



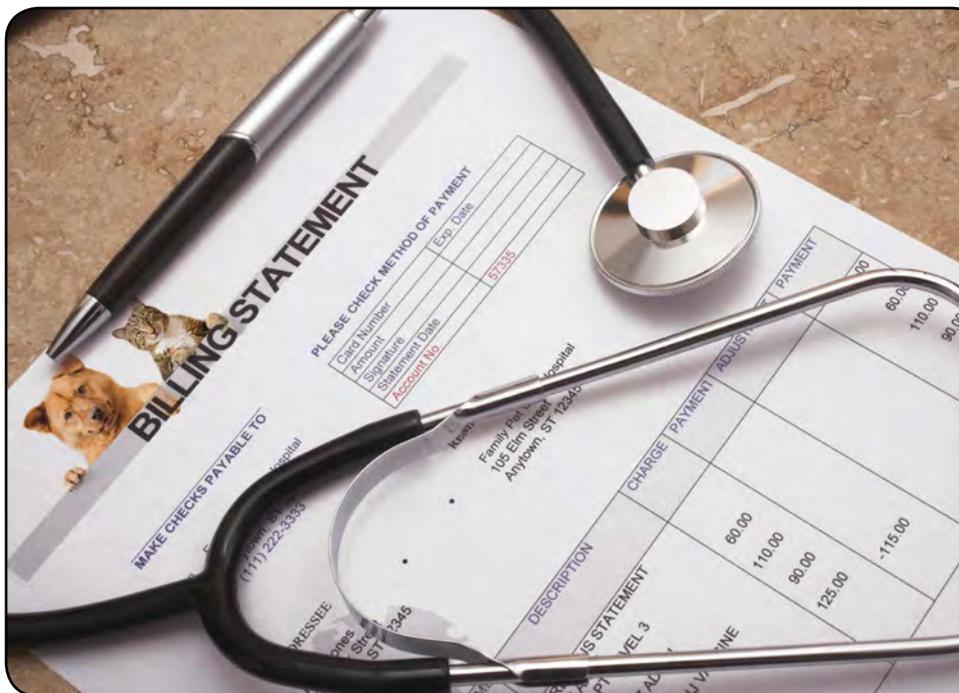
Veterinary Teams & Clients FACING FINANCIAL FACTS

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This is the third article in Dr. Karen Felsted's *Growing Your Practice* series, which is based on results from the 2011 Bayer Veterinary Care Usage Study. This study investigated veterinary practice performance from both the veterinary professional and pet owner viewpoints.

The goal of this series is to identify what sets growing, successful veterinary practices apart from their competitors and how to implement their business models in your practice.

The previous two articles, *Practices That Continue to Grow: What Are They Doing Right?* and *Building Strong Relationships Among the Veterinary Team, Clients, & Patients*, are available at todaysveterinarypractice.com.



One of the less surprising results from the Bayer Veterinary Care Usage Study (bayer-ah.com/nr/45.pdf) was the pushback from pet owners regarding the increased cost of veterinary care.

WHY HAVE COSTS INCREASED?

Part of the reason the cost of care has increased dramatically is that veterinarians and their teams can provide much more sophisticated care for pets; however, this quality of care is more expensive, whether provided in general, referral, or emergency practices/hospitals.

Another reason is the fact that pets are living longer. These senior pets require more routine and specialized care and are more likely to develop serious and/or chronic diseases.

However, a significant reason for increased costs is that fees for services have increased. According to the *American Animal Hospital Association (AAHA) Veterinary Fee Reference*, 76% of fees had increased above the rate of inflation from 2004 to 2006. These increases ranged from 12% to 60%.¹ While the rate of increase has slowed since 2006, fees are still climbing.

Interested in learning more about the Bayer Veterinary Care Usage Study?

Go to todaysveterinarypractice.com and, select **Practices That Continue to Grow: What Are They Doing Right?** (January/February 2012) from the Article Lists tab in the top navigation bar.

From the Human Side

An article in the Harvard Business Review studied the communication of value at the Mayo Clinic (mayoclinic.com), one of the best known “brands” in human medicine.⁴ The Mayo Clinic communicates value extremely well while spending little money on traditional forms of advertising.

The authors noted, “When a company’s offerings are hard to judge, customers look for subtle indicators of quality.” Translated, this means that clients may not be able to judge the quality of the medicine but will look at other aspects they *can* understand to make a judgment about the medicine. These aspects generally include service experience and communication. This is as true in veterinary medicine as it is in human medicine.

