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NCVEI Update: New Insights in Practice Growth

Karen E. Felsted, CPA, MS, DVM, CVPM
CEO - National Commission on Veterinary
Economic Issues

National Commission on Veterinary Economic Issues

Formed in 2000 to address economic/business issues facing the profession



NCVEI Founding/Gold Sponsors



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Agenda

- NCVEI Update:
Dr. Karen E. Felsted
- Study Background:
Ian Spinks, President and General Manager of Bayer
Animal Health North America
- Bayer Veterinary Care Usage Study:
John Volk, Dr. Karen E. Felsted
- Q & A



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National Commission on Veterinary Economic Issues

The National Commission on Veterinary Economic Issues was formed in 2000 by the American Veterinary Medical Association, the American Animal Hospital Association and the Association of American Veterinary Medical Colleges to ensure the economic future of veterinary medicine.

The NCVEI's goal is to provide veterinarians and veterinary students with the information, tools and resources necessary to improve their non-technical professional skills and their financial prowess. The NCVEI was built on the premise that quality patient care requires a sound economic foundation and offers a large range of benchmarking and practice management resources for those in private practice.

To get started, choose the area below that best fits you for tools and information customized to your area of veterinary medicine or visit the Resource Library.


Which are you?



Express Login

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- ▶ New User? Choose the practice type that best fits your practice from the main menu at the top of the screen.
- ▶ If you're a VetPartners member click here to create a new account.

Featured Partners



Quick Poll

Are you planning to hire any technicians in the next 6 months?

- A) No, we don't need any right now
- B) No, we need one or more but aren't planning on hiring right now.
- C) Yes!

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National Commission on Veterinary Economic Issues - Resource Library

What they didn't
teach you in
veterinary school.



Express Login

Login: Password: GO 

- ▶ Forgot your Password?
- ▶ New User? Choose the practice type that best fits your practice from the main menu at the top of the screen.
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Articles from dvm360.com

[Daily business updates](#)[Vetcetera: interesting and odd news and notes](#)[Hiring and firing strategies](#)

Financial and Payment Policies

NCVEI Position Papers

NCVEI Studies

News

[Current NCVEI News](#)[Current Economic News](#)[Archived NCVEI News](#)[Archived Economic News](#)

Practice Management

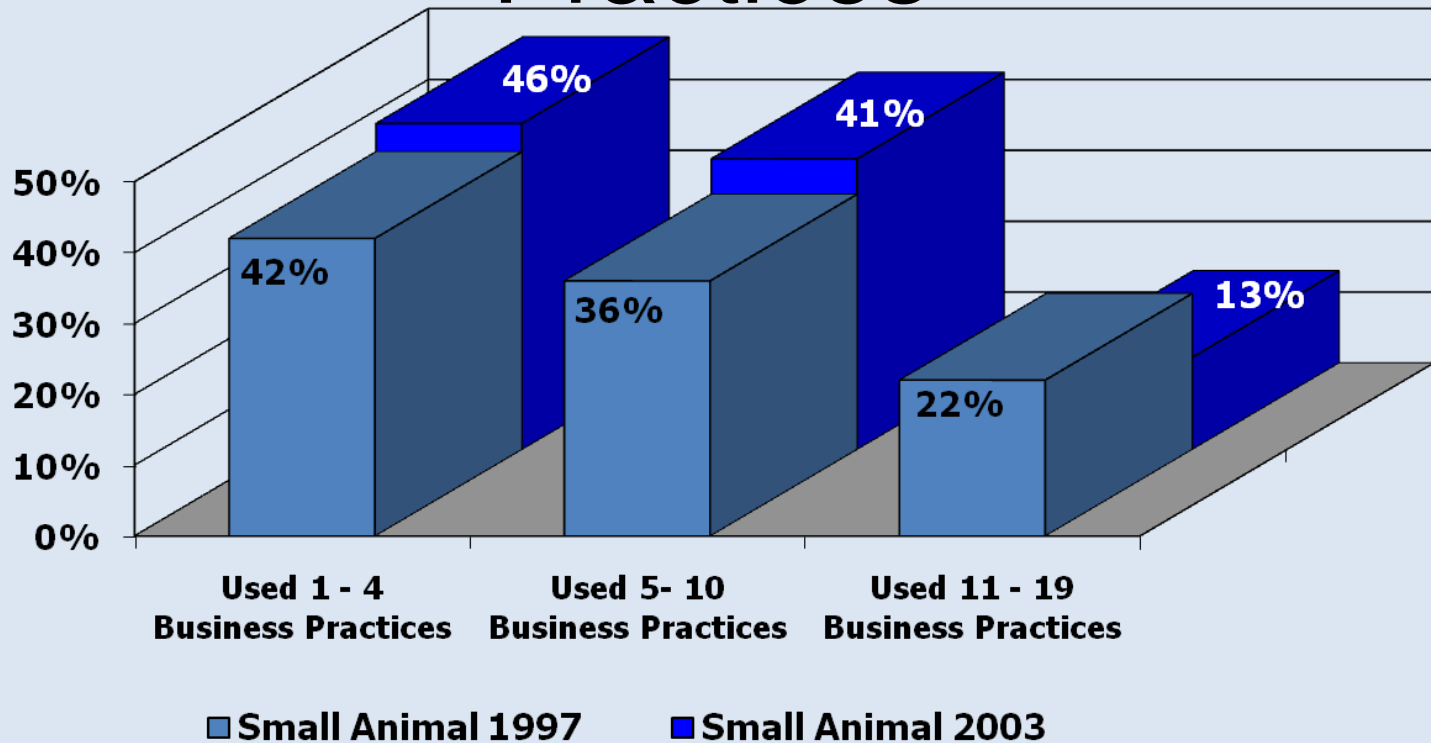
[Human Resources](#)[Technicians and Support Staff](#)

Research

- VHMA/VetPartners/NCVEI Success Attributes Project
- Bayer Veterinary Care Usage Study

Trends

No Increase in Use of 19 Business Practices



AVMA-Pfizer Business Practices Study
 Bayer/Brakke Management & Behavior Study

Earnings vs. Business Practices

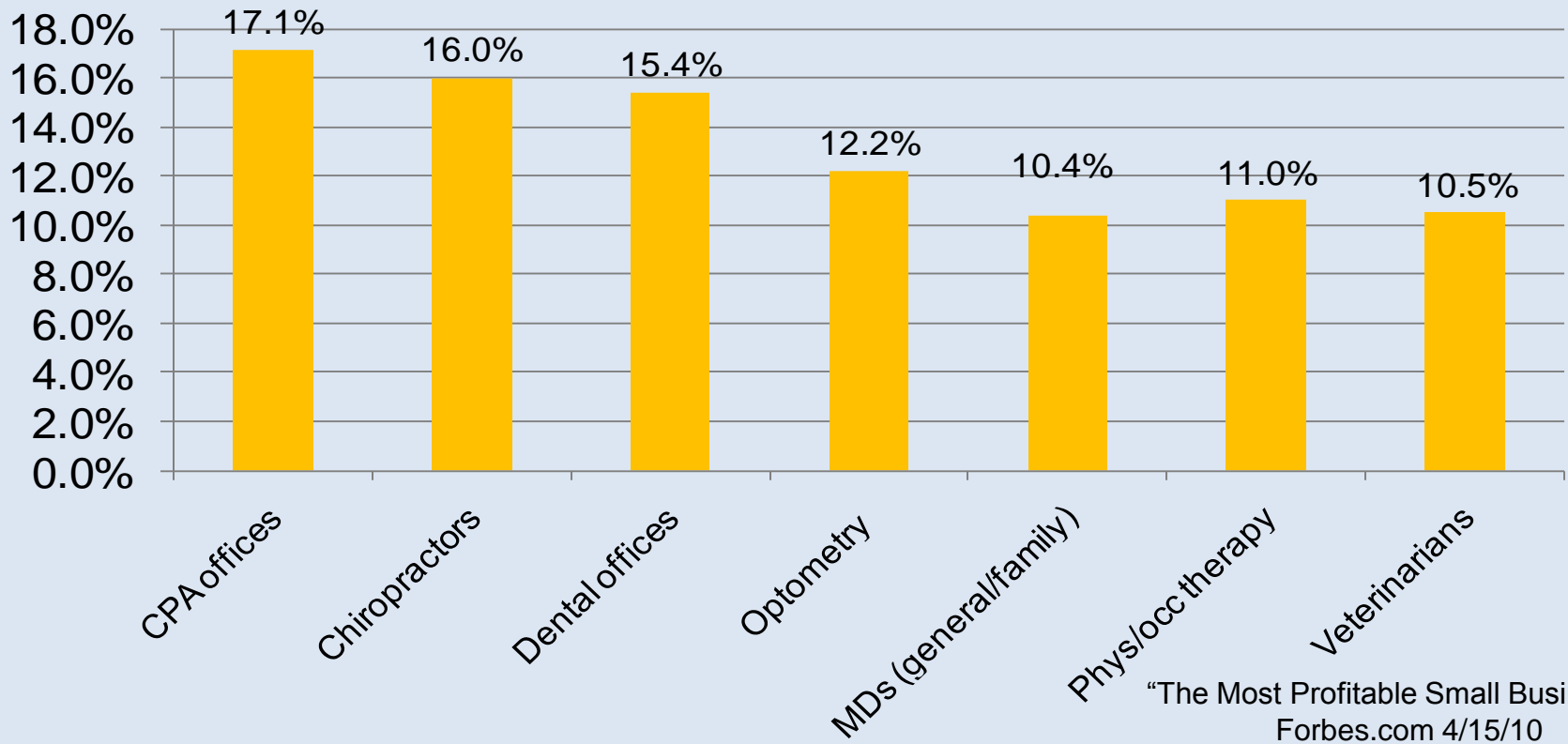
- 62% of practice owners don't use financial concepts to manage their businesses
- Those that do earn two-thirds more than those that don't

