor performers or those with bad attitudes influence the new hire). (See 6.10: Structured On-the-Job Training.)
- Coach and teach team members how to communicate with their team, the clients, and even the pets.
- Take the time to concentrate on building a great team through various team-building exercises, training, and open communication techniques.
- Teach for and expect accountability. Accountability is needed by the business and other team members in order to deliver exceptional medical care to every patient, every time (see 2.6: Accountability).
- Continue to coach long after the initial new hire process is over. Focus on accountability and self-management as you develop your team.

TEAM WELLNESS

- A healthy team is a productive team.
- Realize the complexity of employees' personal situations and the implications of these "distractions" on job performance and team morale.
- Absenteeism and Presenteeism are both "attendance" issues affecting productivity and team morale.
- An employee who shows up for work but is not performing to their full potential is suffering from Presenteeism. It is a situation whereby a person's job performance suffers due to conditions such as illness, fatigue, or stress from various physical, mental, and emotional factors.
- Habitual absenteeism or presenteeism requires management efforts to work with the employee to resolve the issues, and also to pay attention to the rest of the team who may be going the extra mile to deliver high-quality services.
- Team members need understanding regarding certain issues affecting their personal wellness, but they also need options for managing those issues.
- Consider establishing an employee wellness program to deal with issues that employees face by giving them options such as:
  - Flexible scheduling to help deal with family matters,
  - Wellness tips and healthy meetings to discuss lifestyle changes which promote healthy living,
  - Nutritional snack choices in the break room,
  - A plan for your management team to direct employees to additional assistance programs when the employee needs help with personal concerns.

ATTENTION TO HIGH-POTENTIALS

- High-potential employees need challenging assignments and opportunities to learn and grow.
- The business needs to develop leaders, individuals who will be able to step-in or take over depending upon the changing needs of the team and the business.
- Cultivate team members with a potential for growth and advancement by aligning their interests and talents with the needs of the business.
- Consider establishing a career-mapping program within your performance appraisal program to develop those team members designated as high-potentials.
- Programs to develop talent also help a business retain talent and explore other options for satisfying the changing needs of your clients by utilizing the strengths of your talented team.

THE GENERATION MIX

- Different generations have different expectations of a great work environment (see 1.10: Generational Differences).
- Programs that factor in the expectations of the different generations are more apt to attract and retain talent.
- Traditionals (1925–1945) are your older team members who have forgone retiring and continue to stay active in the workplace.
  - They are known to be frugal, work long hours, and strictly adhere to rules.
  - They welcome the opportunity to have flexibility in their work schedule and duties.
- Baby Boomers (1946–1964) most likely occupy management positions or are considered the "seasoned" employee.
  - Known to be workaholics, competitive, and rigid.
  - This group finds their identity in their chosen profession.
  - Welcomes flexibility, personal growth, sabbaticals to explore hobbies and other interests, challenging assignments, and meaningful work.
- Gen X (1965–1981) employees are approaching the height of their careers and may be finding themselves at a crossroads in their career.
  - Known for being aloof, cynical, abrasive, and jaded.
  - Typically rejects conventional leadership of the baby boomers; feels that innovation is a top priority.

  - Welcomes networking, collaboration, and being able to choose their own path (highly self-directed).
- Gen Y or Millennials (1982–1999) are starting out in their chosen career and quickly advancing through the training program.
  - Known for being overly confident and optimistic, yet needing constant attention.
  - Welcomes continuous feedback and being able to navigate his or her career path.
  - Wants personally fulfilling work that also permits them to be socially conscious.
  - Strongly associated with team activities.
- Gen Z are those born after 1999 and are the youngest generational cohort currently in the workforce. Your kennel team may be staffed with a number of Generation Z people.
  - Known for being technical savvy at their young age.
  - They are group-oriented and easily integrate social networking into their daily lives.

EXAMPLES

- On-boarding programs are not just for new hires—consider the importance for people taking on new duties or those promoted to management positions and create on-boarding programs for them.
- Accountability needs to be a business priority and part of the core values.
- Accountability begins with leadership, requires buy-in by the individual, relies on job descriptions and performance standards to communicate what is expected, incorporates continuous training in the business strategy, has systems in place to measure compliance, provides regular, constructive feedback, has consequences that are understood by the team, and creates a culture of trusting in each other.
- Absenteeism must be monitored and accountability to job attendance expected. Certain absenteeism and presenteeism issues may be improved by instituting a Performance Improvement Plan and advocating involvement in employee wellness programs that address common issues such as diabetes, smoking cessation, stress, elder care, high cholesterol, and so on.
- Develop a program to regularly assess your team and identify high-potential employees.
- Use an assessment tool to identify unproductive team members, and then evaluate whether or not the practice can develop a performance improvement plan, or discuss terminating the work relationship.
- Developing leadership competencies is an essential ingredient in any program involving high-potentials.
- Use the generational mix to your advantage. Set up mentoring or coaching pairs: a Baby Boomer mentoring a Gen Y on leadership, or a Gen Y coaching a Baby Boomer on techno-gadgets, or a Traditional providing networking connections to the Gen X.
- Use the generational mix to develop your recognition and rewards program, understanding that one-size does not fit all, obtain feedback from the groups and use their input to develop meaningful programs to motivate and engage all generational groups.
- "Needs" extend beyond the needs of the team members and include the needs of the client, needs of the pet, needs of the community, and needs of the business.
- Visit the mission "needs" of the business on an annual basis with the entire team—then evaluate needs of the team in relation to the needs of the business.

CAUTIONS

- The desires and needs of the different generations may be in direct conflict with the needs of the business.
- Certain assessment tools cannot be used in every practice or for every situation. Talk to other professionals to explore available options, what will work best in your practice and with your team culture.
- Many wellness programs do require some financial incentives to encourage team participation. Please check with a certified wellness program provider (such as your current insurance provider) or attorney before implementing any program.

MISCELLANEOUS

ABBREVIATIONS

N/A

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N/A

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1.10. GENERATIONAL DIFFERENCES

BASICS

OVERVIEW

- Veterinary medicine is a field where there is often, even in smaller hospitals, a mix of the different generational categories. There are typically older, more experienced individuals in the ownership and management structure of a hospital and there is often a mix of generational representation in the technical and reception areas of the hospital.
- It is common for hospital owners to feel that the younger generation has no work ethic, takes no responsibility for their actions, and simply does not care as much about their performance as the owners themselves do and did at that age. Conversely, younger workers often feel that management is out of touch, old fashioned, and too rigid for the younger staff to thrive, so they struggle with following the hierarchical structure in the practice.

TERMS DEFINED

Baby Boom Generation: Commonly called "Boomers," this generation of people was born after the end of World War II, between the years 1946 and 1964.

Generation X: People in this generation were born between 1965 and 1981, but more generally this includes anyone born in the 1960s and 1970s.

Generation Y or Millennials: This generation includes anyone born between 1982 and 1999.

Generation Z: Also known as the iGeneration or Net Generation, these are individuals born after 1999. They grew up in the post 9/11 era and have always had familiarity with communications and media technology. Their tendencies in the workforce have yet to be fully characterized.

ISSUES AND OPTIONS

The timeline below is a visual representation of the three generations that currently dominate demographics in current veterinary practices(Figure 1-10-1).

- One important thing to understand about generational differences is that this is not a new phenomenon. Chances are that at some point during our younger years, no matter how old we are, our elders felt like we were impetuous kids with little work ethic or sense of responsibility. There has always been a perception that the younger generations possess different beliefs and values than those who are older. Although the contrasts may be a bit clearer due to some of the reasons listed further on in this chapter, there have always been and will likely always will be differences of opinion between older and younger individuals.
- Much of what people categorize as "generational differences" are simply differences of opinion on what is important. These views tend to shift as we grow older and, often, we have different priorities at different phases in our life.
- Another big factor in perceived generational differences is the comfort and proficiency with rapidly changing technology. The Baby Boomers remember rotary phones and record players whereas the Millennials grew up with personal computers, cell phones, and iPods.
- Most of the challenges that arise in the workplace due to generational differences have to do with using the same technology, following the same forms of communication, and existing within the same hierarchy. This leads to a meshing of values and beliefs, which often creates conflict and tension in our hospital and can interfere with our quality of care as well as our client service level.
- Adaptive leadership
  - The people who deal best with a diverse generational work environment are adaptive leaders who are capable of working well with any diverse group, be it based on age, experience, ethnicity, religion, culture, or any other groups of individuals with different sets of beliefs.
  - An adaptive leader understands that you cannot force others to mold themselves to your leadership style in order to be successful in your organization. This means you must adapt your leadership style to the needs of the people and the business, and that you must work with people as individuals and learn to help them engage based on their own style, goals, priorities, and strengths. Ultimately, it means that you become a leader who focuses more on what other people need to engage and be fulfilled at work, and less on how you believe they should behave based on how you would behave.
  - Adaptive leaders are able to build organizations with enough flexibility that virtually any generation can be comfortable and can contribute to the success of the hospital.
  - It is important to recognize that, even when someone is not likeminded to us, he or she can still contribute, innovate, make a difference, and help our hospital achieve more. Sometimes, someone with completely different ideas and beliefs can do an even better job in certain roles than we ourselves could do.
  - Becoming an adaptive leader is one of the best ways to create a hospital that can employ any generation and become even more successful because of our ability to hire and engage diverse talent.
- Engagement
  - Different generations will need different things from an employer in order to remain fully engaged and work toward the growth and success of the business. It is important to consider the various generations when you think about how to execute organizational changes, kick off new projects or marketing plans, make changes in job roles or duties, or even bring new team members into the hospital.
  - Engagement is best created in a multi-generational hospital when changes are made collaboratively and the staff has input into the changes and how to implement them. This does not mean that decisions get made based on consensus but it does mean that people feel as if they had a say in shaping how things happen, and that they have some control over their work life.

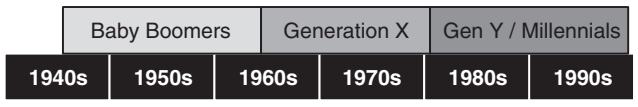

Fig. 1-10-1.

The three main generations represented in today's veterinary practices.

- Creating an environment where people feel empowered to contribute ensures that no matter the generation, staff members will be able to express their views and that goes a long way toward helping them engage and feel good about the place where they work and the leaders with whom they work.

Figure 1-10-2 offers some examples of how each generation thinks about common workplace and life values. Understanding these differences is critical to become an adaptive leader in your hospital.

Once you have a good understanding of these differences, it is important to begin creating a culture in your hospital where multiple generations can thrive and engage. Because people from different generations can have different motivators, communication patterns and approaches to how they work, it is important to build a culture in the hospital where they can work together and where the owners and managers can effectively improve everyone's performance over time. We must therefore look at several key factors that will drive individual motivation and engagement throughout the practice, taking into account everyone's values and viewpoints, not just the ones we relate to. In many cases, managers and owners communicate well and "get" the people from their generation whereas people from other generations leave management scratching their heads. Here are some concepts and examples that will help you manage across different generations and still build a high-performing practice:

- Although every generation can benefit from effective coaching as they change behavior, learn new skills, and improve performance, in a multi-generational hospital there are some key points to keep in mind as we have coaching conversations.
  - Goals
    - It is best when the individual staff member sets his or her own goals and the manager/coach provides input, but lets the individual drive the conversation. This is a good practice anytime we coach others but becomes more critical when we are working with someone from a different generation. We may not be able to anticipate or even understand others' goals because they might differ greatly from what ours would be in their situation. For example, Boomers often feel a sense of loyalty to their employer and one goal might be to work their way into a management role and give back to the practice, as they become a more effective contributor to its growth. Millennials may operate more from an "in the moment" perspective and be motivated more effectively by how their team perceives their value and their work. Clearly, we would need to have very different coaching conversations with these individuals if we are to help them establish their work goals. We will also need to connect their performance to different motivators to keep them fully engaged as employees. It is often difficult for Boomers to understand why the motivation does not naturally exist in everyone to do a good job because they were asked to and paid for it. The reality is, people might be more motivated by contributing new ideas and seeing them come to fruition than they are by doing what they are asked to do. Younger generations increasingly want to have a say in how the business operates and how things are executed, whereas many older employees are satisfied by excelling at the tasks they are given. Neither is right nor wrong, they are just very different and in our coaching we need to allow for people to play to their own strengths and their own sources of satisfaction.
    - It is effective with any generation to start performance and coaching conversations with questions like: "What are the things that you would like to accomplish here as part of our team?" or "Two years from now what do you want to have learned or become better at as part of our hospital?" Most people may not have given a lot of thought to these questions and may need some time to contemplate them between conversations. One of the most powerful and engaging things we can do with any employee, regardless of when they were born, is to help them set meaningful and compelling goals for themselves. It not only allows them to focus on doing things differently today but also goes a long way toward building the kind of relationship that causes people to step up and do more for the business because working at our hospital has made a difference in their own lives.
  - Accountability
    - Practice owners are commonly concerned with having more accountability throughout the hospital. Their expectation is that people take ownership for solving problems, improving processes and growing the practice. Coaching conversations can be a great way to create this sense of accountability, but how we coach can make a big difference in how much initiative people take. Often, employees bring problems to managers or owners in a practice and expect "management" to fix those problems. Effective coaching that asks questions like "What do you think the best way to solve this might be?" or "How can I help you best have that conversation with that person to work through your differences?" changes the whole dynamic of how problems are solved in the hospital. Different generations may approach the solutions differently, but if we allow them to think through those solutions on their own by asking good questions, we don't have to try to come up with solutions that will please everyone. We can simply let them come up with their own solutions, within reason, which ensures that they select the path that suits them best and solves the problem. It also creates an environment where people close to the problem solve it, rather than pushing everything up to management for a decision. People will begin, after hearing the same kinds of questions over time, to think about solutions before they ever bring them up to management in the first place. Staff members can change pretty quickly in this regard. Managers will face the bigger challenge of letting others take accountability for things, especially if they are accustomed to being in control of everything. We have to make choices as leaders whether we want our team to have accountability or whether we want to keep it all for ourselves. Keeping it all means we have to have all of the answers. Sometimes Boomers can make that system work, where management solves all of the problems and knows what to do in every situation. In multi-generational businesses though, it is a real challenge to grow, evolve, and improve the efficiency of the hospital if one person or a very small group of managers has to touch every solution. We are much more effective as an organization if people take initiative, solve problems, communicate horizontally about changes rather than up the chain of command, and feel ownership for making things better. Ultimately, when we have people from multiple generations on our team, we limit our growth and our ability to achieve our potential as a hospital if all of the decision-making remains at the highest levels of the business.

1.10. GENERATIONAL DIFFERENCES

	Boomers	Gen X	Millennials
Work	Work largely defines who you are	Work is what you do, but balance is important	Work is integrated with life, friends at work matter
Time	Overachieving is important no matter how much time it takes	Family time and work time should be separate with rigid lines	Can work in smaller increments and shift back and forth quickly from work to play
Communication	Long letters and emails	Brief, but complete	Short, to the point messaging in real time
Goals	Longer term, bigger picture	Short term or quarterly objectives	What is going on this weekend
Job	Career	Current role, but could change at some point	A good gig for now
Development	Get to a senior role and then manage others	Work my way up with varied experiences	Constantly try new things, learning is what jobs are for
Structure	Hierarchy with clear roles and titles	More of a team environment, but with clearly defined leadership	Flat organization with little hierarchy

Fig. 1-10-2.

Features of the three most common generations represented in veterinary practices today.

- Support
  - Support from a coach or manager comes with different expectations, depending on which generation we are from. Some Boomers may feel like the paycheck is their reward and that's all they need whereas Gen Xers may care more about the praise they receive and how they compare to their peers. Millennials may want more input into the next project as a reward for executing the current one well. As owners and managers we can cause significant change just by focusing on how we reward and support people in their efforts to contribute more and perform at a higher level. It is a helpful practice for us to leave our office a few times each day and focus solely on walking through the hospital and catching someone doing something right. The statement it makes about what good looks like in terms of performance is substantial and comes through loud and clear to the staff. For example, imagine we are working through an initiative where we are improving our client service levels. We have had a collaborative meeting on how we might do that, we have broken down and prioritized our efforts, and have committed as a team to execute five things differently in our daily interaction with clients. Noticing people who are stepping up and making those changes quickly will both cause them to speed up their own changes and clarify the behaviors that are desired for everyone around them. It serves to cement the new behaviors as part of the culture and give people feedback and clarity on what the expectations are. Coaching conversations with staff members who are struggling with changes or shifts they need to make should also come from a supportive place. The overarching message has to be: "I want to help you and that is my main goal. How do we work together to get you to the goals we outlined for you as a part of this team? What changes do you want to make and how do I support you in making those changes?" Once again, we create a sense of accountability while simultaneously providing support for the individual to operate more effectively.
- The key to managing different generations of people is really no different from how we might manage people from different cultures, different backgrounds, or even just from another hospital where the environment and processes might have been very different. We should create a collaborative culture where everyone has input into how we make changes, coach effectively to ensure that we focus on each individual's goals, encourage a sense of accountability so people begin to solve problems and make changes on their own, and consistently provide support. Changing the way we lead the people in our hospital will greatly reduce our need to have every answer, solve every problem, and figure out how to help a group of very different people perform better.