There are several reasons for these increased service fees:

- For many years, veterinary fees were ridiculously low compared to the services offered; some of the price increases are a delayed but needed correction.
- The costs of running a veterinary clinic, from supplies to wages to insurance, have increased.
- The addition of improved client services, such as newsletters, educational materials, and web services, require both time and money.
- Finally, one of the easiest ways to increase profits is to increase fees.

WHAT DO PET OWNERS THINK?

Pet owners surveyed in the Bayer study definitely indicated that price was an issue when it came to veterinary care.

- 26% said they were always looking for a less expensive veterinary option or would switch to a less expensive veterinarian.
- Approximately 25% neither agreed nor disagreed with the statement about looking for less expensive veterinary care.
- When pet owners were asked about what factors would increase their pets’ visits to the veterinarian, ‘less expensive visits’ was one of the top four factors cited by dog and cat owners.

Per the survey, less than half the clients were firmly committed to staying at their current practice, regardless of price. This isn’t a surprise to veterinarians—the vast majority of practice owners surveyed said it was now more difficult to increase fees than it used to be. In addition, about half noted that clients increasingly complained about cost.

BEYOND PRICE—WHAT ELSE IS IMPORTANT?

There are three critical components of a pricing concept:

1. Price charged for product or service
2. Ability to pay
3. Value.

Value of Services

The most important component when communicating with clients is *value*.

While pet owners in the Bayer study were generally happy with many aspects of their veterinary practices, one aspect they considered weak was the lack of association between value and the price paid for services. This is not a sustainable situation; ultimately consumers of any kind will drift away from a business in which they do not find value. The clear message is that veterinarians and their teams need to significantly improve communication with their clients regarding value of services.

One of the best and easiest ways to ensure quality communication is to make sure that clients understand not only what the veterinarian does in the examination room but also what he or she recommends regarding their pets’ health. During the examination, the veterinarian should explain each step in the process as well as the findings from the examination and what they mean. When making recommendations, focus less on what the recommendation is and more on how it benefits the pet and owner.

In addition to communicating value to clients, we have to know whether clients are satisfied with the services they have received when they walk out the clinic door. In the Bayer study, only 20% of practice owners agreed that they measured client satisfaction through after-service surveys.

Client surveys are a very simple activity that practices can implement in order to determine whether they are meeting client needs and how they can improve what they offer their clients. If practice owners don’t know



Straight Talk from Pet Owners

“All of a sudden, the price just skyrocketed. You could go [to the veterinarian] and it was 60 bucks; now I can’t get out for less than \$150.”

There are two important points in this pet owner’s statement:

- First, this pet owner clearly noticed the dramatic increase in veterinary fees.
- Second, she didn’t perceive any increase in value.

We don’t know whether she received the same services for \$60 as she did for \$150 and neither, apparently, did she. However, she did know her pet’s health care was more expensive.

WELLNESS PLANS • QUESTION & ANSWER

WHAT IS A WELLNESS PLAN?

Wellness plans are annual preventive care plans that outline services the practice feels are needed in order to keep a pet healthy, such as:

- Vaccines
- Physical examinations
- Heartworm testing and other diagnostic blood analysis
- Deworming.

DO WELLNESS PLANS PROVIDE CARE FOR ILL PETS?

These plans aren't generally meant to provide care for pets with disease although, for example, the physical examination may diagnose an illness or a pet that is dewormed may have intestinal parasites. However, wellness plans are generally focused on keeping pets healthy rather than treating illnesses.

ARE THERE DIFFERENCES AMONG PRACTICES' PLANS?

Some practices include unlimited office visits and physical examinations in the plan; others offer a specific number of office visits/examinations. Most practices that offer wellness plans discount the services included in the plan. However, while some practices offer a discount on services "outside" the care included in the plan; others do not.

WHAT ARE THE BENEFITS OF WELLNESS PLANS?

- **Pets into the practice:** The biggest benefit of these plans is that they bring owners and their pets into the practice and keep them coming back. Veterinarians are unable to diagnose disease or demonstrate how wonderful their practices are if clients don't walk in the door.
- **Affordable veterinary care:** The average household income in the U.S. has dropped twice since the recession started. The initial cost of an office visit and physical examination is a barrier for many pet owners. It is much easier for owners to pay \$30/month for veterinary care than to receive an invoice for \$200.

HOW DO THESE PLANS IMPACT THE PRACTICE'S BOTTOM LINE?