AVMA-Pfizer Business Practices Study

NCVEI/VetPartners Final Profitability Estimator Results for 2009

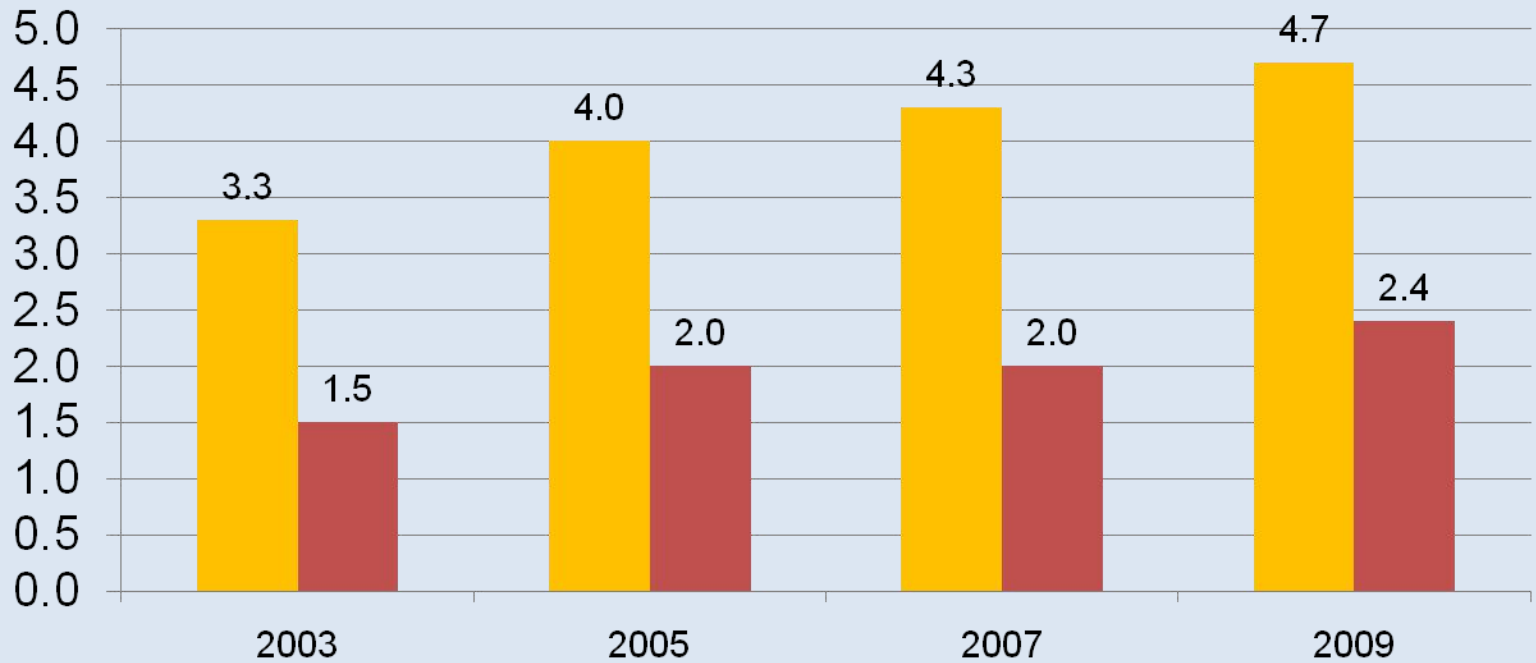
– Average profit margin	9.9%
– Median profit margin	10.3%
– >18% (Superior)	33 users (11.8% of all users)
– 16-18% (Excellent)	75 users (26.9% of all users)
– 13-15.99% (Good)	68 users (24.4% of all users)
– 8-12.99% (Fair)	34 users (12.2% of all users)
– < 8% (Poor)	69 users (24.7% of all users) (37 are negative)

Us Versus Them: Profits



“The Most Profitable Small Businesses”
Forbes.com 4/15/10

Median FTE Staff/FTE Veterinarian



AAHA PulsePoints 2004-2010

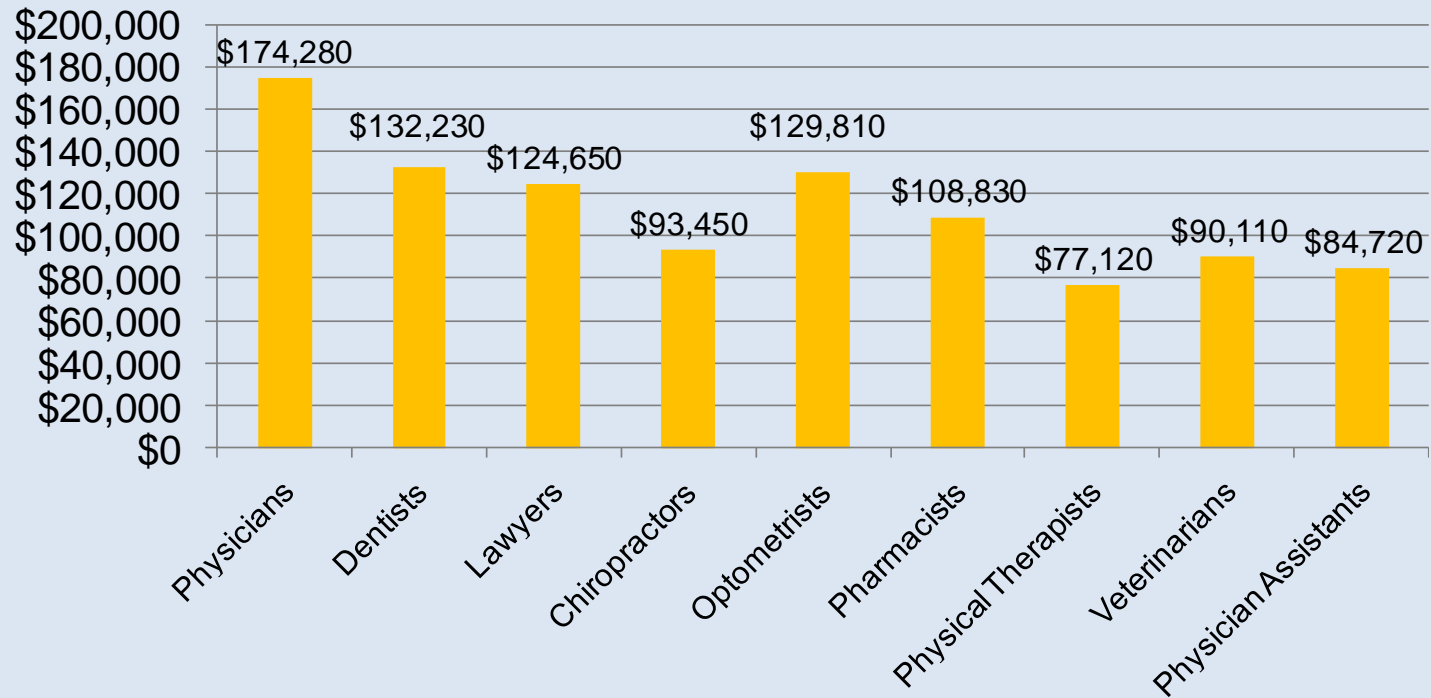
■ All Staff
■ Techs/VA

Veterinary Student Debt & Starting Salaries

- 2010 graduate - US veterinary college
 - \$67,359 average private practice starting salary
 - \$133,873 average debt
- 89.9% of those graduating had student debt
- 91.4% of the debt was incurred while in veterinary school
- 36.7% have debt in excess of \$150,000
 - 15% have debt in excess of \$200,000
 - Not uncommon to see in excess of \$250,000

JAVMA 10/1/10

Us Versus Them: Earnings



BLS 5/09

Financial Impact of Veterinary Career Choices in SA Medicine

- Present value of income stream 34 years post graduation
 - Board -certified specialist \$2,272,877
 - General practice owner owning immediately \$2,119,596
 - General practice owner owning after 10 years \$1,736,333
 - ¾ time specialist \$1,702,744
 - Non-owner general practitioner \$1,221,131