EXAMPLES

N/A

1.10. GENERATIONAL DIFFERENCES

MISCELLANEOUS

ABBREVIATIONS

N/A

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1.11. PERSONALITY PROFILING

BASICS

OVERVIEW

Interacting well with clients and coworkers is an important part of any veterinarian's job. Knowing how to recognize and respect the innate differences in people is critical. Concepts explained to a group are interpreted and understood on an individual basis, and knowing how to tailor a message to different personality types improves the odds that the message will be received as intended.

- There are several personality type theories, but one of the most reliable and understandable is the MBTI (Myers-Briggs Type Indicator). Its developers set out nearly a century ago to identify basic differences in normal, healthy people that could be described uniquely and that would be observable over large groups of people and in many different cultures.
- Myers-Briggs types look at whether we are energized by being alone or with others, how we take in information, how we make decisions, and how we like to organize our world.
- There are no good or bad personality types; all 16 MBTI personality types are good, they're just different.
- Everyone exhibits characteristics of all the personality types at various times in order to be successful in our personal and professional lives, but our individual preferences are inborn and cause us to filter other people's behavior through our own preferences.
- Recognizing one's own preferences makes one more aware of the differences among people, helps us to respect others by knowing that they may not think or behave as we do, and allows us to recognize and acknowledge skills and traits that complement our own.
- If you knew, for example, that a specific individual gets more out of written than verbal instructions, why would you continue to give only verbal instructions? If you could figure out their preference, you likely would give that person information in writing to enhance his or her understanding of the material. The same is true for the 16 personality types: If you understand and can identify a person's preferences, you can then accommodate those preferences when you believe it makes a difference in the outcome of your interaction.

TERMS DEFINED

MBTI, or Myers-Briggs Type Indicator: A well-established test instrument that measures the personality traits and preferences of normal, healthy people. The test is a personality inventory, not a test of skills or abilities. The MBTI relies on four scales, each of which is a continuum ranging from a slight to a very clear preference for a particular characteristic. The four scales are described in the next section. There are unofficial versions of the instrument available on the Internet, though their results may not be as reliable as the actual MBTI.

Personality Types: (16 in all) are the result of individual preferences on the four scales. An individual's personality type does not change over time; however, people may express their type in somewhat different ways at different times, and at different ages and stages of life.

ISSUES AND OPTIONS

PERSONALITY TYPES AND TERMS

The four dimensions that make up Myers-Briggs personality types are listed below. All of these are on a continuum, and a preference can either be strong (near the edge on either side) or more moderate (nearer the center). Your preferences on the four scales define one of the sixteen Myers-Briggs types that is said to be closest to your individual personality type. The author, for example, is an ISTP—someone who prefers Introversion, Sensing, Thinking, and Perceiving. Here are the four scales:

How People Are Energized
(E) Extraversion — Introversion (I)

The Kind of Information We Naturally Pay Attention To
(S) Sensing — Intuition (N)

How We Make Decisions
(T) Thinking — Feeling (F)

How We Like to Organize Our World
(J) Judging — Perceiving (P)

What do these four dimensions mean?

EXTRAVERT (E) VERSUS INTROVERT (I)

This continuum is not about who is talkative and who is not, even though that's a common misconception. Even outgoing people, the life-of-the-party types, can demonstrate a strong preference for introversion on the Myers-Briggs scale. They may simply be adept at functioning all along the continuum, so much so that everyone's first impression of their preference for extraversion or introversion can be incorrect. That's because this scale is actually about whether we prefer to focus on the outside world or on our inner thoughts and feelings, not how we act in a particular situation. The key to an introvert's preference is to ask what he or she generally does at the end of a long, stressful day. An introvert will frequently answer: "I go home and stay there." On the other hand, an extravert will seek out other people and places to recharge an internal battery. Ask yourself:

- Are you energized by interacting with other people or by being by yourself? At the end of a long, hard day at the clinic, would you rather meet some friends and go out on the town, or go home and hope no one calls? If being with other people energizes you, you likely have a preference for Extraversion (E). On the other hand, if you rejuvenate yourself at home in solitude and comparative privacy, you may be an Introvert (I).
- Are you more comfortable acting first, then thinking about it, or do you prefer to think things through before acting on them? If you act first, you may prefer Extraversion (E).
- Do you think out loud—do you explain your thought process as you make a decision, or do you analyze the options, make a decision, and then announce your conclusion? If you think out loud, you may be an Extravert (E). If you prefer to do your analysis inside your head, not sharing your thought process with other people, then you likely prefer Introversion (I).

People who prefer extraversion are more comfortable in the outside world. They want to share their ideas, their thought process, and their conclusions with others. They thrive on interacting with other people. People who prefer introversion, however, are most comfortable inside their head, dealing with their ideas, thoughts, and conclusions mentally, sharing only key points with the others. Neither introversion nor extraversion is inherently good or bad; they're just different, and you need to adjust your communication style in a way that acknowledges other people's preferences.

Remember this: If you don't know what an Extravert (E) is thinking, you haven't been listening. On the other hand, if you don't know what an Introvert (I) is thinking, you haven't asked.

If, on the basis of your Myers-Briggs personality type, you prefer extraversion, you cannot assume that others have incomplete or incorrect thoughts because they do not share those thoughts with you. You may, however, need to draw them out by asking specific questions or encouraging others to share their ideas.

On the other hand, if your personality type prefers introversion, try not to be annoyed with others who tell you more than you want to know. What sounds like babbling to you may simply be their way of working through a problem and reaching a conclusion. To do that comfortably, they need to share the process with you.

Watch your team interacting during staff meetings. Some are more vocal than others and you likely know their thoughts on the current discussion topic. But you will get different (and valuable) viewpoints by asking the "quieter" members for their thoughts.

SENSING (S) VERSUS INTUITION (N)

This scale can be the most difficult preference to identify. You will need good powers of observation to determine how best to give information to any one person. Again, don't rely on some generic definition of "sensing" or "intuition" to define this characteristic. In Myers-Briggs terms, this relates to the way we prefer to perceive or take in information.

Do you rely on your five senses—what you see, hear, touch, taste, or smell—or do you rely on some sixth sense that allows you to see the big picture, not just the details? Sensors (S), or people who prefer sensing, pay attention to facts and details and are most persuaded by information they can see or hear. They tend to focus on the present: what's happening now. Intuitives (N), or people who prefer intuition, look for the connections, the underlying meaning, and the implications of a situation. They look past the details and are comfortable trusting their intuition and their instincts to correctly interpret the situation. These are "big picture" people who get bored with the details of ordinary life.

- Imagine looking at a photograph of a person standing by a car in front of a mountain range. The Sensor (S) would likely focus on the person and the car, whereas the panorama in the background would be secondary. An Intuitive (N) would take in the larger picture instantly and would likely focus on the panorama first, with the identity of the person and the car being secondarily important. A Sensor (S) would ask who is the person and what kind of car is he driving? An Intuitive (N) would wonder what a person with a car is doing at that location.
- Sensors (S) are gifted at accumulating and organizing data and at finding new applications for something that has already been invented. Because they are comfortable relying on facts from their own or others' experience, they can spot inconsistencies or discrepancies that merit further investigation. Intuitives (N) can be very creative, as they think in terms of possibilities and require less empirical proof to believe something is possible.

How does this affect you? What's your preference? If your staff wants to get you to make a decision, do they bring you facts and figures to support their position or do they ask you to focus on the results of implementing that decision? They likely have learned already whether you need facts and figures before making a decision (you're a Sensor [S]) or whether you are more likely to focus on the possibilities and ignore their supporting data (you're an Intuitive [N]).

The same is true when you need someone else to make a decision. Giving facts and details to Intuitives (N) is likely to bore them and make it difficult for them to act on your request. They need to know how that decision will impact other systems within the hospital or whether it will create new problems because of the interrelationships within the clinic. Likewise, asking Sensors (S) to make a decision without giving them all the relevant facts creates stress and may make them feel as though you're setting them up for failure. Without seeing or hearing the details and the facts that are the underpinnings of that decision, a Sensor (S) will be uncomfortable making any decision. He or she simply does not have enough information.

THINKING (T) VERSUS FEELING (F)

This preference has to do with how we make decisions and come to conclusions, but it does not imply that Thinkers (T) are heartless or that Feelers (F) are illogical. Each of us is more comfortable making decisions by relying on one of these two frameworks. People who prefer thinking (T) make decisions by analyzing the information related to the decision. They tend to be objective, weighing the information they have received, and making decisions on the basis of a logical thought process. On the other hand, people who prefer feeling (F) make decisions on the basis of a more personal, subjective set of values. They are concerned with the impact on people; i.e., what is pleasing, harmonious, supportive, and respectful of others.

In your own environment:

- Do you make decisions more objectively, analyzing the pros and the cons (a Thinker [T]) or do you rely on what effect your decision will have on others (a Feeler [F])?
- Thinkers (T) derive great satisfaction from analyzing situations logically and objectively, and they are more comfortable making the tough decisions that are sometimes required in business. Feelers (F), on the other hand, thrive on harmony and will go out of their way to please other people. They are attuned to other's needs and feelings. The author's unscientific observations over many years suggest that there is a disproportionately large number of Feelers (F) in veterinary medicine compared with the general population. That is not surprising in view of the care and compassion that are critical for veterinarians and for the profession overall, but it may also help explain why veterinarians have trouble charging for the true value of their services (they don't want to displease the client).
- Thinkers (T) are often drawn to careers that allow them to use their analytical skills, and in veterinary medicine Thinkers are frequently attracted to the diagnostic element (the puzzle) of their jobs. Some even enjoy the business side of owning and operating a practice. Feelers (F) are often attracted to careers in service industries. Feelers (F) are very focused on the compassionate side of practice, whether dealing with animals, their owners, or the practice's employees.

Observation: Thinkers (T) are sometimes viewed by Feelers (F) as being cold and calculating, because they make decisions based on analysis and logic, with people issues representing only one factor to be considered. Thinkers (T) say that Feelers (F) are too emotional, because they focus on the impact of their decisions on people and systems, not the facts or the analysis of the underlying data. Thinkers (T) also say that Feelers (F) take everything personally, so Thinkers (T) find it hard to train Feelers (F) or evaluate their performance without emotions getting in the way.

JUDGER (J) VERSUS PERCEIVER (P)

This factor describes the way we like to organize our world: planning it or winging it. The terms themselves are awkward because Judgers (J) are not necessarily judgmental and Perceivers (P) are not necessarily more perceptive than anyone else. Focus instead on the difference between a planned versus an unstructured lifestyle. This is one of the easiest traits to observe if you know what to look for—the clues will be all around you.

Judgers (J) like to come to closure—that is, make a decision and move on. They like meetings to be structured, to start and end on time, and they tend to keep "to do" lists, deriving great satisfaction from crossing things off the list. Perceivers (P) enjoy the process of getting information and exploring possibilities. They enjoy brainstorming sessions and they like to keep their options open. They tend to take pleasure in starting a project, but not necessarily in finishing it.

- Judgers (J) prefer to work in organized workspaces, keep their work areas tidy, and enjoy working on one project at a time. Perceivers (P) are more comfortable dealing with multiple tasks and their workspaces look like nests—everything close at hand but generally untidy.
- Judgers (J) have a keen sense of time, arrive at functions promptly, and have little patience with people who are late. Perceivers (P) are mostly oblivious to time, tend to be perennially late, and forget to go home when they are engrossed in a case or a project.
- Judgers (J) like to be in control in most situations and will step into leadership in order to make something happen. They frequently see choices as black or white, right or wrong. Perceivers (P) can have strong

1.11. Personality Profiling

opinions, but tend to see situations in terms of shades of gray with lots of choices. They are flexible and stay open to other possibilities that might come up along the way.

Keep in mind that Judgers (J) are uncomfortable until a decision is made and Perceivers (P) are uncomfortable about rushing to a decision. Also, Judgers (J) and Perceivers (P) who share a workspace can experience lots of stress, because the Judger (J) wants it tidy and organized and the Perceiver (P) wants everything close at hand, placing much less value on having everything in its place. Understanding this basic difference among people allows both Perceivers (P) and Judgers (J) to become more tolerant when sharing a workspace (such as doctors' offices).

THE IMPLICATIONS OF MYERS-BRIGGS PERSONALITY TYPES IN A VETERINARY PRACTICE

- Consider personality types before assigning job responsibilities. Putting people into the wrong tasks forces them to work in awkward and stressful situations.
- Promoting a good technician who is an Intuitive (N) to an Office Manager position may not work for the employee or for the practice. Big picture people can become frustrated dealing with lots of detail.
- Conflicts among employees can often be traced to differences in personality types. If employees understand the basic types of differences, they are more likely to respect and tolerate these differences.
- If you're an Extravert (E), do you actually seek out the opinions of the Introverts (I) on your staff, or do you assume that if they had anything to say, they would speak up? The reality is that they may have lots of ideas that they've never voiced under the scrutiny of the entire staff in staff meetings.
- If you are a Thinker (T), you might find it useful to try ideas or changes in policy out on a Feeler (F) in your life to see if there are hidden messages that might inadvertently offend your staff. For example, leaving memos in people's boxes about even routine matters may seem cold or a "sneak attack" to a Feeler (F), even though you find the process routine and time-efficient.
- Over time, practices can develop a distinct personality as the owner hires people who are similar in personality type to his or her own. This is easy to do, because we are all most comfortable with people who think and act like we do, and we tend to hire them because they will "fit in well." However, research shows that the most effective work teams find strength in the differences among their members. The conflict that arises as your staff deals with issues and opportunities through their different filters can be very healthy, and that conflict can ensure that you won't miss a problem or pass up an opportunity that you and your staff truly couldn't see.
- The noted management guru, Tom Peters, advocates "taking a freak to lunch." What he means is that we shouldn't always associate comfortably with people who think like we do and who work in environments like ours. We need to get out of our box by associating with people who are significantly different: different in age, background, career, culture, etc.—people who can help us see the world through different eyes. When's the last time you took a freak to lunch?
- Your clients may come from many walks of life, and they likely represent all 16 personality types. How much do you actually modify your communication style to accommodate those differences? Do you take a "one size fits all" approach? If so, you are likely not reaching some of your clients as well as you could.
- With the current focus on compliance—that is, how well do clients take our advice and follow our recommendations—personality types take on increased importance. If the client didn't follow your advice because you didn't acknowledge his or her differences and tailor your approach accordingly, who is really to blame? Handing a list of postoperative instructions to an Intuitive (N), for example, might not lead to postoperative action. However, explaining how the follow-up enhances the effectiveness of the surgery itself and then going over the actual instructions verbally might give the person "the big picture." You may think it's obvious to read and implement the instructions you hand out, but does your client?

HOW MIGHT YOU INTRODUCE THE USE OF PERSONALITY TYPES IN YOUR HOSPITAL?

Even if the theory and concept of personality types intrigue you, there are some significant steps that need to be taken to use these concepts well. When first introduced to the MBTI, most people find it interesting but not necessarily useful. That's because it requires learning new concepts and becoming conversant in the language and theory that underlie the instrument itself. People who attend seminars may have a hard time remembering their own four-letter type (ISTP, for example), after only a few days. Even if they remember their own type, they may still struggle to remember what the letters stand for and what preference each letter suggests. Therefore, consider taking the following steps:

- Because the actual MBTI instrument can only be administered by someone who has been qualified to do so, alternative ways of indicating MBTI types have been developed. Suggest, but don't require, that each staff member take an abbreviated version developed by David Keirsey called the Keirsey Temperament Sorter II, available in his book, *Please Understand Me II* (see the Recommended Reading list), or online at www.Keirsey.com. Both the licensed MBTI and Keirsey's sorter are designed only to suggest what a person's personality type may be. When reading the descriptions of the 16 types, people can generally recognize themselves in one or two of the descriptions, which likely will be the type suggested for each by the sorter. By having each staff person identify his or her type, there is a common base of knowledge established at the same time so that no one will feel excluded. Don't pressure a team member who refuses to take the test—some people feel threatened by the entire process at first—just continue to include them in the discussions as though they had used the sorter. In almost all cases, they will self-select their type from the discussions that follow. Similarly, no one should be required to disclose their suggested type to anyone else, unless they choose to do so. Most people will readily share the results of their sorter experience, but there should be no stigma against anyone who hesitates to do so. Sooner or later they will understand that the way we each behave every day gives clues to our type, so there is really no secret to be kept.
- Suggest that each person make an effort to remember his or her own four-letter type and be able to explain what each of the four letters represents. Some practices even suggest that staff members wear their type on a temporary name tag as the team members learn more about types. This is a great way to learn to recognize common behaviors for each type. It's also a great conversation starter with clients who are knowledgeable about personality types.
- Consider having a five-minute discussion at each staff meeting as a team member describes an experience (in or out of the clinic) where personality types were observable. This increases each person's awareness of the clues we all give as to how we are most comfortable in our daily environment.
- Also at staff meetings, encourage team members to incorporate personality theory into discussions about problems, issues, difficult client situations, etc. By learning to recognize personality types in action, each person can improve communication skills with clients and other staff members by tailoring the communication style and approach to fit the recipient, not the sender.
- Over time, dividing up projects or assigning tasks gets easier as the group learns to capitalize on people's individual strengths. If the inventory needs to be counted, a Sensor (S) will be less intimidated by the detail than an Intuitive (N). If someone is needed to speak at a school about careers in veterinary medicine, an Extravert (E) is likely to be less intimidated by the process than an Introvert (I), although each could do the job well.