- **Increased spending:** Many clients on wellness programs spend more than they would if they weren't on one; paying monthly is what makes this possible.
- **Unused services:** Practices make money from these plans because, just as with gym memberships and gift cards, many people do not use all the services.
- **Disease diagnosis:** The increased visits also allow veterinarians to diagnose conditions that require treatment outside of the care included in the plan. As with any program that provides discounts, the goal is to increase the purchase of services from clients who do not regularly bring their pets into the practice, which also serves to increase practice traffic.



whether clients feel their needs are being met, they won't be able to provide a level of value that supports the fees charged.

Ability to Pay

The ability to pay is also a critical component of a client's reaction to price. Pet owners may find value in the service and understand the price; however, if they have very little money in their checking accounts and maxed-out credit cards, ultimately the ability to pay is of foremost concern.

- About 69% of practices in the Bayer study reported an increase in the number of clients asking for alternative payment methods from May 2010 to May 2011.
- Client interest in pet insurance has also increased; 40% of practices reported client interest had slightly increased and 3% reported it had increased significantly.

Almost all practices accepted cash, checks, and credit or debit cards. However, the percentage of practices offering other payment methods dropped sharply:

- 64% of practices accepted held or post-dated checks
- 56% of practices offered third-party medical financing, such as CareCredit (carecredit.com)
- 29% of practices offered to invoice pet owners at a later date.

HOW TO PUT THESE FACTS TO USE Services That Increase Visits

One part of the Bayer study looked at services veterinary practices could offer that were most likely to increase visits by pet owners. The top four items were the same for both dog and cat owners; two were price related.

- **Competitive prices:** One of these, price-related services was offering competitive pricing for products available outside of the veterinary practice. It is critical to remember that product prices are very transparent these days; clients are typically aware of where they can find products at the lowest price. However, they are more likely to keep buying products from their veterinary practice if the prices are comparative. If a high-end price is going to be charged for a product, there must

be additional value, which needs to be clearly communicated to the client.

- **Wellness programs:** Another service that was very popular was the concept of wellness programs (see **Wellness Plans: Question & Answer**, page 70). These programs are typically billed on a monthly basis; therefore, the client doesn't have to pay for routine wellness services when they are provided. Unfortunately, only 5% of practices in the survey offered any type of payment program geared toward promoting regular wellness care.

In addition to price-related services that increased client visits to the practice, the other two items included:

- Extended hours that would allow pet owners to visit a veterinary practice more often (eg, after or before work)
- Personalized health information that covered additional care the pet may need during the upcoming year, what could be done at home to make sure the pet stayed healthy, and what clinical signs could identify potential illness in the pet.

Payment Options

A number of studies have clearly demonstrated the benefits of payment options:

- **Pet insurance:** One 2006 survey performed on behalf of Veterinary Pet Insurance (petinsurance.com) showed that, over the life of their pets, the company's policyholders scheduled 40% more veterinary visits and spent twice as much on veterinary care compared to owners without pet insurance.²



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- **Health care services card:** A 2011 survey by Brakke Consulting (brakkeconsulting.com) on behalf of CareCredit reported that cardholders spend 47.6% more per pet compared to non-cardholders. Visit carecredit.com/practices/veterinary to learn more about this service and how to offer it to your clients.³

A future article in *Today's Veterinary Practice* will comprehensively discuss how to talk with clients about pet insurance.

Estimates & Written Policies

It is also important to remember some of the basics when talking about money with clients.

- 26% of pet owners in the Bayer study said the cost of care was more than they expected.
- Another 28%, while they didn't agree with the previous statement, didn't disagree with it either.
- Less than half (48%) of respondents said their clinics had written financial policies.

The following guidelines will help prevent confusion or frustration regarding procedure expenses:

- **Provide estimates** to clients prior to proceeding with medical care.
- **Describe the benefits** of the recommended course of care for the pet clearly and comprehensively.
- **Outline the payment options** you provide in your practice.
- **Present a written financial policy** to clients.

A written policy not only makes a practice think through its billing procedures and payment options but is also useful in educating both clients and clinic employees. The following items are an example of what to include:

- Statement confirming when payment is due
- Payment options the practice offers
- When deposits are required
- How bounced checks and delinquent accounts will be handled.

IN SUMMARY

Modifying our approach to pricing will likely be one of the most difficult changes practices will have to make over the next few years. While not every strategy discussed will work for every practice, paying attention to feedback from clients will help improve client relationships, care provided to their pets, and the practice's financial health. ■

References

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