“Comparison of Long -Term Financial Implications of Five Veterinary Career Tracks” JAVMA 8/15/10

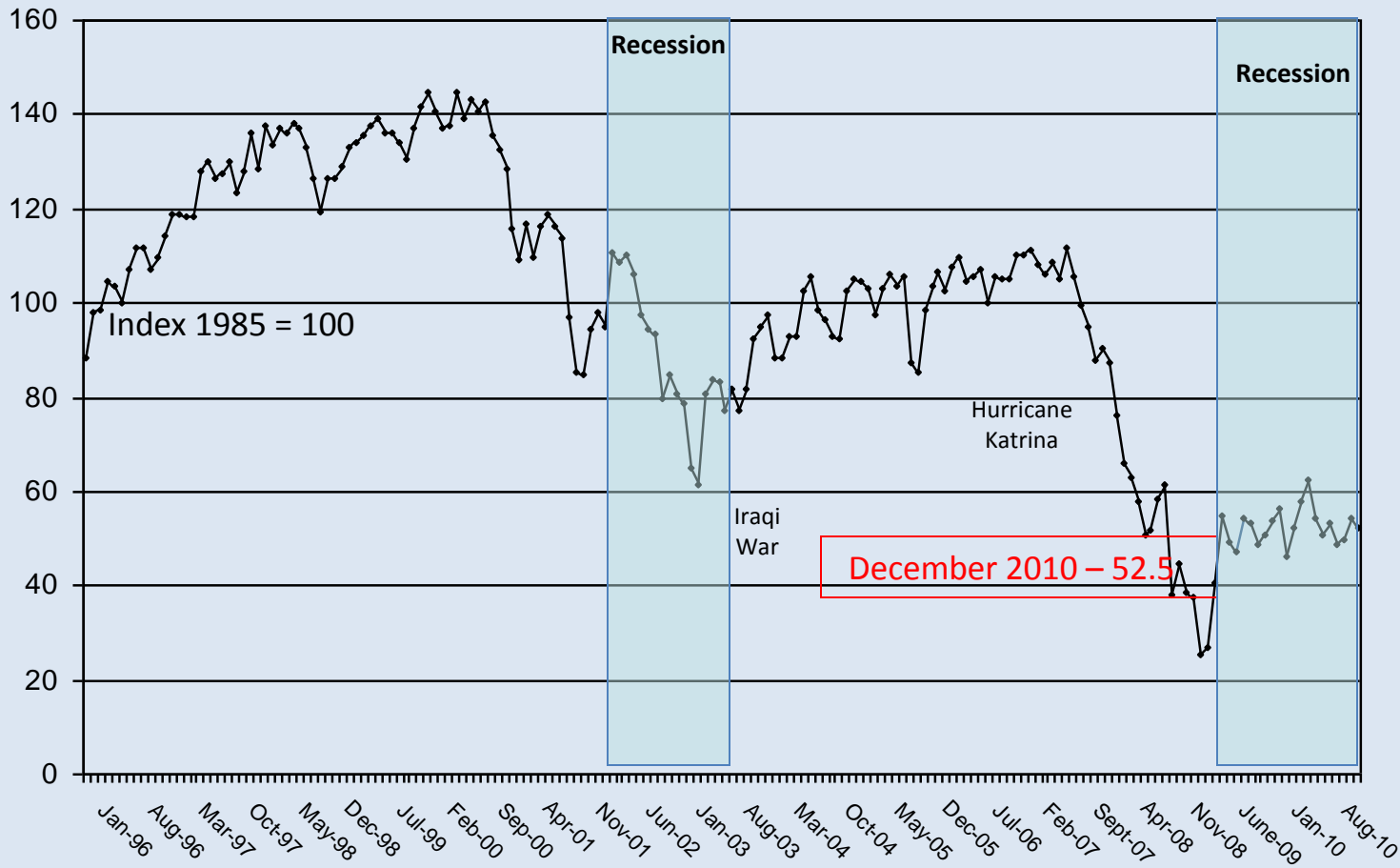
The Recession is NOT Over....

How did the number of patient visits for the first 9 months of 2010 compare to the same period in 2009?

- 2010 increased > 5% 13.0 %
- 2010 increased 1 - 5% 16.4 %
- 2010 was essentially flat 15.5 %
- 2010 declined 1 - 5% 30.0 %
- 2010 declined > 5% 25.1 %