1.11. PERSONALITY PROFILING

EXAMPLES

N/A

CAUTIONS

N/A

MISCELLANEOUS

ABBREVIATIONS

MBTI: Myers-Briggs Type Indicator

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N/A

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1.12. VALUE DISCIPLINES

BASICS

OVERVIEW

The concept of value disciplines was first introduced by Treacy and Wiersema in the *Harvard Business Review* in the early 1990s.[1]

- Value disciplines describe three different paths management may take to deliver value to their customers. Businesses that strive for market leadership focus efforts on *one* value discipline.
- The three value disciplines are: operational excellence, product leadership, and customer intimacy.
  - Businesses that excel in operational excellence deliver quality products and services efficiently and at low costs.
  - Businesses that excel in customer intimacy develop in-depth relationships with their customers and deliver products and services geared to a specific customer's desires.
  - Businesses that excel in product leadership deliver innovative products and services to their customers.
- To compete and survive, a business must meet minimum standards in each of the value disciplines. To become a market leader, however, a business must go beyond minimum standards and excel in the delivery of one of the value disciplines. They must create superior customer value in the chosen value discipline.
- Businesses that strive only for minimal standards in all value disciplines will achieve only mediocre success.
- Businesses that try to excel at all three value disciplines will find themselves unfocused and unable to deliver their products and services in a competitive manner.
- Businesses that meet the minimum standards of all three value disciplines and excel in one value discipline become market leaders according to Treacy and Wiersema.

TERMS DEFINED

Value: Determined by what is important, desirable, and useful to clients.

Discipline: A branch of knowledge.

Value Disciplines: Three ways businesses deliver superior value to their customers: operational excellence, customer intimacy, and product leadership.

Note: In the past, clients judged value by quality and price. Today's clients judge value by much more—convenience, dependability, service, communication, and so forth.

ISSUES AND OPTIONS

- To be even remotely competitive, businesses must meet minimum performance standards in each of the value disciplines. Businesses that strive only to meet the minimum acceptable standards of value expected from clients in each of the value disciplines will be capable of only average or mediocre levels of performance.
- Businesses that subscribe to the value disciplines philosophy become market leaders because they provide value to their clients well above the minimum acceptable standards in one of the value disciplines. Market leaders outperform their competitors in the chosen discipline, and remain competent in the other two dimensions.
- Managers must understand that minimum acceptable standards are constantly being raised by clients. Efforts must be made to continually meet the minimum standards of the future, which will always be higher than they are today. Likewise, a client's perception of superior value today will be the minimum standard of the future. A market leadership position requires management to continually strive for improvements in superior value to exceed the needs and expectations of clients in the future.
- Management, on a path to market leadership, must align the total organization to the chosen value discipline. Resources, processes, and systems must all revolve around the delivery of superior value within the value discipline category. The value disciplines model guides management in developing internal processes, systems, and organizational structure.
- Maintaining market leadership requires a continuous effort. There is no room for complacency once you have achieved a market leadership position.

THE THREE VALUE DISCIPLINES

Operational Excellence

- As the name suggests, this value discipline involves a value proposition to customers that emphasizes operational excellence. The focus is on processes and low costs; however, quality is not sacrificed to achieve low costs. In today's business environment, quality is a given. Under no circumstances is poor quality acceptable to consumers.
- Businesses that excel in operational excellence do not cater to the individual preferences of their clients; they cater to the masses.
- They are convenient and they are reliable.
- Processes are redesigned and technology is used to enhance operational excellence. All processes throughout the organization are targeted. Examples: client payments, supplier transactions, etc.
- Management applies continuous improvements to the processes, resulting in a steady stream of increased efficiencies.
- The focus of staff training is on operational efficiencies.
- Management strives to monitor performance to control costs and improve service quality.
- Operational excellence may be achieved by limiting the number of products and services offered to the customer or client.

Product Leadership

- Businesses that pursue a product leadership strategy possess the necessary knowledge and skills for product and service innovation, commercialization, and market exploitation.
- Constant innovation results in product leadership.
- Businesses embrace new technology.
- The time it takes to take a new product or service from concept to commercialization is minimized.
- Organizations that follow this path to delivering superior value to their customers and clients are risk takers. They are willing to cannibalize their own current product and service sales to bring the new product or service to market.
- Competitors' products and services become obsolete.
- Businesses operating within this value discipline recognize that customers need to be educated on the use and benefits of new products and services.
- Innovative products and services push normal performance boundaries.
- Employees are encouraged to develop new product and service offerings.

Customer Intimacy

- Businesses in this category cater to the individualized needs of each client; they do not cater to the masses.
- Clients are loyal because employees build strong interpersonal relationships with them—employees know specific details about each client.
- Employees are empowered to use creativity in meeting the demands of individual clients.
- Services are customized to specific customers.
- Businesses in this category understand and anticipate customer needs (sometimes before the customer realizes their needs).
- Clients are willing to pay for individualized services.
- Businesses generally offer a broad range of products and services to meet the needs of their clients.

• Organizations excelling in customer intimacy look at each client transaction in terms of the client's lifetime value to the business.

EXAMPLES

EXAMPLE 1: OPERATIONAL EXCELLENCE

Spay/neuter clinics are an excellent example of clinics specializing in operational excellence. The following are possible characteristics of a clinic that excels in operational excellence:

• Practice policies that state no client will wait more than five minutes for an appointment, phones will be answered by the third ring, and clients will not be put on hold for more than one minute.
• Appointments are run on schedule 98% of the time; appointments are scheduled for no longer than 20 minutes each.
• In a general practice, complicated cases are referred to other, specialized, practices. Wellness exams that uncover a nonemergency medical problem are offered another appointment time in which to address the medical issue.
• Inventory levels are geared toward just-in-time delivery. When a product is purchased, technology is in place to automatically order a replacement product from suppliers.
• Clients rely on consistent services.
• Management tracks daily the number of appointments seen per hour, client waiting times, and so forth.
• Management is obsessed with the continuous improvement of processes and always implements changes to enhance the efficiency of the process.

EXAMPLE 2: PRODUCT LEADERSHIP

Practices operating in this value discipline were the first to offer high-end hotel-like boarding facilities, and the first to offer web cameras in their boarding facilities. They were among the first practices to have ultrasound machines, digital radiography, and the like.

• The future? Perhaps services such as:
  ◦ A mobile service that offers at-home doggy day care services for working clients or at-home boarding services for clients away on business—for example, three walks a day plus 30 minutes playtime
  ◦ A mobile treatment service for those hard-to-medicate animals

EXAMPLE 3: CUSTOMER INTIMACY

• Employees become familiar with clients on a personal and sincere level.
• When a client enters the practice for an appointment, all employees are able to refer to the client and pet by name. They are also familiar with the other pets owned by the client, including their gender and their health status.
• Employees can refer to personal notes regarding the client and are able to sincerely ask pertinent questions regarding the last European tour, the latest grandchild, and so on.
• When Mr. Smith asks Dr. Jones to view "Buffy's" unusual behavior in the home environment, Dr. Smith willingly complies.
• On critically ill patients, the hospital offers hourly updates for clients 24 hours a day. The hospital also allows clients to stay in-hospital with their critically ill animals.
• Employees don't evaluate a $10 transaction with a client any differently than a $1,500 transaction, because each client and patient is viewed in terms of their lifetime value to the clinic.

CAUTIONS

Practices must meet minimum standards in all three value disciplines to survive. The bar is constantly being raised in the delivery of value to clients. Practices must continually provide innovative and superior value to their customers to be competitive.

MISCELLANEOUS

It is possible for businesses to excel in the delivery of more than one value discipline. This creates a significant competitive advantage for the business. It is not recommended that a practice attempt to excel in more than one value discipline at a time. One value discipline should be mastered before attempting to master another while maintaining minimum standards in the third value discipline.

ABBREVIATIONS

N/A

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1.13. PRACTICE MANAGEMENT SUPPORT PROFESSIONALS

BASICS

OVERVIEW

Veterinarians know how important their internal support staff is to the operation and success of their clinics. Practices function with a team of receptionists, technicians, assistants, managers, and so forth. Each grouping of support staff brings an essential and different set of skills to the practice. The hospital team must work efficiently and effectively together to deliver quality services to the animal-owning public.

To achieve their practice potential, veterinarians also need an external group of management support professionals. Each group of support professionals will bring a different set of skills to the practice. Management support professionals working together can produce results for practices that would otherwise be unattainable.

Veterinarians use the services of consultants for three general reasons:

- They recognize they lack the expertise within the clinic setting to address some of the issues that arise while operating a veterinary business. Consultants can offer their expertise in areas where the clinic lacks the expertise.
- Veterinarians may choose to use consultants because their hospital personnel do not have adequate time to devote to problem solving or enhancing business potential. The expertise may exist in-house, but employees are too busy with day-to-day operations.
- Consultant services may be requested because management recognizes the benefits of receiving unbiased third party opinions, analysis, and recommendations. In many cases, an outside opinion (even if it is the same) can serve to motivate the practice to new levels of performance and facilitate the resolution of problems.

TERMS DEFINED

Management Support Professionals: Individuals or teams with specific expertise in practice management, accounting, law, and other business-related disciplines that apply their skills to the betterment of veterinary practices.

ISSUES AND OPTIONS

The practice team, composed of veterinarians, technicians, receptionists, managers, and assistants, is actively engaged in the day-to-day operations of veterinary practice. Periodically, practices will require additional human resources and skills to address business issues and concerns.

- Employees may be asked to devote their time and effort to these issues and concerns, but there are many circumstances under which the knowledge and skills of the in-hospital team are insufficient to meet the needs of the organization. If an employee is called upon to fulfill these additional roles, their day-to-day schedules will be disrupted and the practice operations will ultimately suffer. Additional resources should be sought from outside the organization, while the in-hospital team should be allowed to focus on its daily work. Consultants are able to fill the knowledge and skill gaps.
- The in-hospital teams can often benefit from the views and opinions of an objective outsider. A management consultant can provide insight into problems that may not be apparent to hospital members because they are too busy and often too close to the situation. New ideas and new approaches can breathe life into a stagnant hospital environment and provide motivation for staff to achieve new goals.
- Veterinarians should develop an external network of professionals to support their business from a different management perspective other than day-to-day management. The team should be similar to the in-hospital team, in that each team player should bring a different set of skills to the table. In addition, the external team should work together for the benefit of the practice.
- Consultants can be hired to deal with a specific project, but they can also be hired to provide on-going support to the management of a veterinary practice.
- There has been a trend toward increased use of consultants in the business world. This trend is likely to continue. Businesses are reaping benefits of improved performance and flexibility by outsourcing work to individuals or organizations with specialized knowledge, skills, and expertise. Consultants allow businesses to become more effective without having to establish long-term commitments.
- Practices that form a network of alliances with management support professionals will be well positioned to survive and thrive in an increasingly competitive business environment.

THE EXTERNAL TEAM

The external team consists of a varied group of individuals. Some individuals will be generalists and provide practices with a broad range of services, whereas others may provide in-depth services regarding a specialty area. A specific consultant may operate as a sole provider, whereas others are part of a large group of consultants. The following is a partial list of some of the services that are offered by consultants.

Legal

Veterinarians use the services of attorneys for many reasons (see 12.1: Legal Practice Needs and Dealing with Attorneys), including but not limited to:

- Developing and reviewing partnership agreements and buy and sell agreements
- Developing and reviewing employee agreements and noncompete clauses
- Employment law
- Advice regarding tax law
- Incorporating a business and other issues involving corporate structure
- Malpractice prevention and defense
- Purchase and sale of veterinary practices, real estate transactions, and mergers and acquisitions
- Estate planning, including wills and trusts

Financial and Accounting

The advice provided by financial consultants (see 4.4: Getting the Most out of your Accounting Professional), including but not limited to the following, will depend on the individuals' qualifications and expertise:

- Financial statement preparation
- Tax preparation and tax planning
- Financial analysis, projections, and management reports
- Feasibility analysis
- Budgeting and cash flow
- Strategic planning
- Purchase and sale of veterinary practices
- Mergers and acquisitions
- Financial planning
- Estate planning
- Financing

Human Resources

Experts in human resource management generally consult veterinarians in the following areas (depending on their qualifications and experience):

- Employee recruitment, employee retention, employee turnover, and termination
- Organizational behavior, change management, and conflict resolution
- Employee compensation and benefits
- Performance measurement
- Training and development, communication
- Policy and procedures
- Employment law

Marketing

Marketing professionals provide information on the following:

- Marketing plans (branding, advertising, websites, brochures, newsletters, and so forth)
- Marketing implementation
- Market research (demographics, client service levels, and so forth)
- Public relations

1.13. PRACTICE MANAGEMENT SUPPORT PROFESSIONALS

Practice Valuations

Consultants generally provide practice valuations (see 13.10: Determining a Practice's Worth) for the following reasons:

- Purchase and/or sale of a practice
- Mergers
- Legal divorce involving a partner
- Practice management—benchmarking and goal setting

Other

- Entrance and strategies
- Strategic planning
- Operations management (inventory control)
- Succession planning
- Architectural services
- Mediation, negotiation
- Leadership development

Note: These lists are not meant to be all-inclusive. There are many other services that are provided by support professionals in the veterinary industry.

LOCATING A MANAGEMENT SUPPORT PROFESSIONAL

Many practices use local management support professionals who may adequately meet the practice's needs. However, support professionals familiar with the veterinary industry can provide expertise that may be unavailable at the local level. There are several ways to locate a management support professional with veterinary industry expertise:

- Word-of-mouth referrals from colleagues.
- Published authors. Many consultants provide content to various veterinary management books, magazines, newsletters, websites, and so forth.
- Speakers. Management support professionals can be found delivering lectures at national, state/provincial, or regional continuing education meetings.
- Professional associations. National, state or provincial, and regional associations may be able to provide a list of possible candidates. Specialty associations are also valuable resources. A particularly noteworthy specialty association is VetPartners™. This group consists of individuals with expertise in day-to-operations, accounting and tax, finance, law, human resources, architecture, marketing, practice valuation, succession planning, and so on. VetPartners™ (www.VetPartners.org) promotes excellence and ethics in veterinary management consulting and advising. Members of VetPartners™ are bound by a code of ethics and professional conduct. This is not a certifying body, and membership in this group does not imply specialty training, although many members have sought specialty training and certification elsewhere. Members are categorized by the following specialty categories: General Practice Management, Human Resource Management, Speaking/Presenting, Practice Valuations, Brokers, Mergers, Strategic/Succession Planning, Accounting and Tax Related Services, Financial Planning Services, Marketing/Media, Legal and Regulatory Compliance, Architects and Related Services, Education, and Industry.

EXAMPLES

CHOOSING A VETERINARY MANAGEMENT SUPPORT PROFESSIONAL

Management support professionals can have a significant impact on your practice performance. Veterinarians should choose their management support professionals carefully:

Step 1. Develop the Scope of the Project and the Objectives of the Project:

- Identify issues, problems, or symptoms as you see them.
- Outline the budget, timelines, and so on.

Step 2. Develop Your Expectations of the Consultants:

- Desired achievements
- Performance measures
- Communication—to whom and when

Step 3. Develop Criteria for Potential Candidates Based on the Scope of the Project and Your Expectations. Do You Need:

- A generalist?
- A specialist?
- A certified person with qualifications in a specific area?
- An experienced consultant in a certain area?
- A consultant located within a certain geographic area?
- Someone who provides advice or implements it?
- Someone within a certain budget range?
- An individual or firm familiar with the veterinary industry?
- Someone who will get along with your hospital staff?

Determine which of these criteria are the most important.

Step 4. Search for Potential Candidates and Compare Your Criteria Against the Candidate.

Step 5. Select Two or Three Candidates (Individuals or Firms) to Submit Proposals.

Step 6. Evaluate Proposals and Conduct Reference Checks.

Step 7. Choose the Candidate and Enter Into a Written Contract.

A written contract should be used to ensure expectations are understood and met. The contract should include the objectives of the project, timelines, budget, fee structure, deliverables, and so forth. Keep in mind that some projects evolve over time and it may be necessary to re-establish a new contract with different objectives, budgets, and so on.

CAUTIONS

N/A

MISCELLANEOUS

DEALING WITH THE CONSULTANT

- Veterinarians must be open to the advice and solutions offered by consultants. Don't assume you know the underlying problem or solution to your problem.
- If you are considering the services of a large business with multiple consultants, communicate with the consultant assigned to your hospital.
- An excellent way to test a potential relationship with a consultant is to begin with a small project. Alternatively, if you have a large project, divide the project into sections, with the understanding that further progress will be made only upon successful completion of the first section.

ABBREVIATIONS

N/A

References

N/A

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1.14. STAKEHOLDERS AND STRATEGIC PARTNERS

BASICS

OVERVIEW

Veterinarians are not alone in their quest to deliver value to clients. Additional stakeholders in the animal health industry include pharmaceutical companies, manufacturers, distributors, laboratories, referral and emergency practices, breeders, groomers, boarding facilities, pet stores, and other pet-related businesses.

- These stakeholders can be strategic partners, if veterinarians work cooperatively to deliver excellence in pet care.
- Strategic partnerships and alliances have become more numerous in all business environments, and the animal health industry is no exception. These cooperative efforts allow the participants to operate more efficiently and effectively than if they operated alone.
- Veterinarians who pursue cooperative efforts with other industry stakeholders will be at an advantage over veterinarians who do not.
- Veterinarians should strive to develop long-term relationships with industry stakeholders and move away from purely transactional relationships where products and services are bought and sold with dialog occurring only in relation to price.
- Cost is frequently the focus of most, if not all, veterinary communications and interactions with suppliers. This focus is narrow-minded. It prevents veterinarians from generating their true revenue potential. Veterinarians (and suppliers) should focus more attention on how suppliers and other industry stakeholders can work with veterinarians to generate practice revenue.
- The business environment of today is very different from the environment of ten years ago, where interactions between two businesses resulted in a winner and a loser. The goal in today's business environment is to create win-win relationships among all players, building long-term trust.
- Veterinarians who pursue such relationships will prosper over those veterinarians who do not.

TERMS DEFINED

Strategic Partnerships and Alliances: A relationship between businesses in which the parties work cooperatively in a business effort to achieve shared goals. The scope of a strategic partnership or alliance can range from an informal business relationship based on verbal commitment to a more formal contractual relationship such as a joint venture.

Stakeholder: An individual or a group with an interest in a particular business; the individual or group has something at risk (at stake).

ISSUES AND OPTIONS

PARTNERSHIPS

- Partnerships involve collaborative agreements under which the parties involved share business goals, risks, benefits, responsibilities, and resources such as knowledge and expertise, capital, technology, services, products, and markets.
- Competitive advantage can be gained by accessing the resources of a partner. Businesses should concentrate on their own core competencies and partner with other organizations in other areas.
- Partnerships often result in products and services that otherwise would be unavailable if either party operated on their own.
- Collaborative agreements between businesses allow the parties involved to grow and operate more efficiently.
- Strategic alliances are formed to minimize risk while maximizing business rewards.

THE ENVIRONMENT

- Today's business environment is characterized by businesses that collaborate and build long-term relationships using win-win strategies with all stakeholders, including competitors. Businesses that have a "go it alone" strategy will find it increasingly difficult to grow and be competitive.
- Strategic partnerships and alliances are present in every industry sector and are continuing to grow in number. Implemented and managed correctly, they are proving to be the drivers of superior growth.
- According to the 4th State of Alliance Management Study published by the Association of Strategic Alliance Professionals, 80% of companies used some form of strategic alliance management tool and best practices and/or processes in 2011. This is up significantly from 30% of surveyed businesses in 2001.
- The animal health industry is no exception when it comes to strategic partnering and cooperative business efforts. It is more common than not to find alliances among the industry's players. There are literally hundreds of these types of cooperative efforts in the animal health industry.
- The advantages that many large firms have gained through strategic partnering can be experienced by smaller businesses as well.
- Veterinarians should make efforts to align their businesses with other stakeholders in the industry. Relationships with stakeholders should move away from interactions that are purely transactional in nature (buy–sell) to long-term, relationship-based interactions.
- Veterinarians can gain more from their industry partners than the "deal of the week" if they work cooperatively to achieve their strategic goals in a trusting long-term relationship. The result should be a win-win situation for all parties involved.

BENEFITS

- Strategic partnerships can increase revenues, reduce costs, and improve both profitability and quality.
- A strategic partnership or alliance can be made with suppliers, distributors, competitors, and customers and other businesses related to the industry. The partnership can take many forms including:
  - Joint marketing, promotion, merchandising, and sales
  - Pooled purchasing efforts
  - Distribution partnerships
  - Technology licenses and partnerships
  - Outsourcing agreements
  - Product research
  - Product development
  - Inventory management

THE PARTNERSHIP PROCESS

For as many partnership arrangements that succeed, there are equally as many partnerships that do not succeed. Partnerships should be developed and managed with care.

- The key to a successful partnership is largely based on partner selection. Partnerships can be formed between businesses of significantly different sizes. The success of a partnership can be improved by having clearly defined goals, objectives, and expectations, and the goals and strategic objectives should be shared by both businesses. Negotiations should result in a win-win situation for both parties involved.
- The partnership can be phased in over time and can begin with a pilot project that builds trust between the partners. Select a project that meets the needs of both partners then determine the resources necessary to complete the project. Evaluate the strengths and weaknesses of both partners and compare to the resources required. Develop strong interpersonal relationships based on trust and respect.

1.14. STAKEHOLDERS AND STRATEGIC PARTNERS

EXAMPLES

DISTRIBUTOR/MANUFACTURER/POOLING PARTNERSHIPS

• ABC Veterinary Hospital plans to increase clinic revenue over the next three to five years by 25%, starting with increased dentistry revenues. The practice possesses the clinical expertise to deliver these services, but lacks the resources to effectively market its services to clients. The practice hopes to select a partner with whom they currently have a good working relationship. The selected partner, which could be a single manufacturer or a trusted distributor, should benefit from the cooperative efforts and should possess the resources the clinic lacks—for example, marketing and sales. The practice realized that it would be necessary to establish a long-term relationship with the company over time if it were to expect such support. If the potential partner is a distributor and currently the practice uses more than one distributor, some type of future commitment to the partner either formally or informally would be indicated.
• The partner might agree to conduct several in-clinic seminars to educate the practice staff on marketing and selling dentistry services.
• One should be innovative and creative when discussing how the businesses can work together to achieve their goals. Discuss the possibility of a direct mail campaign to the clients, with financial support and marketing material from the partner. Perhaps marketing material supplied by vendors can be personalized to the clinic, or client educational material that does not currently exist can be created.
• Pooling partnership: The above partnership can be further enhanced if the clinic joins forces with other clinics in the area to increase practice revenue. The benefits to the industry partner would be greater, as would the potential to develop more innovative marketing and selling techniques with participating clinics. For example, your industry partner may be interested in supporting a local radio announcement promoting dental health week, geriatric wellness, and so forth.

CAUTIONS

In some industry circles, veterinarians have a reputation for not living up to their agreements with industry members. Don't enter into such an agreement unless you are committed to upholding your end of the deal.

MISCELLANEOUS

There are many reasons why veterinarians may choose to partner with industry, including but not limited to:

STAFF TRAINING

Veterinarians realize the importance of staff training, which can be an expensive pursuit. Onsite and online staff training to support the sale of products and services is provided by many industry suppliers. An educated staff is better able to educate clients, and educated clients are more likely to make the right decisions regarding the health of their animals. Assess your staff training needs and determine if a suitable and willing industry partner has the resources to fulfill your needs.

CLIENT EDUCATION

A significant function that veterinarians perform on a daily basis is client education. Industry stakeholders realize the importance of this role in the veterinary practice. Communication tools, including posters, brochures, client handouts, and animal models, are but a few of the resources made available to veterinarians for client educational purposes. Be innovative in approaching industry members with needs not currently being met in this area.

COMMUNITY SUPPORT

Veterinarians can partner with one another and their industry stakeholders to support their local community (humane societies and so forth). Build such support into your long-term plans with your industry partner(s). For example, industry partners may be interested in supporting the administration and marketing of these events to the community. Perhaps they would be willing to donate a sign or contribute financially to an advertisement announcing the event.

VETERINARY COMMUNITY TEAM APPROACH

Support could be provided in several ways. Veterinarians within the same community can join forces and organize an educational seminar for pet owners, and industry partners could help offset the cost of organizing the event. Financial support could, for example, help cover the costs of advertising and renting a location for the event, and client education materials could be supplied free of charge. Industry partners who would see a return on this investment would make excellent partnership candidates.

POOLING PARTNERSHIPS

Corporate practices have a distinct advantage over independent practices in their cooperative negotiations with industry stakeholders. This is based on the volume that business corporate practices generate for stakeholders; costs associated with a sale to one entity are dramatically reduced. Independent practices could organize themselves into their own small buying group, because the buying power of even three hospitals is greater than one.

ABBREVIATIONS

N/A

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1.15. IMPORTANCE OF THE HUMAN–ANIMAL BOND

BASICS

OVERVIEW

The relationship between owners and companion animals is complex. There is a growing body of research on the Human–Animal Bond (HAB) that shows that interaction with pets results in positive outcomes for both humans and animals. A healthy bond with companion animals can improve human physical and psychological health. The HAB affects owner perceptions of the health of their pets and the decisions they make regarding treatment. The bond may affect lifestyle decisions by owners such as where they choose to live, the work they do, where they take their vacations, friendships, and other significant relationships. Owners that are heavily bonded to their pets also visit the veterinarian more often, and spend more on veterinary care. The HAB may also affect an owner's decision to obtain or retain a pet. Understanding how the bond is expressed and how it affects owner decisions can aid veterinary practices to provide the kind of care they want while avoiding compassion fatigue.

TERMS DEFINED

Compassion Fatigue (also known as **Secondary Traumatic Stress Disorder**): The gradual loss of compassion by people who work with individuals that are ill, suffering, or victims of trauma. This includes veterinary staff working with worried clients with sick or injured animals. Signs include indifference, disengagement, withdrawal from patients and co-workers and even physical signs relating to chronic stress.

Human–Animal Bond: The relationship between humans and animals. This relationship is measurable from the human side but not well understood from the animal's perspective.

ISSUES AND OPTIONS

ISSUES

- The HAB is a measureable, multi-factorial construct. Research has identified two factors, owner attachment and owner commitment to the pet; these factors affect animal health decisions.
- Highly attached owners consider their pet to be a family member whereas poorly attached owners are more likely to consider their pet to be an object. The remainder of owners falls between the two extremes.
- Owner attachment affects owner ratings of their sick dog's health. Highly attached owners rate their sick dogs as less sick than do less-attached owners with sick dogs.[1] This can be an issue if owner attachment is preventing them from seeking or agreeing to appropriate treatment for their pet.
- Highly attached owners who see their pet as a family member are often more willing to accept financial burdens. Less attached owners are more likely to take a reasoned approach to the costs of treating their pet's health problems.
- Expression of the bond varies with individuals. Their personality, family history with pets, attitudes to animals, and the perceived beliefs of their social group and social norms may all affect an owner's experience and expression of the bond.
- The HAB is fragile. It is most prone to fracturing when owners have high expectations of their relationship with their pet that are not met because the pet shows undesirable behaviors. Dog-owner reported satisfaction with their pet is highly influenced by the dog's tendency to be friendly and relaxed in the home and in public. In Westernized countries, a significant cause of relinquishment of dogs to shelters is the dog's behavior. Annoying behaviors such as being boisterous or destructive, and dangerous behaviors such as aggression are frequently given reasons for surrendering dogs.
- The decision to relinquish a pet is emotionally painful for owners. It is not known how the fracture of the HAB affects the animal. Anecdotal evidence suggests that it may have serious effects for the animal and may affect future bonds formed with people.
- Highly attached owners may find it difficult to cope with the loss of a pet. Studies have shown that for some, the experience is similar to the loss of a spouse or child.
- The HAB plays an important role in community health and attitudes toward animals. This role can be positive with owners of pets finding their pets provide unconditional positive regard, companionship, and catalysts for social interactions between their owner and other people. Pet owners are also less likely to need to access human health services and are more likely to survive major life crises such as heart attacks or loss of a spouse.
- The HAB can also have negative effects for communities. Attached and committed owners are less likely to evacuate during natural disasters. If unable to take their pets with them, people in abusive relationships may delay leaving and seeking help. The large numbers of pets relinquished to animal shelters every year due to fracture of the HAB create community problems in caring for, rehoming, or euthanizing unwanted pets. Noise from dogs and cats, feces left in public places, aggression by dogs toward people and other animals, and cruelty and neglect of animals are all community issues that stem from the HAB.

OPTIONS: METHODS OF ENABLING THE BOND

In the Veterinary Clinic

- Veterinary staff can facilitate healthy bonds between humans and pets and support the bond through all stages of the animal's life.
- Staff training about the HAB can make each staff member aware of their own feelings and attitudes about animals and how this may affect their interactions with clients.
- The most obvious way to support the HAB is for all staff to show interest in the animals treated in the clinic. Friendly staff who admire and interact with the patients meet owner expectations that their pet is important.
- Displays of images of new pets to the clinic and existing pets meeting treatment milestones or weight-loss goals support the HAB by celebrating the individual pets.
- Encourage staff to interact with pets in the hospital and to offer treats where appropriate. Train staff in normal greeting behavior of the animals treated so they know when to approach and when animals are asking to be left alone.
- Celebrate the bond staff members have with their own pets through images of staff with their pets displayed in the clinic, on the clinic website, and in newsletters.
- Genuine caring matches owner expectations better than marketing gimmicks. If sending birthday cards and letters addressed to your patients feels right for you and your clientele, then do this. If it doesn't feel right, don't.
- Facilitation of the bond is done through education of clients about the needs of companion animals throughout their life stages. The needs of a puppy or kitten are different from the needs of the geriatric pet.
- Emphasis should be placed on educating clients about normal behavior across the life stages of the pet. The HAB may fail if the animal's behavior does not meet owner expectations. For example discussing boisterousness and offering strategies such as games, training, and toys that owners of young animals can use may help them manage (and enjoy) this time of their pet's life.
- Well-run puppy, kitten, and bird classes hosted by trained staff allow owners to get the right information about their new pets and gives them a contact person and forum where they can ask questions.

1.15. IMPORTANCE OF THE HUMAN–ANIMAL BOND

In the Consult Room

- Take time to allow the animal to become familiar with the consult room. Gentle, friendly handling with minimal restraint is preferable.
- Matching your approach to the client's level of attachment gives a better chance of them agreeing to treatment. This may mean presenting treatment recommendations concentrating on quality of life and pain relief with some clients whereas with others it may be more about expected outcomes versus costs.
- Ask about behavior at every consultation. Normal behavior that is challenging for the client can be managed by qualified dog trainers. Problem behaviors may need referral to a veterinary behaviorist (see 3.12: Discussing Behavior). Remember, undesirable behavior is a leading cause of relinquishment and loss of the pet from the clinic.
- How you manage the ending of an animal's life can make a lasting impression on clients. Strategies for minimizing the stress of euthanasia for the animal and clients may include a room dedicated for euthanasia, offering home euthanasia and body removal, and inserting catheters before the procedure to allow clients to hold their pet.
- Palliative care and pain relief protocols for animals are improving all the time (see 3.15: Discussing Pain Management). In some instances these can give attached owners more time with their pet and helps them prepare for the end of the animal's life. If the animal's welfare can be maintained, consider offering these options for patients.
- The decision to euthanize is difficult. Strongly attached owners may struggle with making the decision in a timely fashion for their pet. Discussing the quality of life may help.
- Offering burial or cremation services with high quality urns or mementos can be a fitting final celebration of the HAB between an attached client and their pet.
- Strongly attached owners may find the loss of a pet very traumatic. Build a relationship with local grief counselors and refer grieving pet owners to minimize strain on staff.
- Some clients find it hard to return to clinics where a beloved pet was euthanized. Consider offering in-home euthanasia or using a pet euthanasia service for these clients.
- Encourage debriefing after stressful events to allow all involved to discuss events and be part of formulating future management plans.

EXAMPLES

- Clinics running puppy classes often find that clients become more bonded to the practice and call with questions about their puppy's health and care.
- Asking about behavior during each vaccination and health visit identifies animals with storm phobias and separation anxiety, which creates an opportunity to discuss treatment options with the owners.

CAUTIONS

- Compassion fatigue can come about in veterinary clinics when staff are dealing with highly attached pet owners who need extra attention to help them cope with sick pets, dying pets, or recently deceased pets (see 6.24: Compassion Fatigue).
- Compassion fatigue can also occur when staff are interacting with clients whose attachment levels are very different from their own beliefs and attitudes about the HAB. Education of staff about the HAB and how it varies with different people can help staff accept owner decisions and minimize staff stress.
- As companion animals are more highly valued, negative treatment outcomes may be less tolerated by some owners, which may lead to litigation. Care should be taken to cover the risks associated with treatments in writing and have the owner sign the form in all cases. Adequate professional insurance is also a necessity.

MISCELLANEOUS

ABBREVIATIONS

HAB: Human–Animal Bond

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1.16. MERGERS AND ACQUISITIONS

BASICS

OVERVIEW

Mergers and acquisitions are becoming more commonplace in veterinary practices today.

- With a large number of Baby Boomers nearing retirement age, the number of practices potentially for sale is increasing substantially.
- The number of veterinarians graduating and entering the work force is increasing at a faster rate than the number retiring.
- With the numbers of graduates entering the work force, they are bringing with them large student loans. The median veterinary student's debt load in 2012 was a little more than $140,000.
- The large pool of eligible buyers of these practices is substantial, yet there are circumstances making it difficult for the sales to occur. These include:
  - Student debt
  - Some potential buyers see ownership as being too risky
  - Disillusionment with the profession and leaving the ranks of clinical medicine
  - Deciding upon a fair value for the practice.
- The pet population is flat or slightly decreasing, whereas the number of veterinarians is growing larger and at a much faster rate. As a result, practices may be seeing the number of new clients or patients entering the practices remaining static, or even decreasing.
- Asking prices for the best practices are making it difficult for some potential buyers to acquire adequate financing.

TERMS DEFINED

Acquisition: The act of one entity acquiring control of another entity.