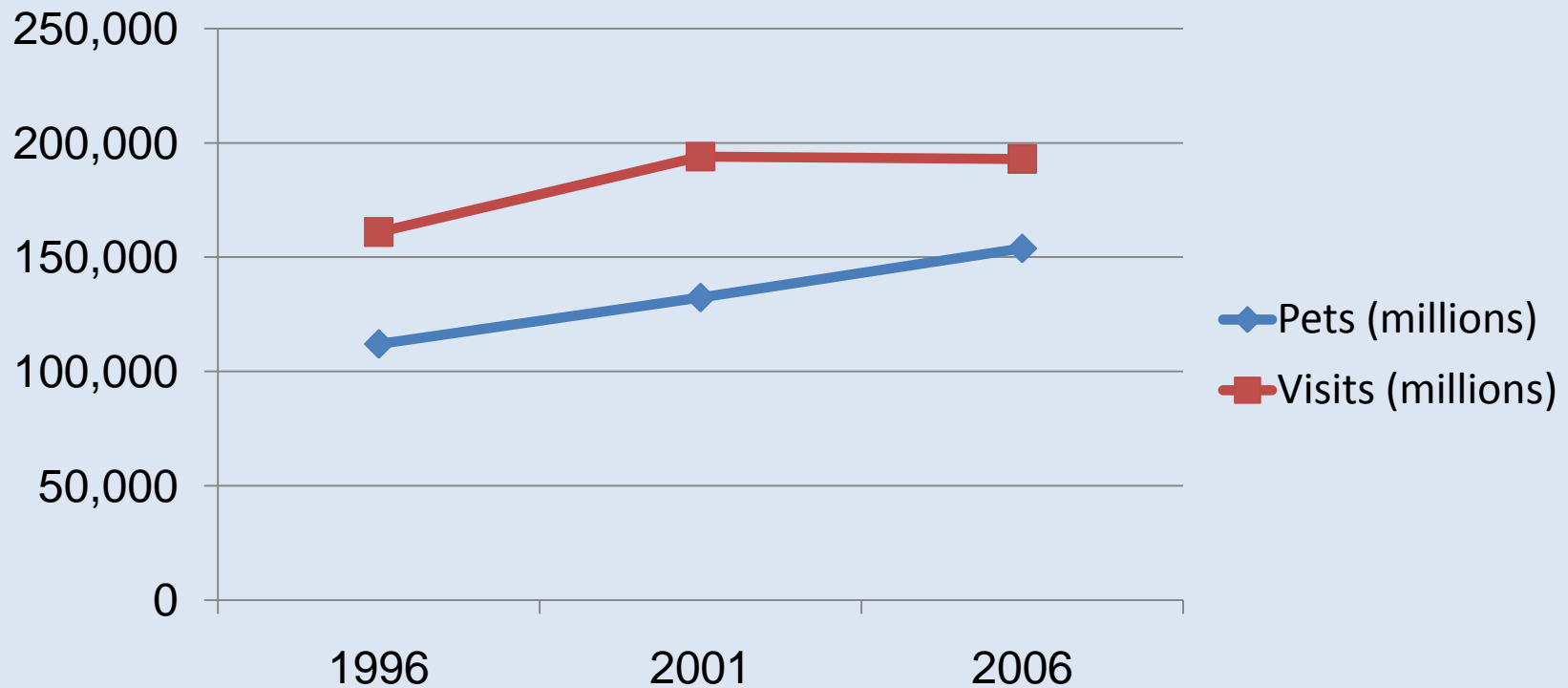
NCVEI QuickPoll Oct-Dec, 2010

Consumer Confidence



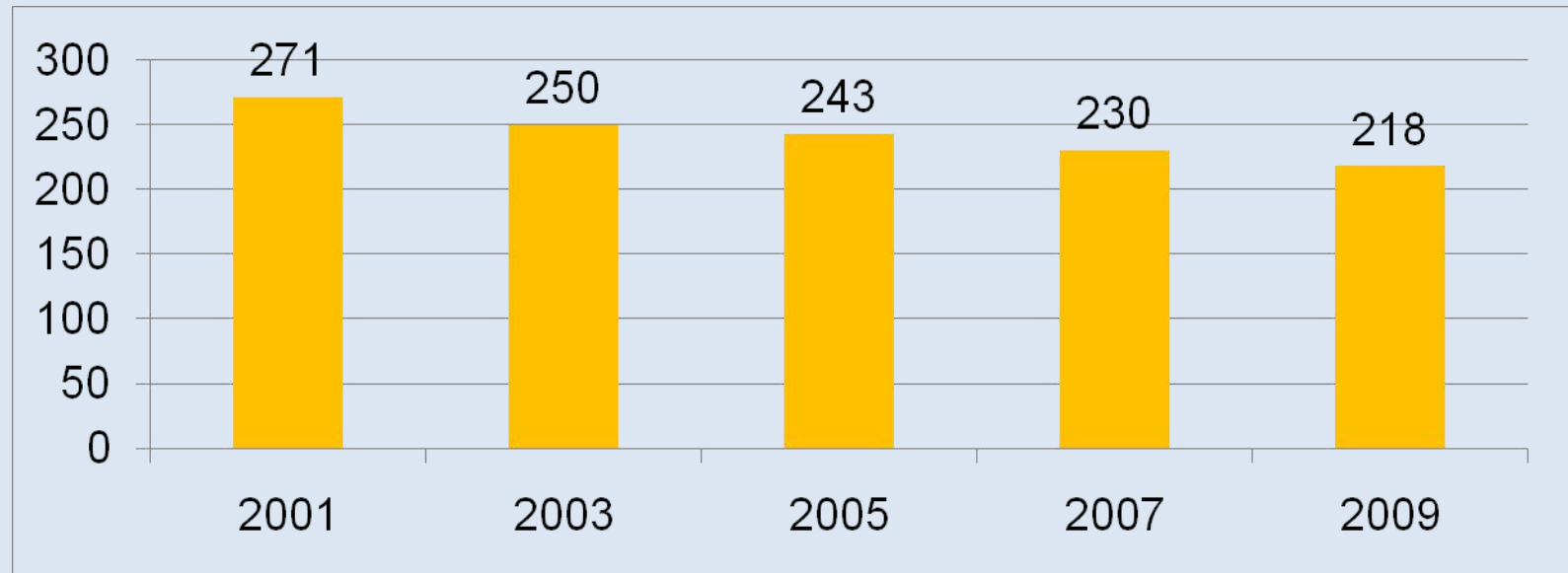
Source: The Conference Board

But It's Not All About the Recession....



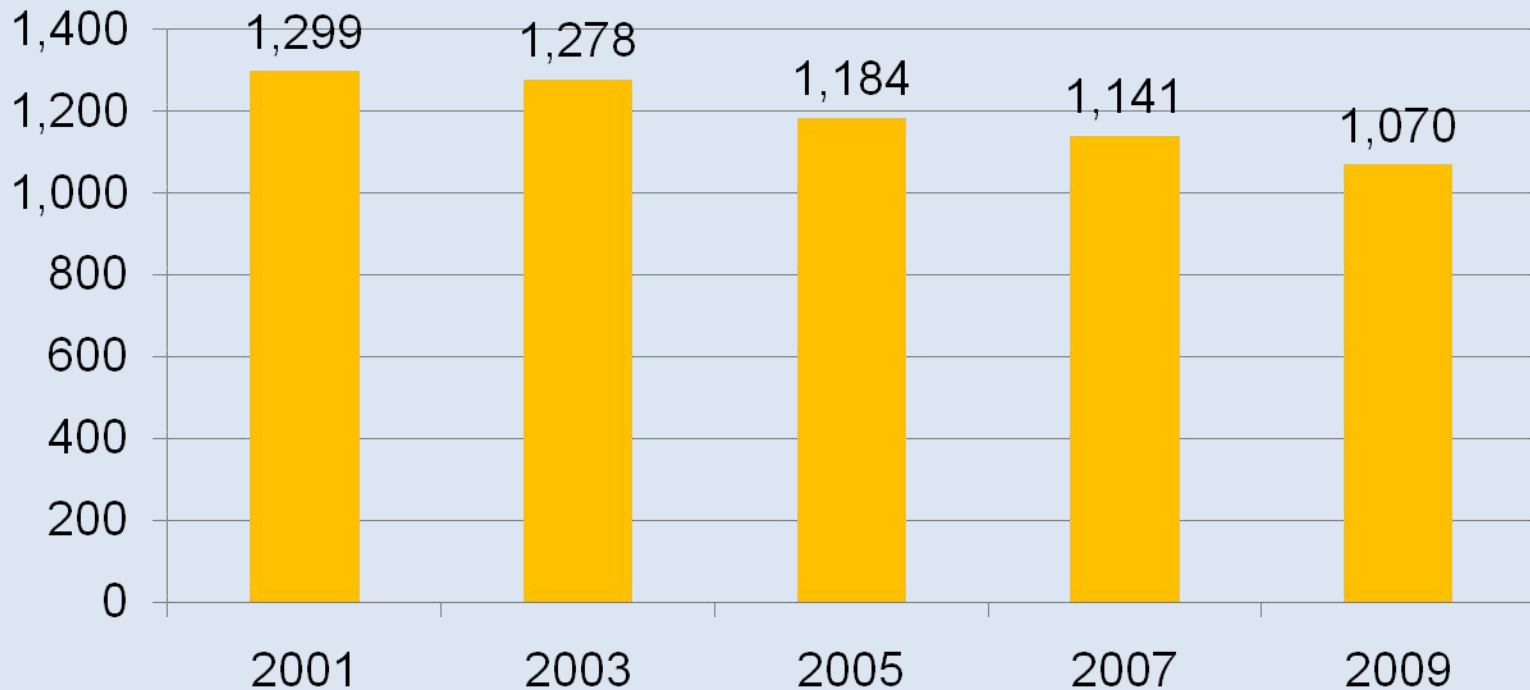
2007 US Pet Ownership & Demographics Sourcebook