Capital Gains: The difference between an asset's purchase price and selling price, when the selling price is greater.

Merger: The act of several practices combining operations to create an economy of scale (reducing expenses) and improving the growth potential of the new entity.

ISSUES AND OPTIONS

PRACTICE VALUATION

- A value for the practice needs to be determined. There are many methodologies for determining value, but two seem to be the most commonly used in veterinary medicine. These are variations of the income approach.
  - The Excess Earnings Method. In this methodology the balance sheet is restated at a fair market value followed by calculating the probable future earnings of the practice. A reasonable return on the net tangible assets (i.e., equipment, inventory) is subtracted from the probable future earnings, resulting in excess earnings attributable to the intangible assets (goodwill). The excess earnings are capitalized to determine the value of the intangibles, and then the adjusted book value of the tangible assets is added to arrive at a value for the practice.
  - The Single Period Capitalization Method. This model normalizes the Net Cash Flow (NCF) of the practice for the prior three to five years, with more emphasis on the most current year (or two). The NCF, plus an anticipated growth for the next year out, is calculated and a capitalization is determined that, when divided into the benefit stream (NCF plus anticipated growth), equals the value of an ongoing entity.
- The capitalization rate is an indicator of the risk involved in investing in a certain practice. The capitalization rate should vary, based on pertinent risk factors specific to the veterinary profession and to the practice.
- Transactions are either as an equity sale or an asset sale.
  - An equity sale means an individual sells his shares of the business to the buyer who, in turn, assumes both the assets and liabilities of the seller. A seller who owns a C-corporation would prefer this type of sale in order to take advantage of the capital gains tax. A buyer may think twice about an equity sale knowing they will acquire both the assets as well as the liabilities (disclosed and undisclosed) of the practice as a whole.
  - An asset sale is one where the buyer purchases the practice's assets without assuming stock or any liabilities from the seller. The buyer would prefer this type of sale because now he has assets he can depreciate (and he can take advantage of Section 179). The seller does not like it because she will be paying taxes at higher rates (as ordinary income).
  - There are ways that both the seller and buyer can gain some tax advantage. Check with your tax advisors on the best strategy if you are a seller or buyer. The tax laws change on a regular basis and to achieve the best strategy you should contact your tax attorney or accountant.

MERGERS

- Mergers are occurring more frequently in the profession as practices of similar culture or ones who can expand their service offerings are merging to improve on economies of scale.
- In some cases the practices are closing locations and working out of a single location. This location could be a new, modern facility or one of the merged practice sites.
- A newer model called a "group without walls" is being utilized. In this scenario:
  - The owners form a new practice to gain the economies of scale while maintaining their own locations.
  - Certain tasks (bookkeeping, inventory issues, management services) are centralized, which leaves the autonomy of each practice and the ability to refer to one another for specialized services without loosing clients or revenue.
  - Equipment purchases can be controlled without duplication. Instead of each practice having an ultrasound, one could be purchased and placed in one of the practices.

ACQUISITIONS

- Acquisitions are the most common form of transfer of practices.
- They may be either an internal purchase (associate buy-in) or from an external buyers. External buyers are either veterinarians or corporations (VCA Animal Hospitals is an example).

SPECIAL ISSUES: DUE DILIGENCE

- Acquiring a practice is a huge financial investment for the buyer. It is of the utmost importance that, by the closing, the buyer and his advisors are very comfortable with all aspects of the sale. This is referred to as Due Diligence.
- The list to follow is not meant to be complete, but is instead a sampling of the documents to be evaluated prior to acquiring the practice as an asset sale:
  - All reports, applications, and significant correspondence filed with, and transcripts of any significant proceedings before, any state or federal regulatory agency and/or self-regulatory authority, including without limitation the EPA, EEOC, DEA, applicable state department of human rights, OSHA, state veterinary board, and all current governmental permits and licenses issued to the practice.
  - All federal and state income tax returns filed by the practice for the most recent period and as far back as readily available (at least three years), and all communications between the practice and the Internal Revenue Service, including notices of assessment and reports of revenue agents, with respect to matters raised by the IRS in the course of any audits.

◦ Most recent year's property tax (real, personal, and intangible) and returns or invoices.
◦ Copies of all current federal, state, and local business licenses; qualifications and all correspondence relating to such licenses for the practice, including all information regarding any actual, pending, or threatened suspension or termination of such licenses or qualifications.
◦ Income statement, balance sheet, notes, and accountants' report for the practice prepared by the practice's certified public accountants for the past three years.
◦ Year-to-date income statement and balance sheet for the current year
◦ Listing of all fixed assets such as equipment, furniture, fixtures, and so forth, including original cost, accumulated depreciation, net book value, location, and serial numbers (if readily available).
◦ Revenue breakdown reports by month for the most recent accounting year and by service type for the most recent accounting year.
◦ All invoices, day sheets, appointment books, PMS computer reports, or other documents supporting the revenue and expenses reported on the practice's tax returns for the past five years.
◦ All leases of any amount of equipment and personal property to which the practice is party, either as lessor or lessee.
◦ All insurance policies providing coverage to the practice, including all workers' compensation and liability policies issued and all pending insurance claims. This should include the following insurance policies:
  ▪ Property
  ▪ General Liability
  ▪ Umbrella
  ▪ Workers Compensation (including a workers' compensation "loss runs" claims summary from insurers covering the last five-year period)
  ▪ Professional liability
  ▪ Disability
  ▪ Health (including a copy of the last insurance billing detailing which amounts were paid by the practice and which by each employee)
  ▪ Disability (including a copy of the last insurance billing detailing which amounts were paid by the practice and which by each employee)
◦ All employment agreements, including commission agreements and termination agreements, and material consulting agreements to which the practice is party.
◦ All personnel policies and procedure manuals, including the employee handbook, safety manual, and new employee orientation material.
◦ A schedule describing the number of employees in the practice, together with current payroll information, including a copy of the last payroll run; a report of the payroll year-to-date by class code (i.e., totals for veterinary and for non-veterinary employees); and any information on general policies regarding vacation, sick, personal, holiday, and other time off, including current accruals for each employee.
◦ Names of all employees bound by non-compete agreements and copies of such agreements.
◦ All employee personnel files including W-4s, I-9s, and state new-hire reporting documents.
◦ Any environmental audits or other reports relating to the properties owned or occupied by the practice at any time, not otherwise provided.
◦ Any other documents or information that should be considered and reviewed in making disclosures regarding the business and financial condition of the practice to prospective investors.

EXAMPLES

N/A

CAUTIONS

Acquisitions or Mergers consume a lot of energy, money, and time. Because of that, make sure you understand the process.
• Spend the money to have a feasibility analysis done to start with, before making an informed offer.
• Create a team of advisors to assist in acquiring the best practice at the best price with good terms.
• Do (or have your advisors do) a Due Diligence inventory to make sure there are no hindrances to an opportunity to succeed.

MISCELLANEOUS

ABBREVIATIONS

DEA: Drug Enforcement Administration
EEOC: Equal Employment Opportunity Commission
EPA: Environmental Protection Administration
IRS: Internal Revenue Service
NCF: Net Cash Flow
OSHA: Occupational Safety & Health Administration
PMS: Practice Management System

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1.17. SPECIALTY AND EMERGENCY CENTERS

BASICS

OVERVIEW

- Specialty and emergency practices are driven by a combination of doctor referrals and the general public's desire for advanced or specialized care for their pets.
- Specialty and emergency practices reflect the importance of the Human–Animal Bond. These niche markets are a true reflection of the desires of the pet-owning population to receive 24-hour-a-day access to high-quality medicine and surgery, similar to that found in human medicine.
- These types of practices need to have a strong referral base or "gatekeepers" (the generalist—the veterinarian) to work properly.
  - Due to the importance of the gatekeepers, the specialty and/or emergency practices must be proactive in communicating with these individuals.
  - Communication should consist of returning phone calls in a timely manner, faxing completed medical records as soon as possible, newsletters, CE seminars to improve the skills of the referring doctors, and visiting of practices to improve and grow relationships between the generalist and the specialist.

TERMS DEFINED

After-Hours Emergency Practice: This type of facility can be owned by an individual, a group of area veterinarians, or as part of a large specialty referral practice. Originally, these practices were open from 6:00PM until 8:00AM during the week and from noon on Saturday until 8:00AM Monday.

Critical-Care Facility: A facility that is open 24 hours a day, seven days a week, and is able to handle emergencies and the critical care needs of patients similar to the Urgent Care facilities available to people.

Stand-Alone Specialty Practice: A facility that does not have an emergency facility present on site and would send critical cases to an emergency practice for observation during the evenings and/or weekends.

Specialty/Emergency Practice: A facility that opens an emergency facility to ensure 24-hour-a-day care for all hospitalized patients. The increasing number of specialists combining practices and the need for specialized care of patients 24/7 has opened the way for these practices to start and maintain emergency practices.

Central Hospital: Multiple specialty practices coming together to form a central hospital similar to a human hospital model. There are several of these either ready to open or close to opening. The big plus with this concept is the economy of scale while maintaining independence and autonomy of each practice or practitioner participating in the hospital.

There are multiple combinations of these types of facilities, and these types of practices are highly specialized niche practices providing cutting-edge technology and skills to their patients. They have special issues to be considered.

ISSUES AND OPTIONS

EMERGENCY PRACTICES

General

- It takes a minimum of 25 practicing veterinarians within a 30–45 minute drive time from a suitable site to provide an adequate client base for the practice to grow and prosper.
- There must be willingness by the referring veterinarians and a consensus of the area veterinarians to support such a practice.
- The organizational committee needs to perform a survey of the veterinarians as well as a SWOT (Strengths, Weaknesses, Opportunities, Threats) Analysis to better aid in identification of the need for such services.
- The organizational committee needs to stay flexible in designing and creating an emergency practice. Make sure everything you do has both purpose and benefit for all of the stakeholders (clients, patients, and the shareholders).
- Perform a demographic survey of the area to locate the most central site for the facility.
  - The location needs to have good access to major roadways for ease of accessing the practice.
  - There must be good visibility from the highways.
  - Make sure parking is more than adequate.
  - Does the practice site lend itself to expansion in the future?
  - Determining the greatest and best use for the property is a must. It would not be wise to have a practice on a piece of property that is better suited for a fast-food franchise or motel. It still comes down to (affordable) location, location, location.
  - The location should be convenient for at least 80% of the pet-owning population that the practice plans to service.
  - If the practice is being established by area veterinarians, a survey of these veterinarians asking questions to better assess the needs and wants of the veterinary community needs to be performed. Questions to consider asking are as follows:
    - What will the hours of operation be?
    - Will the shareholders be working shifts in the practice, or will doctors be hired to work on the clinical floor during the hours of operation?
    - Would shareholder doctors be willing to fill in on holiday shifts as needed?
    - Will a practice manager be hired to run day-to-day operations, or will a board of directors run the practice?
    - Will a steering committee be formed to work with the attorney and accountant in establishing the practice? Who will be on this committee?
    - Will a governance board be established for the practice, and who will be on the board (e.g., veterinarians, clients)?
    - What is the vision for the practice?
    - What are the purposes in establishing the practice?
- Two committees need to be formed—one for operational and a second for facility issues. There needs to be open lines of communication between the two committees.
- The development of working relations with advisors:
  - An attorney
  - An accountant
  - A banker (or two)
  - Insurance people
  - A veterinary consultant familiar with emergency practices
- A business plan needs to be developed (see 13.8: Business Plans).
  - A good budget gives a clear vision and idea of the costs of starting the practice as well as an idea of the asking price of a share.
  - How much will be financed from a lender for the facility, equipment, and working capital for at least the initial six to nine months of operation?
  - What type of business entity will be formed? Will it be a C corporation, an S corporation, or an LLC? A discussion with your advisors will identify the best model for the practice.
  - Will real estate be held in the practice, or will it be held by a few individuals under a separate corporation? There are pluses and minuses that go with the decision and your advisors can aid in making the best decision for the group.
- A well-planned Organizational Chart must be devised (see 10.2: Organizational Charts):

1.17. Specialty and Emergency Centers

- ◦ Who is responsible for the day-to-day management duties of the practice? Will there be an administrator, or will decisions be made by the committee?
- ◦ What person or group will make the final management decisions?
- ◦ Who makes up the Governance Board of the practice?
  - ▪ The Governance Board should be made up of the administrator of the practice, area veterinarians, and possibly one or more of your advisors.
  - ▪ Monthly board meetings are necessary to ensure the practice is meeting its mission and goals.
  - ▪ Weekly meetings with the management team are mandatory for the continuum of care of the patients and the hospital.
  - ◦ A Medical Director position needs to be created and filled.
  - ◦ There should be a Human Resource director to handle training and staffing issues.

• Everything the practice does must have tangible and intangible benefits for the patients, the clients, and the practice.

• An emergency practice needs to provide care for the injured, sick, and critical-care patients. Typically, these practices will not perform wellness care on pets because they are the emergency extensions of the generalist veterinarians.

• Definition of the practice's goals: Providing needed after-hour care for the pets and people of the area and turning a profit are typically the main goals for these practices.

• The pet owner will be at an emotional high point when arriving at the practice and it is mandatory that the practice provide exceptional client satisfaction and care for their pets at all times. The emergency practice is a mirror image of the entire veterinary community and needs to reflect the highest standards of care possible.

Special Issues

• Emergency practices have many issues that are significantly different than the generalist-type practice.

• Who are the clients?

◦ In most emergency practices it is a combination of both the referring veterinarians and the pet-owning population. The practice's primary job is to provide quality care to the patient, whereas its secondary job is to create not only satisfied clients, but also advocates for the practice. To accomplish this task, it becomes very important to constantly improve on client service as well as the level of medicine and surgery. Providing quality medicine is good, but it is the perceived value the client or referring veterinarian has of the practice that has the greatest impact.

◦ Communications are of paramount importance with referring veterinarians. Keeping the referring doctors in the know is extremely important for the survival of the emergency practice. This can be accomplished by faxing or e-mailing patient records in a timely manner and by conducting phone consultations with the referring veterinarians regarding the records.

◦ Most emergency practices are set up as an extension of the generalist-type veterinary practice. The typical emergency practice is open from early evening until 8:00AM the next morning plus the entire weekend. The owners are area veterinarians who have teamed up to provide care for their clients.

◦ State laws are now requiring that veterinarians provide 24-hour-a-day access to care for their clients and pets. This can be done by providing care in your practice, a colleague's practice, or by referral to an emergency facility.

◦ As a community-based practice serving the needs of the pet-owning population with medical and surgical care to all companion animals, emergency practices typically will accept new clients who are not referred from a practice.

• What about fees?

◦ Most emergency practice fee schedules are higher than comparative services provided by generalist practices due to the higher cost of labor, more advanced technology used, higher costs for the practice facility, and the specialized market concept.

◦ The fee schedule can be developed by combining one or more of the following models: surveying the referring veterinarians to determine what their perception of value for a particular service will be, activity-based cost accounting for the service, surveying other emergency practices of similar size, and location.

◦ If you know what referring veterinarians consider a reasonable fee, then the use of activity-based costing (ABC) can be instituted to better define the cost of the activities needed for the service to be profitable (see 4.12: Activity-Based Costing and Cost Allocation). If you are interested in even more information on activity-based costing, there are several excellent books available that discuss the concept in detail. Their names are listed at the end of this Recommended Reading section.

Fee Collections

• In an emergency practice, collections can be a real issue versus the generalist practice.

• In a generalist practice, a billing and collection policy is essential. At times you may make an exception to the policy for a client based on past experiences.

• An emergency practice does not have the luxury of knowing clients and their ability to pay as well as the generalist knows theirs.

• A strong financial policy is mandatory for an emergency practice:

◦ Deposits of up to 50–75% of the initial estimate (contract) should be required for any hospitalized patient.

◦ Each day requires a new estimate or contract for the services being provided for the day, which needs to be accepted and understood by the listed responsible adult party.

◦ Payment alternatives need to be given to the client at the time of service. Options could include cash, check, debit or credit cards, pet insurance or other third-party payers (friends or relatives), or third-party lending companies (CareCredit, for example).

◦ If you elect to allow billing, than make sure you create a credit application that gives you as much information as possible about the client. Make sure you have established your minimum acceptable credit score and have performed a through credit check on the person.

◦ An increasing number of software vendors are incorporating third-party payment applications in their practice management software. This can expedite the application process and give an answer in short order.

◦ A strong, assertive, honest, congenial employee with strong communication skills should be sought to head the financial policy department of the practice. This individual can help insure that the practice maintains a high cash flow with minimal (if any) accounts receivables.

Labor Costs

• Veterinarians who work in emergency practices usually are well trained in thinking and reacting to situations in a very rapid fashion.

◦ They love the adrenaline rush associated with this type of practice.

◦ Good emergency clinicians are well skilled in all aspects of emergency medicine and surgery.

◦ Scheduling of veterinarians to fill the hours is a combination of determining peak hours (more veterinarians needed) versus the slower hours.

◦ The attempt is to staff at 40–50 hours per week. This will mean using a number of veterinarians to cover the hours of operation on a weekly basis.

◦ Due to emergency doctors' knowledge, skills, and willingness to work the hours that veterinary clinics are typically closed, they are paid at a higher rate.

  - ▪ Compensation is typically by percentage of production more than straight salary. Sometimes you will need to pay whatever it takes to staff certain shifts.