Median New Clients/FTE Veterinarian



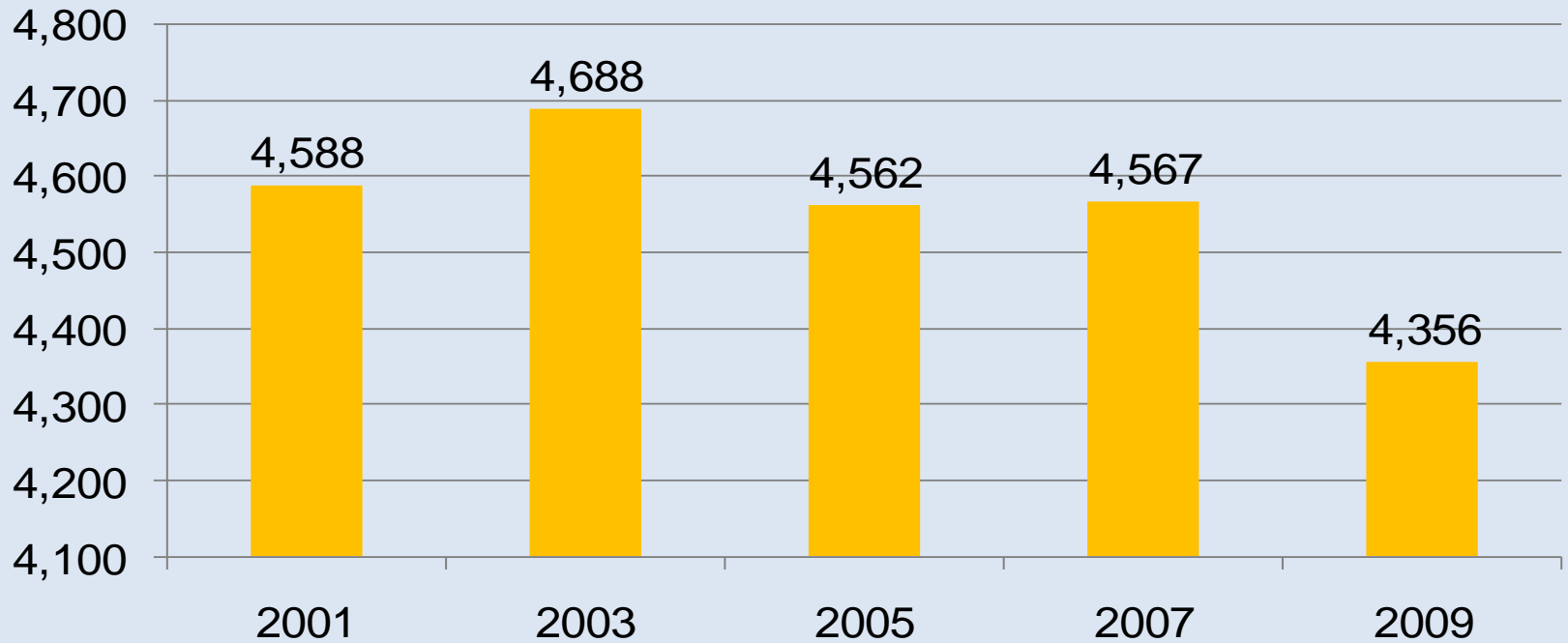
AAHA PulsePoints 2002-2010

Median Active Clients/FTE Veterinarian



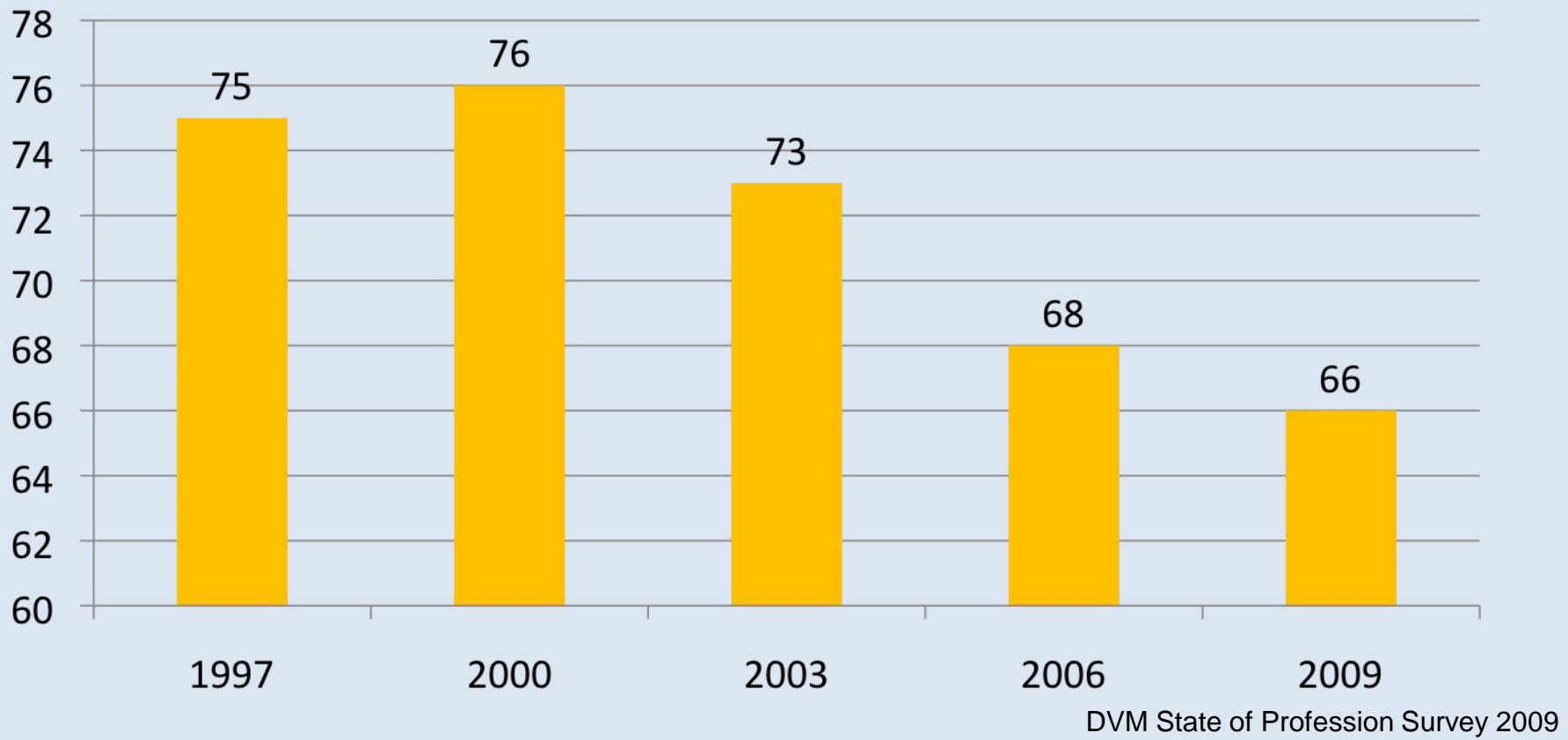
AAHA PulsePoints 2002-2010

Median Transactions/FTE Veterinarian



AAHA PulsePoints 2002-2010

Patients/Veterinarian/Week



Pet Owners/Clients

- Pet owner \neq client
- Large # of pets aren't getting basic care
 - 23.9% of pet owning HHs spent \$0 at a veterinarian's (2006)
 - 27.0% of HH spent \$1-\$199/year
 - 21.9% spent over \$500/year
- % of dogs getting 1+ doses of HWP in 2009 ranges from 21.5 - 43.4% (depending on region)
 - # getting 12 doses much less
 - Cats much less

2007 US Pet Ownership & Demographics Sourcebook and
2010 AAHA State of the Industry Report

Significant Fee Increases Since 2004

- 76% of fees increased above rate of inflation from 2004 - 2006
 - 67% of anesthesia fees: 11 - 24% above inflation
 - 72% of treatment procedures: 6 - 22% above inflation
 - 60% of surgery fees: 8 - 54% above inflation
- Rate of increase slowed from 2006 – 2008

AAHA Veterinary Fee Reference-5th, 6th editions

NCVEI July, 2010 QuickPoll

Have You or Will You Be Increasing Your Fees for 2010?

- No 18.1%
- No, we lowered our fees 1.4%
- Yes, on average from 1 - 4% 45.8%
- Yes, on average from 5 - 8% 29.2%
- Yes, on average from 9 - 12% 4.2%
- Yes, on average greater than 12% 1.4%

Key Issues

- Why aren't veterinary practices more profitable and what business practices do veterinarians need to engage in to improve earnings?
- What is going to be the long-term impact of the recession on veterinary medicine?
- Why are veterinary visits down while pet numbers are rising?
- What impact is this having on the quality of pet care and veterinary earnings?
- What can be done about it?

Ian Spinks
President and General Manager
Bayer Animal Health North America

BAYER VETERINARY CARE USAGE STUDY

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Three Major Concerns

- Are pets getting the veterinary care they need?
- What impact is it having on the economic health of the profession?
- Can the trend be reversed?

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Potential for Major Study

- 1998 Bayer/Brakke Management and Behavior study
 - Measured impact of management practices, business behaviors on companion animal veterinarians' incomes
 - Contributed to formation of NCVEI
- Veterinary visit trends: Need for another game-changing research study

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Goals

- Identify the root causes for decline in veterinary visits
- Determine what, specifically, can be done to reverse the trend

Bayer Veterinary Care Usage Study

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Research Team

- Brakke Consulting
 - Project design, management
- NCVEI
 - Expertise in the economics of veterinary medicine & practice management
- Ipsos-Forward research
 - Field studies
- Bayer Marketing Research team
 - Bayer oversight

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University Consultants

- Southern Methodist University
 - John Slocum, PhD
- Texas Christian University
 - William Cron, PhD
- Kansas State University
 - David Andrus, PhD
 - Kevin Gwinner, PhD
 - Bruce Prince, PhD

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Key Findings

- There are 6 key factors that limit visits
- Veterinarians can impact four, especially the three most important
- There are specific actions that each practice can take to grow client traffic and improve patient care
- Veterinarians as a profession need a consistent message on the importance and frequency of veterinary care
- It is highly likely that the trend can be reversed

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John Volk
Senior Consultant
Brakke Consulting

HOW THE STUDY WAS DONE

WHAT WE LEARNED

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Methodology

- Literature review
- In-depth interviews with veterinarians
- In-depth interviews with pet owners
- National survey of pet owners
 - Online survey of 2,000 pet owners
 - Statistical reliability: 2.2%; 3.1% per species
- National survey of veterinarians
 - To be conducted Q1 2011

Bayer Veterinary Care Usage Study

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Why Visits Are Declining

Environmental Factors

- Recession
- Fragmentation of veterinary services
- Internet Information

Client Factors

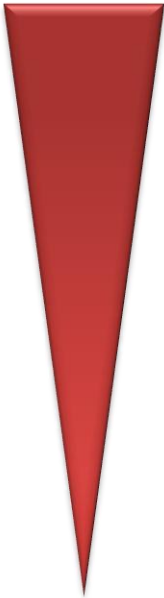
- Don't understand need
- “Sticker shock”
- Feline resistance

Bayer Veterinary Care Usage Study

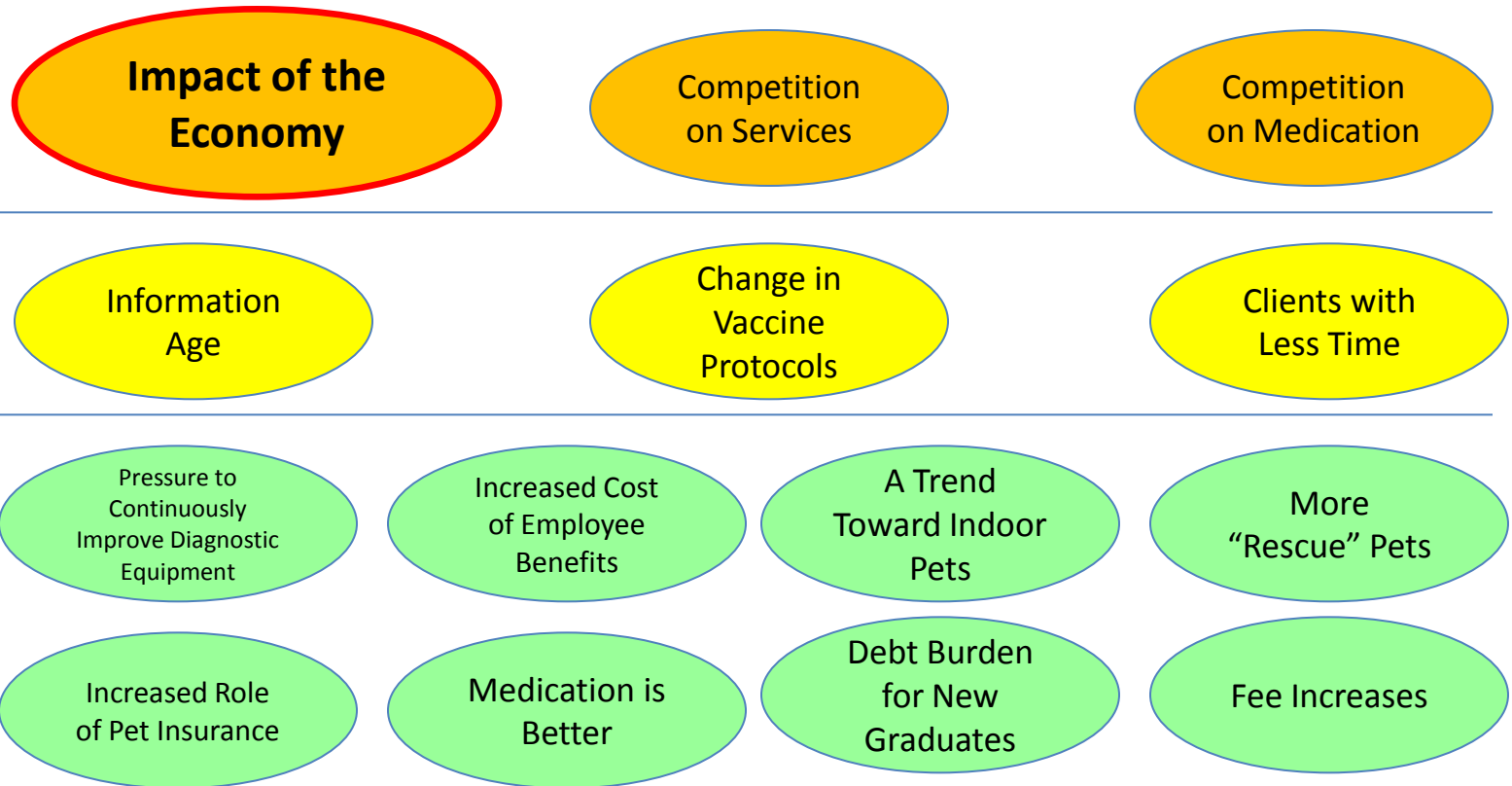
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1. Recession: Top of Veterinarians' Minds

More Top-of-Mind



Less Top-of-Mind



Bayer Veterinary Care Usage Study

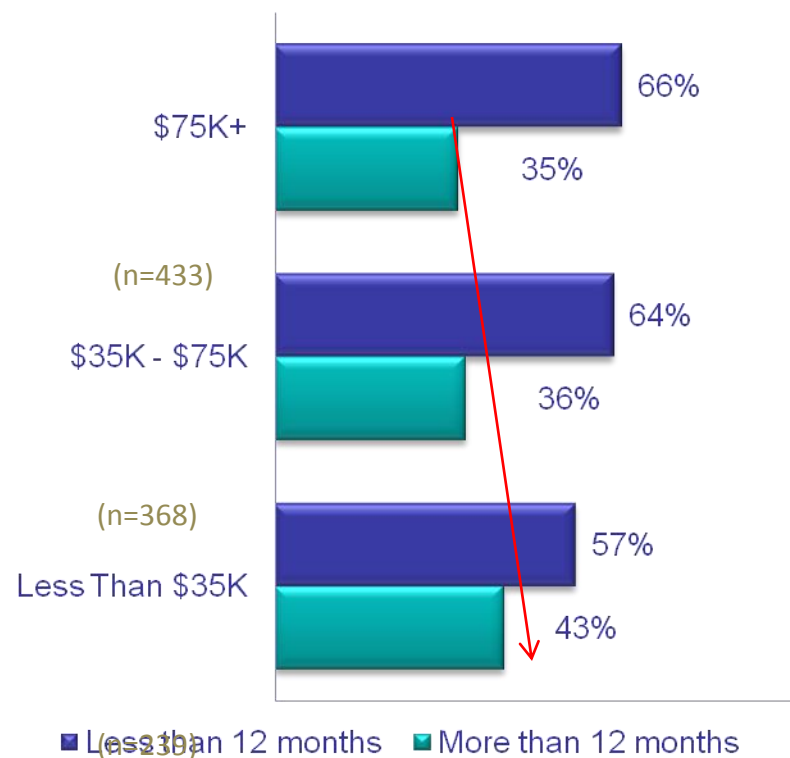
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Visit Trend by Income

Dog Survey Pet



Cat Survey Pet



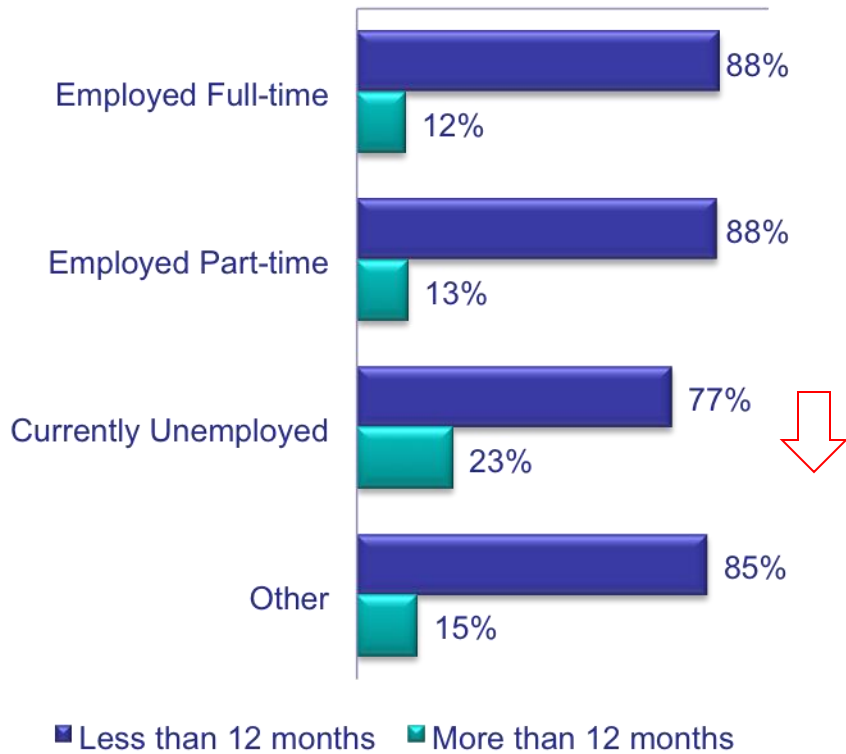
Base: All survey pets that have ever visited the veterinarian (Dogs n=1057) (Cats n=1040)
 Q4. Using your best estimate, how long ago did [SURVEY PET] last visit a veterinary clinic?

Bayer Veterinary Care Usage Study

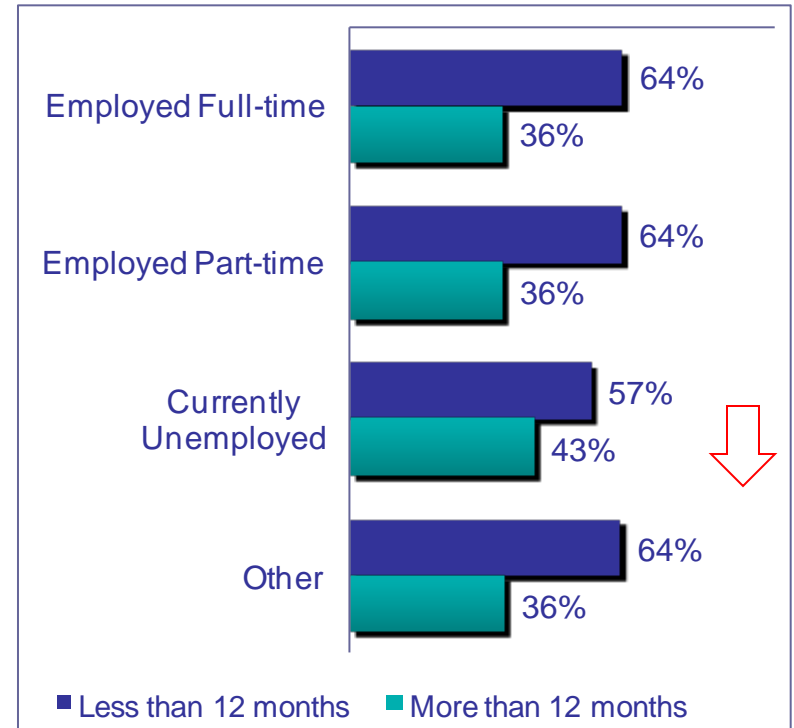
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Visit Trend by Employment Status