1.17. SPECIALTY AND EMERGENCY CENTERS

▪ *Contracts, Benefits, and Practice Management for the Veterinary Profession* (Wilson and Nemoy, 2000) suggests emergency veterinarians be paid on a percentage (25–30%) of the collected receipts of the work they generated.
▪ Some of the practices are finding that 21–23% of collected services is a more realistic percentage.
▪ Benefit packages may be similar to a generalist practice (continuing education allowance, dues, health insurance, retirement plans, vacation time, etc.).
◦ It is difficult to find good emergency doctors, and when you do find them and wish to keep them, you will be paying them very well compared with a generalist.
◦ Nonprofessional healthcare team members will also cost the emergency practice more than they would a generalist practice.
▪ Create a list of questions to ask each candidate. Consider asking if the person has any problems with euthanized and dying pets, if they can work under constant stress, how would they handle emotional clients, and if they communicate and work well with their peers.
◦ Consider surveying referring practices to determine their pay scales for Client Service people, Certified Veterinary Technicians, and Veterinary Assistants.
▪ Make sure your hourly schedule is equal to or higher than the best practice in the area. Hiring qualified people to fill the multitude of shifts is difficult in a day practice, and even more difficult for an emergency practice
▪ Create a "shift differential" for different time periods (before midnight, after midnight, weekends, etc.).
▪ Create tiered salary levels for each group. There should be an entry level with a minimum to maximum range they can earn before they may take the practical exam needed to advance to the next level. The next level will have a salary range to earn before the employee may advance to the top level, where there is another exam or competency evaluation and additional job expectations for the person.
▪ Performance reviews are essential. They need to be done semiannually, at least. The increased frequency of reviews will help in improved client service and patient care.
• The use of 360 reviews are gaining in acceptance in veterinary medicine.
• An example would be having a Certified Technician review by the administrator, a fellow technician, an assistant, and a doctor reviewing this individual. The goal is to acquire a complete (360) view of the individual.
▪ Pay a premium (double time or more) for working on holidays, and consider making it special for the healthcare team by providing nice meals (turkey on Thanksgiving or hot dogs/hamburgers on the Fourth of July, for example).
▪ Consider conferring with area practices to see if any of their staff would be interested in working weekends, part-time, relief, or on a need-to basis.
◦ It is common for emergency practices to be training the future staffs of area day practices.
▪ Hiring and training team members for an emergency practice is a continuous process. A lot of well-trained emergency personnel will work for a period of time, and then decide to leave emergency medicine and go to the more traditional day practices.
▪ If that is the case, create an actual training coordinator and set up training classes during the day.
▪ Training is a continuous process to improve the skills of the staff in client communications and clinical or patient care. Training enhances the skills of everyone. Consider incorporating testing of staff to ensure they are using their new skills.
▪ Consider setting up a training coordinator to visit referring practices and provide in-house CE for their people. This will improve relationships with the referring practices as well as improving their staffs' skill levels. At the same time, this coordinator can ask: What can we do to improve our relationships with referring practices and their clients?

REFERRAL PRACTICES

For many years, the clinics at veterinary schools were the only referral practices available to generalists, but lately veterinary referral practices are becoming an increasingly important sector in the care of companion and equine animals in the United States.

General

• In the past decade the number of privately owned specialty referral practices have become a closer source of referral service for the gatekeepers (the generalists). In the earlier years of referral practices, they were located predominately in larger urban markets, but are now expanding into the secondary- and tertiary-size markets.
• The majority of referral practices in earlier years were single specialty-type practices (i.e., surgery or internal medicine).
• Now there is increased desire for the different specialties to combine into mega-referral centers, similar to those found in human hospitals. This provides these practices an economy of scale and the ability to work more closely with other specialists.
◦ The majority of the mega practices are found in the larger cities, and it is not unusual for some of these cities to have two or more of these facilities strategically located within the city.
• With the increased numbers of large mega-referral hospitals, the tendency is to include emergency services in the mix.
◦ One of the driving forces in the addition of emergency services to the specialty mix for the larger referral practices is to ensure that each of their critical-care patients receives maximum exposure to the highest quality of care (medical and nursing) from the doctors and other healthcare team members 24/7.
◦ By adding emergency services into referral practices, it is beginning to reduce the number of emergency facilities owned by local veterinarians (generalists). One of the biggest reasons for this reduction is better access by the clients and patients to referral practices and state-of-the-art equipment with highly trained personnel.
◦ These types of practices are more likely to hire boarded Critical Care veterinarians to staff the facilities.
• There are three distinct referral practice models. Within each model there may be slight variations noted in some practices:
◦ The Single Specialist Stand Alone practice. This appears to be more common in smaller markets and may be driven by a desire to live in a less metropolitan area. In the early years of referral practices, this was the norm even in larger metropolitan areas; you could say they were the beta testing practices for the referral industry. As the larger markets filled with multiple-doctor specialty practices, these smaller single-specialty practices will expand into multiple-specialty practices.
◦ In the larger markets, the development of mega practices is the second type. These practices grew from a single specialty to encompass more and more different specialties under one roof. These practices are typically owned by a few individuals within the practice who were very progressive in their thinking and willing to take a huge risk. Such practices contain a full complement of specialists and are housed in buildings that rival some small human hospitals.
◦ The third model is actually a blend of the first two. In this model each specialty is owned independently of the others, yet they are all housed under the same roof. Each specialty practice pays for certain shared expenses (facility, cage space, utilities, etc.) while maintaining their separate identities similar to the "practice without walls" concept found in human medicine.
• Some mega-referral practices are developing strong alliances with some of the veterinary teaching hospitals in many areas of the country. This relationship has included sharing residents, student clinical opportunities, and internships.

1.17. Specialty and Emergency Centers

Special Issues

- Who are the clients?
  - Referral practices have the generalist as their main client.
  - The generalist is the gatekeeper for the referral practice similar to models found in human medicine.
  - Referral practices need to maintain a strong line of communication with the generalist. This can be done in many ways:
    - Prompt reporting of findings on a referred patient. Besides sending the written report in a timely fashion, phone follow ups are also advisable.
    - Regularly schedule visits with referring practices to discover what each referring practice is doing right and what needs improvement. In a practice I talked with, this task was performed by a CVT who also performed in-house training CE for the technical staff of the referring practices.
    - Schedule CE classes for the referring veterinarians at the specialty practice facility.
    - Visit non-referring practices to better determine what it would take to win their business.
    - Staff with friendly, helpful, and knowledgeable client service people.
    - Make sure veterinarians are easily accessible for phone consultations.
  - The pet owners and the referring veterinarians are the true client of the practice, and both must be treated with the utmost respect and compassion.
- It is a combination of the referring veterinarians and pet owners who provide opportunities for the referral practices to succeed.
- Labor Costs
  - Finding and compensating specialists is a special issue.
  - There appears to be a growing pool of boarded veterinarians to select from. In the early years of referral practices, the majority of these individuals came from academia. Now, with an increased demand for boarded specialists, it is a sellers market with some practices taking a year or longer to find the best candidates.
  - Compensation is by percentage of the work generated and collected, with a range of 21 to 23% as a benchmark. Along with this are benefits (retirement plans, health insurance, continuing education, etc.).
  - Nonprofessional staffing is another challenging issue. A significant number of these healthcare team members will gravitate over from generalists' practices because there is more responsibility for the individual and more challenge, with better benefits. The hourly wage or salary will be at the higher end of what the generalist practices are paying.
    - To keep an excellent relationship with your referring practices, try not to directly hire from them.
- Exit strategies are a concern for referral practices.
  - The buying pool for a direct sale of a specialty practice is limited at this time.
  - The mega practices owned by a few individuals are faced with a dilemma—their size may be a hindrance in finding a suitable buyer with enough financial resources to purchase the practice.
  - There are options for these types of practice:
    - Internal sale to associates, similar to the succession planning done in large law or medical offices.
    - The creation of smaller specialty practices under the same roof. This option would be the same as the second model described earlier.
    - There are individuals who are working on developing a new model that will allow the practices to continue to grow and be an active part of the veterinary landscape.

EXAMPLES

N/A

CAUTIONS

N/A

MISCELLANEOUS

ABBREVIATIONS

24/7: 24 hours a day and 7 days a week (i.e., always open)
ABC: Activity-Based Costing
CE: Continuing Education
CVT: Certified Veterinary Technician
SWOT: Strengths, Weaknesses, Opportunities, Threats

References

N/A

Recommended Reading

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1.18. EQUINE PRACTICE MANAGEMENT

BASICS

OVERVIEW

- There are two distinct types of equine practices in existence: ambulatory practices and hospital, or haul-in, practices.
- Each of these practice types can be further broken down into subcategories: Racetrack, Pleasure horse, Broodmare, Sport horse, and Specialty.
- Each type of practice shares similarities with the others while having uniqueness that makes practice management a challenge.

TERMS DEFINED

Accounts Receivable: Money that is owed to a business by a customer for products and services provided on credit.

Associate Veterinarian: An employed veterinarian or independent contracting veterinarian who does not have an ownership stake in the practice (cf. owner veterinarian).

Inventory: Goods ready to be sold.

Human Resources: Hiring, training, firing, and supervising the activities of the entire healthcare team while maintaining the legal requirements of the management of people.

Net Cash Flow (NCF): Revenue less expenses plus noncash expenditures (depreciation and amortization expenses, for example).

Capitalization Rate: The rate of return needed to attract capital to the practice. This is essentially the rate of return a buyer would expect for investing in the practice. The rate is a reflection of the risks associated with the business, with emphasis on the practice's ability to maintain its net income.

Finance Charges: The amount of money charged for payments that extend beyond an agreed-upon time limit. The amount charged is governed by the usury laws in the state within which you practice. The amount of finance fee charged must be clearly reflected on the invoices rendered.

Deferred Payment Plan: A written document stating amount owed, dates, and amounts for expected payment installments; consequences of failing to make payments on time; and a signature line for the client to sign.

Minimum Order Point: The level below which you don't want your stock to fall.

Inventory Turns: The frequency with which you use inventory items. This is determined by calculating the total cost for one year of drugs and medical supplies. Divide that number by your average inventory (beginning inventory plus ending inventory, divided by 2), and then divide 365 by the number you just calculated. This will give you the number of days of inventory you own. Dividing 365 by the number of days on hand will tell you how many times in a year you turn over your inventory.

ISSUES AND OPTIONS

HUMAN RESOURCES

- One of the keys to success is to hire people with great attitudes and train them for skills.
- Human resources may be one of the largest expenses in an equine practice.
- People are an asset to a practice, especially when they are well-trained.
  - To be an asset to the practice, the staff members must become advocates for the practice.
  - To become advocates, they must understand the importance of quality care and must be able to communicate it to the client.
  - Staff need to be educators for the practice to clients.
  - There must be consistency in the healthcare team's actions. In other words everyone needs to deliver the same informational message to the client, each in his or her own words.
  - To become an advocate for the practice, the team needs to believe and participate in all services the practice offers, which should include a wellness program. In other words, their animals should be better protected against disease, and have experienced every wellness program the practice offers. This will allow the staff to talk more efficiently and effectively to clients about the services or programs offered by the practice.
  - Client education via the healthcare team increases the likelihood of improved profitability of the practice.
- Leveraging the healthcare team is essential for improved profitability of a practice, as well as for improving the efficiency of the doctor.
- To leverage and empower the healthcare team, it takes time to educate and train the staff. Developing practice standards, and then training staff to meet those standards, is essential for accomplishing this task.

Professional Veterinarians

- One of the largest challenges seen in equine practice is finding an equine job.
- The American Association of Equine Practitioners (AAEP) website (www.aaep.org) currently lists hundreds of resumes with only a few dozen job openings.
- The mean starting salary of all responding 2012 graduates entering private equine practice was $37,143.[1] This is down from the 2011 starting salary of $43,405.
- In 2011 there were 38 students able to accept an equine position, while in 2012 only 21 students accepted positions.
- The educational debt for the same group of graduates increased by 6.4% from 2011 to 2012. The median debt in 2012 was $140.000.

According to the 2012 *AVMA Economic Report on Veterinarians and Veterinary Practices*,[2] the average salary of an equine practitioner was expected to continue to be higher than the next most lucrative practice type (exclusive small animals). Thus, even though the equine practitioner starts at a lower salary, they will earn more than their peers in mixed animal or small animal practices within the first three years.

Method of Compensation

- There are three basic models for compensation of associates:
  - Flat salary
  - Pro-Sal, a method using a base salary plus a percentage of collected fees from services and product sales that the veterinarian generates each month
  - Percentage of collected business the associate generates each month
- A large number of equine veterinary owners prefer to compensate recent graduates by using a flat salary with annual reviews. Experienced associates are more likely to accept either the Pro-Sal or straight percentage of collected revenues.
- If paying by percentage of production, the range is typically from 21–25%.
- A higher percentage of the total fee is typically paid for an after-hour emergency.
- Benefit packages vary from practice to practice. Based on the 2012 *Economic Report on Veterinarians and Veterinary* Practices,[2] the five most common benefits were:
  - Continuing education expenses—76.6%
  - Annual vacation leave—73.4%
  - Medical/hospital insurance—67%
  - Liability insurance—67%
  - Continuing education leave—62.3%
- Mentoring the new associate shortens the integration period into the culture of the practice and makes him or her a more productive member of the team.

• Mentoring of the new associate by the owner or a senior clinician aids in the development of the new practitioner to being a more productive doctor for the practice.
  ◦ Mentoring allows the new doctor to be validated to the client by the senior clinician.
  ◦ Mentoring allows the sharing of ideas and development of practice protocols for medical and surgical care.
  ◦ Mentoring should be a continuous program.

Nonprofessional Healthcare Team

• Hiring the right people is essential for the continued growth and profitability of the practice.
• It is essential to hire individuals with the proper attitude, and train for skills.
• One of the key components of a successful and fulfilling career in veterinary practice is to develop a training program for the staff, which will aid them in educating clients, make the doctors more efficient, and the practice more profitable.
  ◦ One of the most commonly missed opportunities in an equine practice is the inability of the healthcare team members to educate clients and aid in closing the deal.
  ◦ In the fast food industry, for example, people learn to offer all customers the option of "super-sizing" their meals. The number of times customers respond in a positive manner to such an offer is proportional to the number of times it is offered—a belief that is applicable to any industry, including equine practices.
  ◦ Clients are well educated about the needs of their horses via the Internet, magazines, and meetings. Why not become a part of the educational bonanza of horse owners by empowering the healthcare team to deliver a consistent message regarding health issues to your existing or potential clients?
• One of the goals of every practice should be to become efficient in the workplace and effective in servicing the clients (and community).
  ◦ To achieve this goal, it will take a healthcare team that understands the mission and vision of the practice.

EXIT STRATEGY PLANNING

• What type of business entity is your practice? There are five business models to consider:
  ◦ Sole Proprietorship
  ◦ Partnerships
  ◦ C Corporations
  ◦ S Corporations
  ◦ Limited Liability Company (LLC)
• Each business model has its strengths and weaknesses, and it is wise for you to discuss these issues with your accountant and attorney to discover the best one for you.
• Real estate associated with a practice typically is owned in a separate LLC. The main reason for this move is to reduce the risk of liability exposure.
  ◦ Creating a lease from the practice to the real estate company creates an arm's-length transaction and can be viewed favorably by the IRS.
• The moment you become a practice owner, it is time to create an exit strategy:
  ◦ When considering an exit strategy in an established practice, you need to be thinking three to five years out to improve the profitability and eventually the value of the practice.
  ◦ The ideal exit strategy is selling to an associate or third party or merging the practice with another practice with similar ethics, protocols, and mindsets.
  ◦ The cornerstone of an exit strategy is to know and understand the value of your assets (practice and real estate) as of a particular date.
  ◦ Understanding that a business has value is very important in creating a realistic exit strategy.
  ◦ Exit planning is more than knowing what the value of your assets are at a particular time. It is having a plan to reduce your tax burden, investing your funds effectively for retirement, as well as insurance issues in case of an accident or death.
  ◦ Discuss your situation with your exit planning team (consultant, attorney, accountant, financial planner, and your family)
• Consider a Section 1031 exchange for the real estate (see 4.20: Practice Sales: Planning, Structure, and Methods to Minimize Taxes). Check with your accountant, attorney, and financial advisor to determine if a 1031 exchange is correct for you.
• There are other reasons for creating an exit strategy:
  ◦ Unexpected extended illness
  ◦ Career change
  ◦ Death
  ◦ Burnout
  ◦ Tax strategy
  ◦ Estate planning
• Owning a practice (and accompanying real estate) is a very important asset in your Net Worth.
• The value of any veterinary practice is based on the profitability (Net Cash Flow, NCF) of the business divided by a capitalization rate (risk factor in owning an investment).
• Typically, last year's gross is no longer the value of an equine practice. It takes management skills to generate sufficient cash flow to create value in a practice.
• Practice valuations are the preferred method of determining the value of the practice, not by a rule of thumb of "x" percentage of last year's gross revenue.
• There are many methods written for valuing a business. At the present time, there are two methodologies consistently used for valuing veterinary practices:
  ◦ The Excess Earnings Model
  ◦ The Single Period Capitalization Model
• The driving force in each of these models is NCF.
• It is wise to update practice valuations every two to three years, both as a means to see if management practices have improved the value and to have a current value in case something happens to warrant a sale.
  ◦ At the same time revisit your Exit Plan and make the needed changes as well as the strategy to accomplish the new plan.
• Valuations should be used as a management tool to aid in measuring the effectiveness of achieving practice goals.
• Real estate appraisals need to be updated at least every five years by a commercial appraiser.