Dog Survey Pet



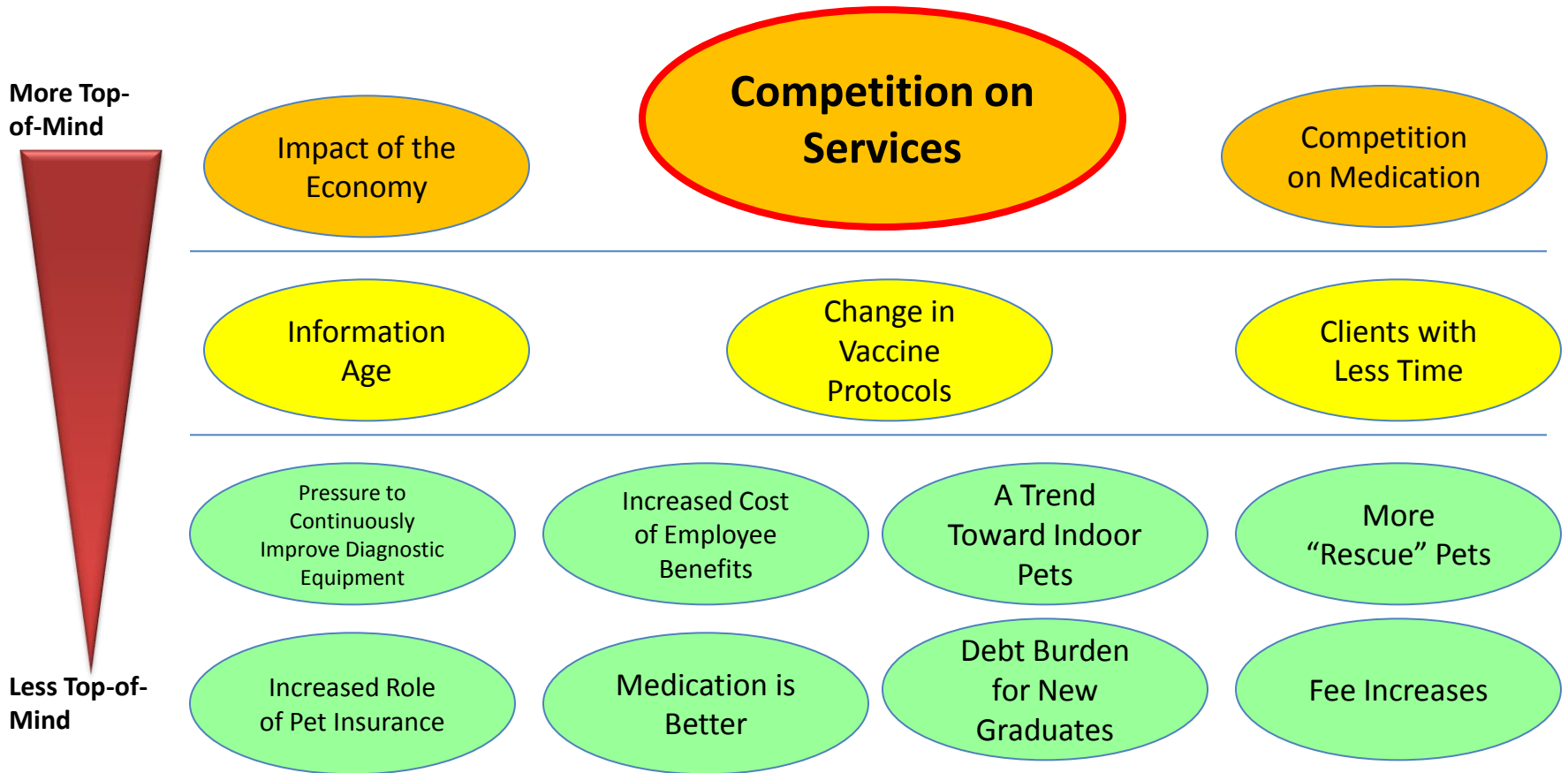
Cat Survey Pet



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2. Fragmentation: Also High on Veterinarians' Minds



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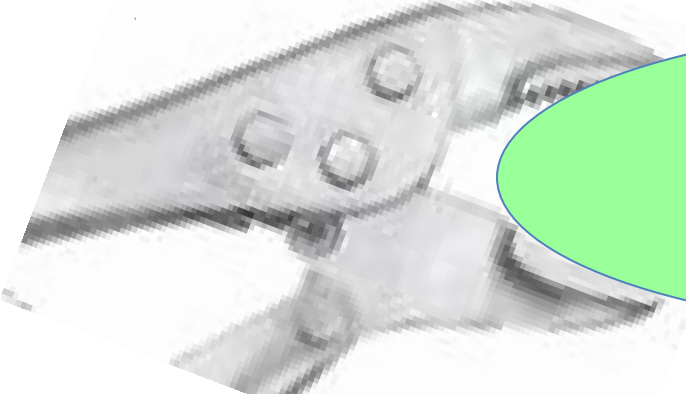
Pet Owners Have More Options

Pet Store Clinics

+ 500 2000-2010

Specialty Practices

- Shared client
- Loss of chronic cases



Traditional Clinic

Mobile “Parking Lot” Clinics

- Low cost
- Limited service

Shelters, Subsidized Care

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Veterinarian Supply Growing Faster Than Pet Owner Demand

	1996/1997	2006/2007	%Change
CA Veterinarians	30,255	44,785	+48
CA Practices	20,170	22,393	+11
Dogs	52,922	72,114	+36
Cats	59,094	81,721	+38

AVMA Data

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Impact of Fragmentation

- There are more veterinarians, in more types of practices
- Pet owners have and use more choices
- Loss of “starter” services
 - Spay-neuter
 - Vaccinations

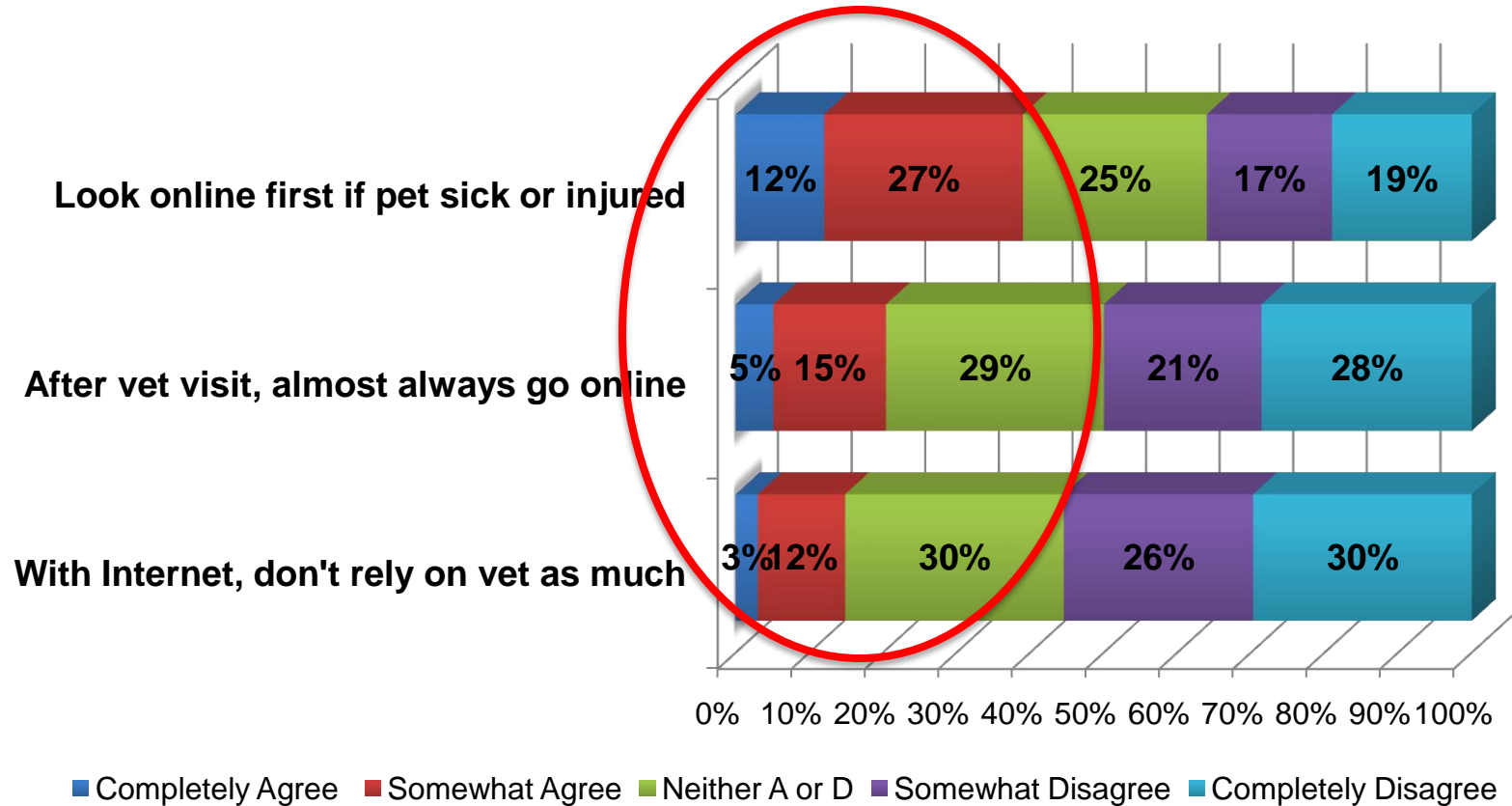
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3. Internet: “Paging Dr. Google”

- When pet sick or injured many pet owners turn to Google
 - Reduces number of calls to veterinarian
 - Less “bring pet in so we can check it over”
- Vets: Many pets recover without treatment
- Those that don’t recover may require more serious care
 - “I’m seeing pets three days sicker.”