Options

• Closing the doors and selling the hard assets (equipment) is an option for an exit strategy. For some single-doctor ambulatory practices, this option may be too common.
• Preparing for an internal sale to an associate is a very attractive option. Doing this requires developing a plan or strategy several years in advance starting with meaningful discussions with the associate about practice ownership.
• Another option is to sell the practice to an outside or third party.
• Merging with another practice is becoming a more viable option. It takes time and multiple discussions with an interested colleague to determine if the practice's philosophies can become synergistic. The methods and techniques used in accomplishing a merger are limited only by the creativity of the advisors and the merging practice owners.
• There is a type of merger where the owner of the practice being acquired becomes an associate in the new practice. As an associate, he is paid a percentage plus 10–15% more for any work that he or any of the other doctors perform on a published list of his clients. This technique is typically set up for a two-year period, and then the associate is paid strictly on a percentage of production basis. This allows the acquiring practice to pay for the acquisition with money generated from the former practices client base.

1.18. EQUINE PRACTICE MANAGEMENT

ACCOUNTS RECEIVABLE/BILLING ISSUES

General

As Earl Nightengale, the motivational speaker and writer, once said, "All of the money you will ever have is currently in the hands of someone else." Herein we will describe how to fairly obtain such funds from your clients' payments for the services that you render to their horses:

- Receiving payment in a timely fashion for work performed is a mark of a well-managed business, which is what an equine veterinary practice should strive for.
- Horse owners are less price-sensitive than companion animal pet owners. In a large 1999 survey, 89% percent of horse owners polled indicated that they would continue to use their veterinarian if the veterinarian raised prices by 10%; 77% agreed that they would continue to use their veterinarian if prices were raised by 20%; and 73% agreed that fees are very low compared with the value of their horses.[3]

Minimizing Problems

Use a new client information sheet on each and every patient that includes the caveat, and make sure each and every new client signs this agreement:

> While a client of _____ Veterinary Practice, I consent to the provision of routine veterinary services. I agree to pay for such services within 30 days after receiving an invoice. If the bill is not paid, and I do not make other arrangements in writing, it may be billed to my credit card,
> #_____
> Expiration date _____
> Signed _____

- Accept credit and debit cards, and keep a credit card number on file for each of your clients, if legally permissible to do so; verify the number's validity annually with each client. Otherwise, consider a mobile device that will allow you to charge the card at time of service. Notify your clients that any invoice more than 60 days past due will be charged to the card, unless other arrangements have been made in advance. Stick to this policy—the 2–3% merchant fee is much cheaper than playing banker with your clients, or worse, writing off an uncollectable bill.
- Offer and recommend third-party payers, such as Care Credit
- Payment at time of service is the best way to reduce your accounts receivable
- If you don't charge or invoice at the time of service, consider billing weekly to improve the cash flow.
- Consider e-bills. These are invoices attached to an e-mail and sent out immediately after the service is completed.
- Have a designated Accounts Receivable person who creates a system for billing clients. This person needs to be assertive, detail oriented, and communicate effectively.
- Bills that clearly reflect services performed and related charges help to ensure collectability. "Horse vaccinations" doesn't let the owner know exactly what you did and certainly does nothing to engender a feeling of worth associated with whatever you did. In an equine practice, dealing with absentee owners is frequently the case; if you give them details about the services you performed, it then makes the billing process much more efficient and minimizes telephone calls that seek to clarify the reason for the invoice.
- Clients can be busy people also. Delays in obtaining clarification of an invoice can stretch into longer delays. This can translate into your bills not getting paid in a timely manner.
- Minimize disputes arising from invoices rendered. If you are going to be performing expensive, complicated treatments, written estimates are certainly appropriate. With the use of smart devices in the field, there is no reason why an estimate of the treatment plan cannot be generated and discussed prior to embarking upon an expensive course of action. Updating your client as to charges incurred and course of action taken should help to keep them "buying into the plan."
- Use consent forms with signature lines agreeing to pay for costs incurred when dealing with treatment plans. A signed consent form is a legal document, which reduces the client stating they did not know or were unaware of the costs. While your client data sheet covers this, it is a good idea when dealing with expensive treatment options to remind clients that there will be costs incurred and that they are responsible for paying them.
- Multiple ownership of horses occurs much more frequently in an equine practice than in a typical companion animal practice. Make sure your practice management software can deal with multiple ownership issues.
- Review your client data sheets to make sure there is one person named as ultimately responsible for payment of charges incurred. Even though you may send invoices to all owners of the animal, you don't want to get caught in the middle of disputes that may arise between or among the owners.
- Have a written policy in place that you adhere to for especially high-risk situations. The following are examples of such situations: pre-purchase examinations, first-time clients requesting expensive procedures, and out-of-state clients with no history of payment at your practice. Substantial deposits should be required in these situations.
- Monitor your Accounts Receivable schedule, and print out an aged listing on a regular basis. This schedule lists current, 30–60, 60–90, and >90 days past-due accounts. Telephone communication as well as invoicing past due clients is always recommended, and make sure your staff and associates know who owes the practice money so that further service, if done at all, is done on a cash-on-demand basis only.
- The majority of horse owners today do not have to rely on crops coming in to pay for veterinary care for their animals. Therefore, some of the older rules regarding appropriate levels of accounts receivable in an equine practice need to be examined. If you have the correct policies in place and adhere to them, the overwhelming majority of your accounts receivable should be in the "60 or fewer days" column on your aged accounts receivable schedule.
- A good collection policy does not mean that you need to check your compassion at the client's door—you can make room for reliable clients who run into financial trouble. Deferred payment plans may be appropriate for clients with a good payment history.
- Small Claims Court is an option, but that gives you lien rights, not generally a check in your pocket. Documentation is key to winning these cases, which involve time and money on your part, so make sure your records support that the individual is liable for your charges.
- When it comes to money issues, having policies in writing minimizes more problems with clients than it causes. Clients want to know where they stand and what options are available to them.

INVENTORY ISSUES

- Depending on the kind of equine practice you have, inventory issues can be extensive.
- The full cost of maintaining an inventory involves more than the purchase price of the products. There are myriad indirect costs such as storage, personnel costs, shrinkage (thief, breakage, or forgetting to charge for the item), insurance, and tracking costs.
- Balancing stock-outs (not having inventory available to meet your clients' needs) and overstocking (carrying too much inventory) is a learned skill, but it takes constant effort.

General

- Use your computer software, both for tracking what you have on hand, and to interface with your price list to adjust for price increases. Bundling of products used in treatment procedures can help to keep track of items used. This also helps to track supplies and drugs used in treating the animals in addition to products dispensed.

• Determine the minimum order point for individual items with your software's help. Use your software to determine your usage of a particular item per month, and use that number as your minimum order point for that item. Start with keeping three-quarters of a month's usual volume on hand, then track your usage and reorder as appropriate. Monitor your results.
• Spot-check your inventory to be sure that the count in the computer matches the physical count of items on hand. Analyze any reason for differences and adjust your procedures to minimize the occurrence of these variations.
• Adjust your prices at the time you receive price increases from your vendors, not when you use up your inventory on hand.
• Limit your number of vendors to three or four. Your time is worth more seeing clients than saving a few cents here and there, and big fish in little ponds get more vendor loyalty than ordering small quantities from many vendors to save a few pennies. Vendor reps can be a source of information and assistance.
• Check return policies from your vendors and keep familiar with their terms—this is one more benefit to limiting the number of vendors from whom you purchase supplies.
• Track costs versus sales to be sure you are getting the markup price you think you are getting.
• Watch your "By the Way" charges; for example, medication administered that is not part of a scheduled visit is a major source of missed charges.
• Make friends with other equine veterinarians in the area as a possible way to split large–dollar, low-usage product orders among several practices. This becomes a modified group-purchasing unit.
• Purchase price of the item is not the only cost of the product. Storing, insuring, tracking, and shrinkage (such as intentional or unintentional theft), are all indirect costs that must be added to figure the true final, all-inclusive cost of your items.
• Use the 80/20 rule to help you begin managing your inventory. Start with the products that account for the top 20% of revenue from inventory and get those items under control, then work your way through the remaining 80% of meaningful items in stages.
• The ability of most vendors to get your orders to you in a relatively short time (24 hours in some cases) allows for turning your inventory 10–12 times a year, and generally results in more profit to the practice.
• Inventory is a cost for your practice, not an investment. Inventory only becomes worth something when you do something with it to generate income.

EXAMPLES

N/A

CAUTIONS

N/A

MISCELLANEOUS

ABBREVIATIONS

AAEP: American Association of Equine Practitioners
AVMA: American Veterinary Medical Association
IRS: Internal Revenue Service
JAVMA: Journal of the American Veterinary Medical Association
LLC: Limited Liability Company
NCF: Net Cash Flow

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1.19. NOT-FOR-PROFIT VETERINARY HOSPITALS

BASICS

OVERVIEW

Not-for-profit, or nonprofit, hospitals face many of the same challenges as for-profit hospitals, including managing the most expensive aspects of operating a veterinary hospital—payroll and overhead.

TERMS DEFINED

Endowment: A fund, usually in the form of an income-generating investment, established to provide long-term support for an organization.

Nonprofit: An entity that is not conceived for the purposes of earning a profit, but rather to serve a public good.

Not-for-Profit: Any activity that is conducted without purposes of earning a profit. Often used interchangeably with *nonprofit.*

Inurement: Inappropriate benefit of a private person or company from a charitable organization.

ISSUES AND OPTIONS

UNDERSTANDING NONPROFITS

- Nonprofit veterinary hospitals are typically formed to fulfill a specific purpose such as:
  - Meeting the needs of an indigent population that could not otherwise afford veterinary care
  - Performing sterilization procedures
  - Treating non-owned species such as wildlife
- To qualify for nonprofit status, an organization must be approved by the IRS and adhere to specific requirements and limitations imposed on its activities by Congress (see 10.21: Not-for-Profit Foundations). A nonprofit is not prohibited from making a profit (known as a surplus in the nonprofit world), but there are limitations on how the money can be made and the purposes for which it can be used. In general, to get tax-exempt status, a business must serve a certain tax-exempt purpose, which might be to reduce the population of unwanted pets by offering low-cost neutering, or offering veterinary services at low prices to low-income pet owners.[1] Means testing to determine eligibility is recommended when possible.
- Similarly, most full-time workers at nonprofit veterinary hospitals are not volunteers. They tend to earn salaries commensurate with their abilities, because the nonprofits must compete with for-profits for the same labor force. Similarly, managers of nonprofit hospitals, both human and veterinary, tend to be well compensated. Once recognized as a nonprofit organization, the enterprise is exempt from paying taxes that for-profit businesses pay.
- It is important to realize that nonprofit status does not always imply that charitable work is being done. A group of animal fanciers can be registered as being a nonprofit without performing any charitable work. Similarly, not all nonprofits are capable of accepting tax-deductible donations. This is restricted to charities described in Section 501(c)(3) of the Internal Revenue Code, and to a few other categories. Exempt organizations that solicit contributions that are not deductible charitable contributions are obliged to indicate that such contributions will not be tax deductible. Donors can check with the IRS to determine if a tax-exempt organization has been recognized to receive tax-deductible contributions, or to request copies of its three most recent information returns (i.e., the Form 990 series, which provides a detailed breakdown of an organization's revenues and expenses, including compensation paid to executives and outside individuals and to companies that do business with the organization), its exemption letter, and its approved application with supporting documentation. This series is often available on Internet sites of organizations soliciting tax-deductible contributions. Information about donors is excluded from public inspection, except for donors to private foundations and political organizations.
- The Financial Accounting Standards Board (FASB) sets nonprofit rules requiring that all contributions to nonprofits be reported as revenues, and that distinction is made between unrestricted and legally restricted contributions. Restricted contributions, both temporary and permanent, designate the specific purpose for which the donation was intended. Unrestricted contributions are those that have not been specifically restricted by the donor and include contributions for operating purposes (such as an annual fund drive).
- Earnings of invested endowment principal are called endowment revenues, and most nonprofits use a spending rate (typically about 5% of the market value of the endowment) for operating expenses. Spending significantly more than this could affect the long-term sustainability of the organization.
- The Balance Sheet of for-profit businesses has three major categories: Assets, Liabilities, and Owner's Equity. In the nonprofits, Owner's Equity is replaced by Net Assets, which in turn is subdivided into three classes: Permanently Restricted Net Assets, Temporarily Restricted Net Assets, and Unrestricted Net Assets.

CHALLENGES TO THE NONPROFIT SECTOR

- The major challenge to nonprofit veterinary hospitals is often sustainability of services. These hospitals face the same challenges related to expenses (especially payroll and overhead) as do for-profit veterinary hospitals, but rarely have the same revenue base and often do not cultivate the same long-term client relationships.
- Nonprofit veterinary hospitals should be operated on a cost-recovery basis, wherein revenues should closely mirror costs (and not consume large shares of endowment revenues), but it is not unusual that a portion of the nonprofit's endowment be used to help meet operational costs.

RIFTS BETWEEN FOR-PROFIT AND NONPROFIT HOSPITALS

- Occasionally, there has been potential for rifts to develop between the for-profits and nonprofits, often over competitive issues. This is most likely to occur when there is direct competition for the same client base, but unequal treatment between the two in terms of taxation. There is often a discussion about the "community benefit" of nonprofit hospitals as one of the main reasons for their tax-exempt status, and in an ideal scenario, the clients visiting the nonprofit and those visiting the for-profit should be different.
- If nonprofits only treated patients whose owners could not otherwise afford veterinary care, there would be little cause for concern. The main issue for most for-profit hospitals occurs when nonprofit hospitals treat patients of clients who are not needy, and may charge amounts comparable to the for-profits, but then have no tax obligation. From the nonprofit perspective, full-paying clients may be one of the only ways to support services for clients unable to pay.

PEACEFUL COEXISTENCE

- Veterinary medicine is probably best advised not to take lessons from the human hospital sector, in which there is often considerable animosity between nonprofit and for-profit hospitals, legal challenges to the nonprofit activities of hospitals, and questions about continued tax-exempt status.[2] Most nonprofit veterinary hospitals are performing valuable services, and the point of conflict typically represents a minority of clients and services.
- Nonprofits everywhere are facing difficult times and continued pressures. Funding is often shrinking as consumers' discretionary funds are stretched thinner and there are more and more appeals for charitable giving from different organizations. On the other hand, requests for services from nonprofits have never been greater. In many cases, there needs to be extensive fundraising efforts and expenses to

1.19. NOT-FOR-PROFIT VETERINARY HOSPITALS

help keep nonprofits afloat. Most have a dedicated Development Department that is staffed for the sole purpose of raising funds for the organization.

- There are many opportunities in veterinary medicine to bypass those problems in the human hospital sector and work together for mutual benefit. This is possible as long as the nonprofits and the for-profits respect each other's missions and legal requirements for nonprofit activities. The most important concern is for inurement and private benefit. Inurement occurs when an individual or company with a personal interest in the tax-exempt organization acquires economic gain through the use of funds or assets of that exempt organization. Private benefit occurs in transactions with the tax-exempt organization in which benefits favor private rather than public interest. The important aspect is that there is nothing prohibiting the fair interaction of for-profits and nonprofits as long as reasonable compensation at fair market values is exchanged and that the compensation arrangement is consistent with the tax-exempt purpose of the organization.

There are many exciting opportunities for the interaction of nonprofits and for-profits in the veterinary field:

- Nonprofits, especially shelters, can be a key stream of newly-adopted pets entering a community, which can provide new clients to for-profit veterinary hospitals
- Nonprofits as teaching hospitals and referral centers
- Nonprofits as "incubators" for the advanced clinical training of students and new veterinary graduates
- Nonprofit hospitals with for-profit clinical departments
- Nonprofit agencies with outsourced for-profit veterinary services
- Nonprofit referral-only hospitals, supported by area for-profit hospitals

EXAMPLES

MNO Animal Friends operates a shelter and adoption facility and has a small veterinary clinic to care for its animals. A donor has made a contribution of a 20,000 square-foot (1,858 square meters) building, which the organization has gratefully accepted. They considered expanding their veterinary hospital operations, and discussed the matter with their consultant. The consultant evaluated the options and other possibilities, such as creating a state-of-the-art "rehoming center" for its adoptions and outsourcing veterinary operations to for-profit veterinary entities, including several specialists. The premise was to develop the facility as an animal care center, have the specialists pay for the build-out of their specific space, and charge fair-market rent to the for-profits on long-term leases. Other than fair market rent, there was no revenue sharing with the nonprofit.

Rather than offering their own veterinary services, the consultant contacted the regional veterinary association on behalf of the nonprofit and made arrangements for volunteers from the association to offer veterinary services and to treat animals in the adoption areas as part of their own contributions to the community and part of a well-received public relations campaign. Other volunteers were solicited from the community to socialize and train the animals and to make sure they were suitable to be placed in loving homes. The nonprofit, which had continually operated at a loss when it ran its own veterinary hospital, was functioning at a surplus and able to commit more resources to its core mission, thus supporting the human–animal bond. Area veterinarians were happy that there were no more conflicts with the services being offered, and they could control, as a group, the extent of services being offered. The specialists, who owed their allegiance to primary-care practitioners in the area, were happy to practice out of a location that was so warmly supported by the general veterinary population.

CAUTIONS

Nonprofits can be slow to respond to circumstances because they have a more cumbersome bureaucracy than most private veterinary hospitals. There is typically a Board of Directors that meets periodically to discuss organizational matters, and an Executive Director dealing with day-to-day operations of the nonprofit. With an existing hospital, there might also be a hospital administrator and possibly a Chief of Staff/Medical Director as well. Accordingly, although changes do occur at nonprofits, they might not occur as quickly as in similarly sized for-profit hospitals.

MISCELLANEOUS

ABBREVIATIONS

FASB: Financial Accounting Standards Board
IRS: Internal Revenue Service

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1.20. HOUSECALL AND MOBILE PRACTICES

BASICS

OVERVIEW

The general operation and management of a housecall or mobile veterinary practice is similar to that of a stationary practice, with the exception of several key logistical issues that must be considered and addressed.

TERMS DEFINED

Stationary Practice: Refers to a traditional "brick and mortar" veterinary practice.

Housecall Practice: Generally used to refer to a veterinary practice that is done from a car or other vehicle that provides limited veterinary services in a client's home or business.

Mobile Veterinary Practice: Generally used to refer to a full-service veterinary practice that is done in a specialized vehicle with the equipment that is typically found in a stationary practice but in a mobile setting. Services can be provided in the mobile unit or in a client's home or business.

Ambulatory Practice: Generally associated with equine, large animal, or mixed animal practice. Usually operated from a truck or other vehicle using varying levels of equipment.

Mobile Practice: Used to encompass housecall, mobile veterinary practices, and ambulatory practices.

Housecall Fee or Trip Fee: An additional cost added to an invoice for the convenience of having a veterinarian come to you.

Fuel Surcharge: An additional fee added to an invoice to compensate for excessive fuel prices.

Average Transaction Fee (ATF): Total cost of transactions/number of transactions.

Niche Market: A focused, targetable portion within a market.

ISSUES AND OPTIONS

REGULATORY ISSUES

- The specific requirements for mobile practices can vary based on state and local regulations. Some states have separate or additional rules and specific definitions for limited and full service practice, whereas others do not.
- State Veterinary Medical Associations (VMA) or Veterinary Boards can provide information on the state requirements or contact information on the agencies that govern veterinary facilities. Local regulatory agencies should be contacted about licenses and permits required.
- Some states require that a veterinarian be able to provide full service veterinary care or have a written agreement with a veterinary facility that can provide these services.
- Other requirements may include providing a physical address for clients and either providing or having a referral available for after hours and emergency care. In a mobile practice, a plan must be developed for handling hospitalized patients.
- Some localities have regulations regarding home offices and parking of commercial vehicles.
- Regulatory issues such as meeting the Occupational Safety and Health Administration (OSHA) standards are the same for mobile practices as they are for stationary practices.

MAINTENANCE AND REPAIR ISSUES

- In a mobile practice, you are dependent on a vehicle in order to see appointments. When the vehicle is not working, you will need to have a backup plan.
- The backup plan may include having technicians transport animals to a central location, referral to another clinic, or using an alternate vehicle.
- Inclement weather may also impact the ability for a mobile practice to function.
- It is critical to perform regular maintenance and housekeeping. Having checklists for these tasks will help ensure that they are completed when needed.

PERCEPTIONS IN THE VETERINARY PROFESSION

- There seems to be a perception among many in the veterinary profession and veterinary funding companies that mobile practices are not profitable.
- Although the gross profits may be lower in some cases than a stationary practice, this is offset by the lower initial investment and overhead and the fact that the average client transaction (ACT) is often higher because of the addition of a housecall fee and that multiple animals are often seen at one appointment.
- Payroll expenses tend to be a much less significant expense in a mobile practice, which also increases the profitability.
- According to the 2011 Bayer Care and Usage Study, pet owners indicated they would take their pet to the veterinarian more if it wasn't so stressful, the pet didn't dislike it too much, the clinic was more conveniently located, the visit didn't take so long, and the clinic was a more pleasant place. These issues are all addressed by a mobile practice leading to increased likelihood of client satisfaction.
- Another misconception is that mobile practices cannot be sold. Although the vehicle may be a depreciating asset, there can be significant value in the practice. This is becoming a more viable option with the saturation of the veterinary market, the need to develop a niche market, and the decreased availability of practices for purchase.
- The range of areas that can be serviced is significantly higher than a stationary practice. Also, the fact that many of the animals seen by mobile practices are not currently being provided with any veterinary care lowers the competition pressure in a market.
- There has been some confusion in veterinary profession that mobile practices are the same as mobile vaccine clinics that travel to different locations providing minimal care. These practices have been blamed for a decrease in veterinary visits in some studies. Most mobile practitioners do not participate in this type of business.

BEING A SOLO PRACTITIONER

- Mobile practices are often owned by solo practitioners. This could lead to a sense of isolation. Fortunately, technology now allows veterinarians to be connected while traveling (e.g., online references, access to a boarded radiologist who can review digital radiographs while on the road, cardiology tests that can be transmitted over phone lines with results received immediately via e-mail or phone).
- Technology has improved the availability to communicate with clients, send and receive faxes, e-mailing, and maintaining medical records, which can all be done in a mobile setting.
- Sharing ideas and networking with other professionals and colleagues is beneficial for a solo practitioner and is easily done in a mobile environment.
- The ability to take a vacation may have to be considered differently in a mobile practice. Options include hiring a relief veterinarian, having technicians transport animals to another clinic, and/or having technicians perform activities such as follow up blood screening, nail trims, or grooming activities so there continues to be income in the practice during this time (as permissible by law).
- An advantage of operating a mobile practice is the ability to have a more flexible schedule and set your own hours because the doors do not have to be open for set hours each day like in a stationary practice.
- The design of a mobile practice lends itself to the possibility of providing more personal service and more time for effective communication and education between the veterinarian and pet owners.

1.20. HOUSECALL AND MOBILE PRACTICES

INSURANCE

• Specialized coverage, such as automobile coverage, is often required for mobile practices. Other requirements are similar to stationary practices such as malpractice insurance, liability insurance, overhead coverage, workman's compensation, an umbrella policy, and bailee coverage (see 10.18: Practice Insurance Needs).
• It is important to deal with insurers who are familiar with the insurance needs of a mobile practice. The American Veterinary Medical Association Professional Liability Insurance Trust (AVMA PLIT) is a good source for referrals to such insurers.

EFFECTIVE SCHEDULING AND FUEL PRICES

• In order to be profitable, it is critical to have effective scheduling in a mobile practice. It is also important to determine your service area. This can be determined by a given radius or by the drive time to travel across the service area (see 1.4: Veterinary Trade Areas).
• Some mobile practices will travel between different regions or cities if they are located in a more rural setting.
• Fuel prices can fluctuate and affect the profitability of a mobile practice. One way to compensate for this is with effective scheduling and the addition of a fuel surcharge when necessary.

EXAMPLES

• *Ambulatory practices* such as equine, large animal, or mixed animal veterinarians often work out of a truck or other vehicle. These veterinarians perform housecalls or farm calls because it is often not practical to move large animals and livestock. They may or may not have a stationary facility as well. These practices can be anything from a sole practitioner to large hospitals with multiple ambulatory veterinarians.
• *Small animal housecall and mobile* practices can range from those who work out of a car or other vehicle to full service mobile units. The capabilities of this type of practice are based on the equipment available and the range of services the veterinarian decides to offer.
• *Exotic animal practitioners* or those who see exotic species will often prefer a housecall or mobile practice due to the stress put on the animals in transport and the increased capabilities to see animals that cannot be transported or multiple animals at one location.
• Husbandry is also an important aspect of these types of evaluations. The assessment is enhanced by the practitioner being able to see how the animals are being housed and managed.
• *Veterinary specialists* can also have mobile practices that make housecalls or go to multiple veterinary clinics. This is a way to utilize expensive equipment and draw from a larger geographic region. Some examples of specialties that may operate in a mobile setting include: cardiology, radiology and imaging (CT, MRI, ultrasound), and dental specialists. Services such as rehabilitation and alternative medicine practices may also benefit from being able to service a larger geographic area.
• *Hospice and euthanasia* services make up another segment of mobile practices. This type of practice is increasing in popularity due to an increased demand. These veterinarians commonly work out of a car or other vehicle and may or may not have a technician.

CAUTIONS

• The Drug Enforcement Agency (DEA) currently has regulations prohibiting the transport of controlled substances that directly impact mobile practices. The American Veterinary Medical Association (AVMA) and some state Veterinary Medical Associations (VMA) are working to address this issue.[1]
• Safety in a mobile practice involves securing the vehicle, especially in light of the likelihood to have controlled substances, supplies, and expensive equipment in the vehicle. Because mobile veterinarians most often travel to clients' homes, caution should be taken when seeing new clients or seeing clients alone. This is especially true if after-hour emergencies are seen. It is strongly recommended to work with a technician, not just for the likelihood of increased profitability, but for safety as well. In addition to the veterinarian not having to go to appointments alone, a technician can be valuable in restraining animals and preventing injuries, therefore decreasing liability.
• Tax professionals who understand the business should be consulted regarding the implications of a home office and other issues related to a mobile practice.

MISCELLANEOUS

ABBREVIATIONS

ATF: Average Transaction Fee
VMA: Veterinary Medical Association
OSHA: Occupational Safety and Health Administration
AVMA PLIT: The American Veterinary Medical Association Professional Liability Insurance Trust
DEA: Drug Enforcement Agency
AVMA: American Veterinary Medical Association

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1.21. HOSPICE CARE

BASICS

OVERVIEW

The early days of human hospice and palliative care can be traced back to eleventh-century Europe finding its roots as an offering of rest and shelter to the weary or sick traveler. It wasn't until the nineteenth century, however, that the true concept of ministering to the dying began to gain momentum. It was in England at St. Joseph's Hospice, founded in 1905, that Dame Cicely Saunders developed the most basic principles of the hospice concept as we know it today.

The veterinary hospice and palliative care movement found its beginnings in the late 1980's with a small group of committed veterinarians and mental health care professionals. Their efforts grew and gained momentum so that in April 2001, the American Veterinary Medical Association (AVMA) developed "Guidelines for Veterinary Hospice Care" (www.avma.org). These guidelines, in an abbreviated form, are as follows:

- Family/household dynamics are a consideration when deciding whether veterinary hospice care is appropriate.
- As with any service, fees should be discussed and agreed upon before hospice service is provided.
- Patients should be kept as free from pain as possible and in a sanitary state.
- The veterinary practice must have an appropriate Drug Enforcement Administration (DEA) permit and state licenses because of the use of prescribed and controlled drugs, and keep records of all drugs and supplies dispensed.
- Veterinary staff should be part of the veterinary hospice team.
- Clients should be advised, preferably before the animal dies, of their options concerning care of the animal's remains.
- In the case of home deaths, clients may need confirmation of death through absence of vital signs or pronouncement of death by the attending veterinarian.
- Humane euthanasia service should be available if the client and veterinarian at any time believe this service is appropriate.
- Optimally, veterinary care should be available at all times. This may include telephone advice, after-hours referral for emergency care, or humane euthanasia.
- Records must be kept of all interactions with patients and clients, including home visits, patient observations, treatments, telephone conversations, and instructions.
- When clients seeking hospice care for their animal are referred to another veterinarian, the referring veterinarian should identify hospice care providers in advance, and feel comfortable that the issues identified above will be addressed.
- A team approach that encompasses professionals in veterinary medicine and psychosocial care is the ideal.

The AVMA Guidelines were reviewed in 2007 with no changes. However, in April 2011, these guidelines were once again revised and now include the following: "Veterinarians or veterinary hospitals that are unable to offer hospice care should be prepared to refer clients to another veterinarian who can offer these services. Referring this activity does not imply that excellent care is not being delivered by the referring veterinarian, but provides more options for the client desiring to access veterinary hospice."

TERMS DEFINED

Hospice: Providing supportive care for those in the final phase of a terminal illness.

Palliative care: Care intended to relieve and prevent patient suffering.

Quality of life: An individual's total well-being, encompassing physical, social, and emotional aspects.

Euthanasia: The act of ending life in a manner that does not cause pain, stress, or struggle. The origin of *euthanasia* is *euthanatos*, which means "good death."

Standard of Care: The written structure of care that is delivered regularly, uniformly, and consistently with a hospital or facility of healthcare.

Psychosocial Care: Care that is focused on mental and emotional well-being of a patient. The focus is on life with meaning.

ISSUES AND OPTIONS

ISSUES

Some of the issues plaguing the veterinary hospice and palliative care movement and preventing its advancement are:

- No laws governing who is allowed to deliver this care. As a result there are people providing this type of care with little to no veterinary background or expertise except for the fact they love animals.
- Veterinary medicine is structured around *prevention* or *treatment* of disease and, as such, it is a paradigm shift for the profession to move from "hope of a cure" to expanding the definition to include "hope of a good death."
- Veterinary professionals are not accustomed to seeing the benefit or having the option to offer an EOL care system to their pet families.
- Veterinary professionals are not accustomed to seeing EOL/hospice and palliative care as a specialty in veterinary medicine or as a standard of care as it is in human medicine.
- EOL care is not taught in any detail at schools of higher learning for either veterinarians or veterinary technicians.

OPTIONS

Hospice and palliative care are most commonly delivered in the home environment with a veterinary team approach and enlisting ancillary services as needed. Ideally, this care is available to participating families 24 hours a day, 7 days a week. The alternative to providing or referring this care is:

- Primary care provider works with and educates pet families on matters such as pain control, hygiene, disease progression, dying process, plan of action for humane euthanasia if desired, and Quality of Life (QOL; see 3.20: Dealing with a Grieving Client)
- A primary-care facility provides mobile care options for home euthanasia or, if available, refers the family to a mobile veterinary provider.
- The primary-care provider supports pet families with resources for grief and bereavement.

EXAMPLES

A common scenario that takes place in veterinary medicine is a pet that has been diagnosed with a particular cancer. The family may or may not be amenable to a biopsy to identify and stage the cancer and they may or may not choose to pursue treatment. It might be that this pet has less than a year to live. Hospice and palliative care and the guidance of a knowledgeable veterinary team have the ability to gift this family with the ability to make the time they have left with their pet quality time until continuing support is no longer in the best interest of the pet. Most often this gives pet families what they need to prepare and feel like they've honored the commitment of care made to their pet before they need to say goodbye.

Consider a potential real-life example. Mr. and Mrs. Smith, upon having an ultrasound on Buddy, their yellow Labrador retriever, were told that Buddy had presumptive diffuse liver cancer with free fluid

within the tumor. Mr. and Mrs. Smith elected not to biopsy to identify and stage the cancer, whether for financial reasons or otherwise, and intended not to pursue available cancer treatments. One of the options given to Mr. and Mrs. Smith was hospice and palliative home care, which is what they selected. The veterinary hospice team formulated a palliative care plan to assist the Smiths with Buddy's comfort, making visits as frequent as all felt necessary and reevaluating care along the way until Buddy's condition started to deteriorate. Pain control, nutritional needs, and walks for his emotional comfort were the focus of Buddy's palliative care. Walks were a ritual for Buddy and his family, and the family was instructed to use Buddy's demeanor during these walks to help evaluate his QOL along the way; when his favorite pastime became a hardship for him, they would know his QOL had deteriorated. Each step of the way the veterinary team and family worked together for the sole purpose of QOL for Buddy until it was no longer in Buddy's best interest to be with them, and the bad days outnumbered the good. Once that time did indeed come, Buddy was humanely euthanized at home at his family's request and with the support of his veterinary team.

CAUTIONS

As EOL care for companion animals continues to grow, there will need to be modifications and tuning. The particulars of cautions run the gamut of considerations:

- It is imperative for veterinary professionals to know their state practice acts. This may make a difference in what can be done in the home setting by a veterinary technician/nurse as far as "direct" or "indirect" supervision by a veterinarian.
- Clear-cut lines delineating the responsibilities of the participating doctors need to be met. For instance, it's not unusual for the veterinarian overseeing the EOL care of the pet to be different than the primary care veterinarian. Who will be prescribing medications? Who will be making professional decisions? And, if the family decides they would want to leave hospice care and go back into pursuing treatment for this pet, who will oversee this care?
- Today's pet families are looking for more options to assist them in achieving QOL with their pets in the interim between diagnoses and saying goodbye. They expect a veterinary team to be able to deliver this compassionate guidance. If the veterinary industry is not aware of and not capable of providing this EOL care, pet parents will feel they have no choice but to look outside the profession for assistance.

MISCELLANEOUS

ABBREVIATIONS

EOL: End of Life
QOL: Quality of Life
AVMA: American Veterinary Medical Association
DEA: Drug Enforcement Agency

Recommended Reading

Fujimoto, N. Kindred Spirit, Kindred Care. New World Library, 2005
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Meier, D., Isaacs, S., Hughes, R. Palliative Care, Transforming the care of serious illness: Jossey-Bass 2010

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