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Impact of Internet Information



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Importance of Internet Information

- Nearly all pet owners use the Internet
 - E-mail, Facebook, Google, etc.
- Veterinary practices need to be as Internet-oriented as clients – clients expect it
 - Robust website
 - E-mail communications, including reminders
 - Appointment calendar accessible via web
- Designate Electronic Receptionist?

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4. You are in a test of wills with cats.

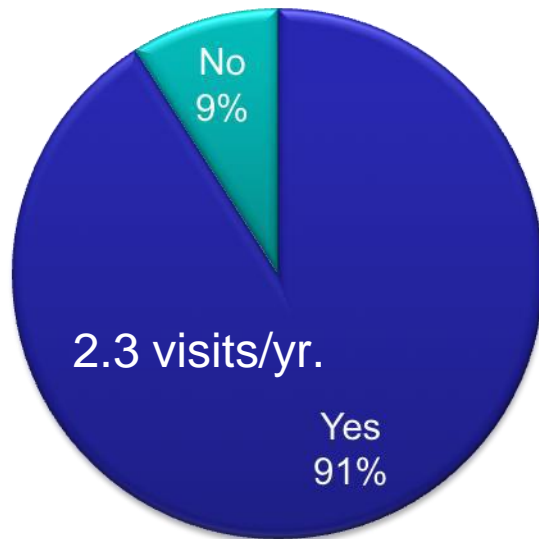
And cats are winning.



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Fewer Cats Have Primary Clinic, Visit Less

Dog Survey Pet



Routinely go outdoors: 91%
Rarely go outdoors: 90%
Never go outdoors: 83%



Cat Survey Pet



Routinely go outdoors: 84%
Rarely go outdoors: 86%
Never go outdoors: 82%

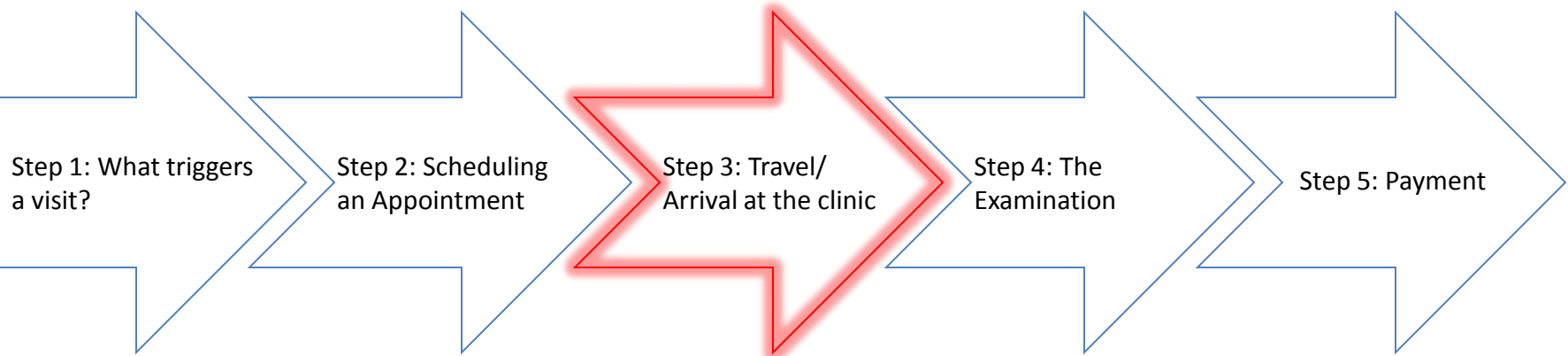


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Getting Cat to Vet is Problem

Travel/Arrival at the Clinic was identified as a key friction point

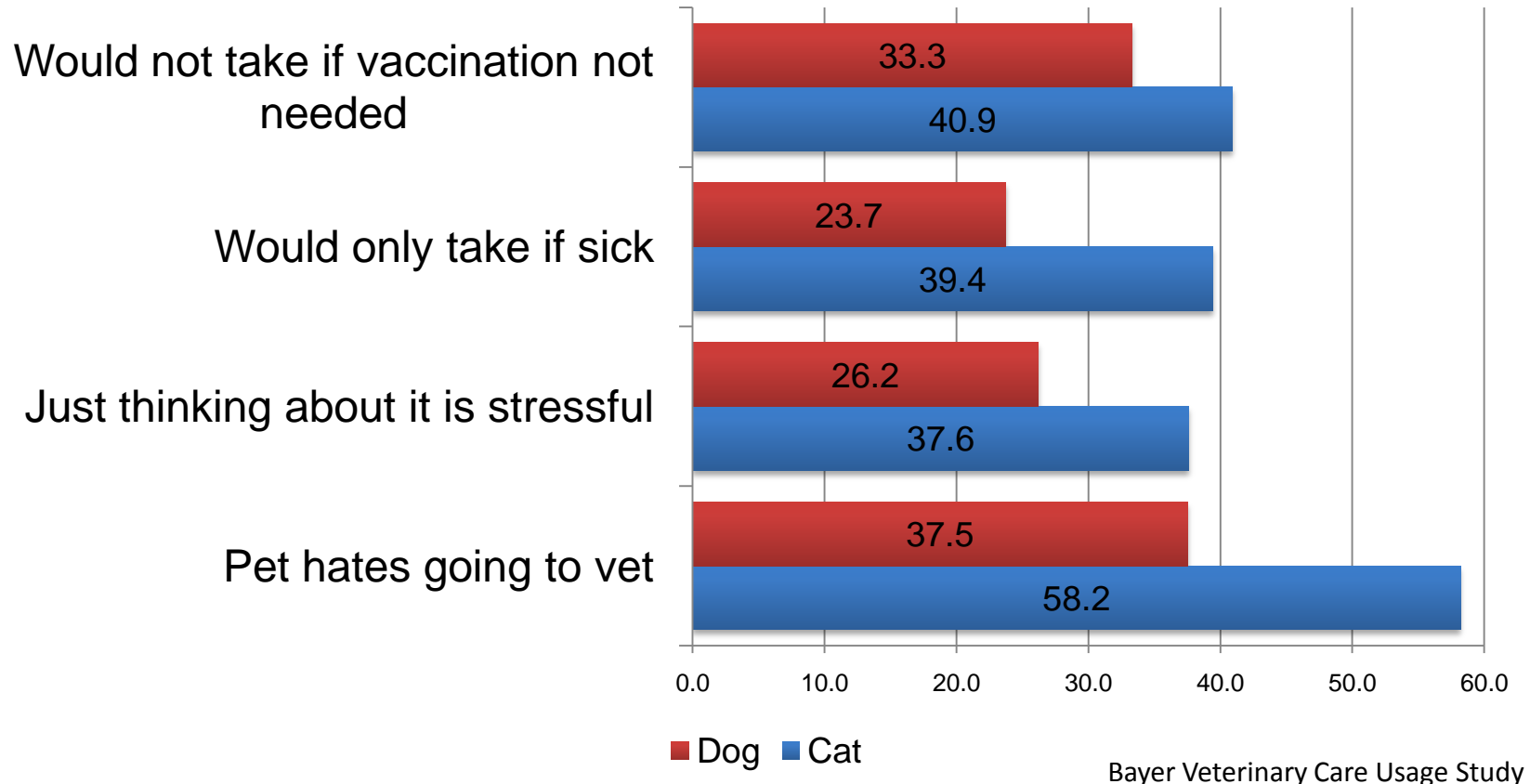


- It defines the experience of a cat owner
- Key point of differentiation between lighter and heavier users
- It is where the opportunity for dissatisfaction is initiated
- An area where “suggested improvements” were common

Bayer Veterinary Care Usage Study

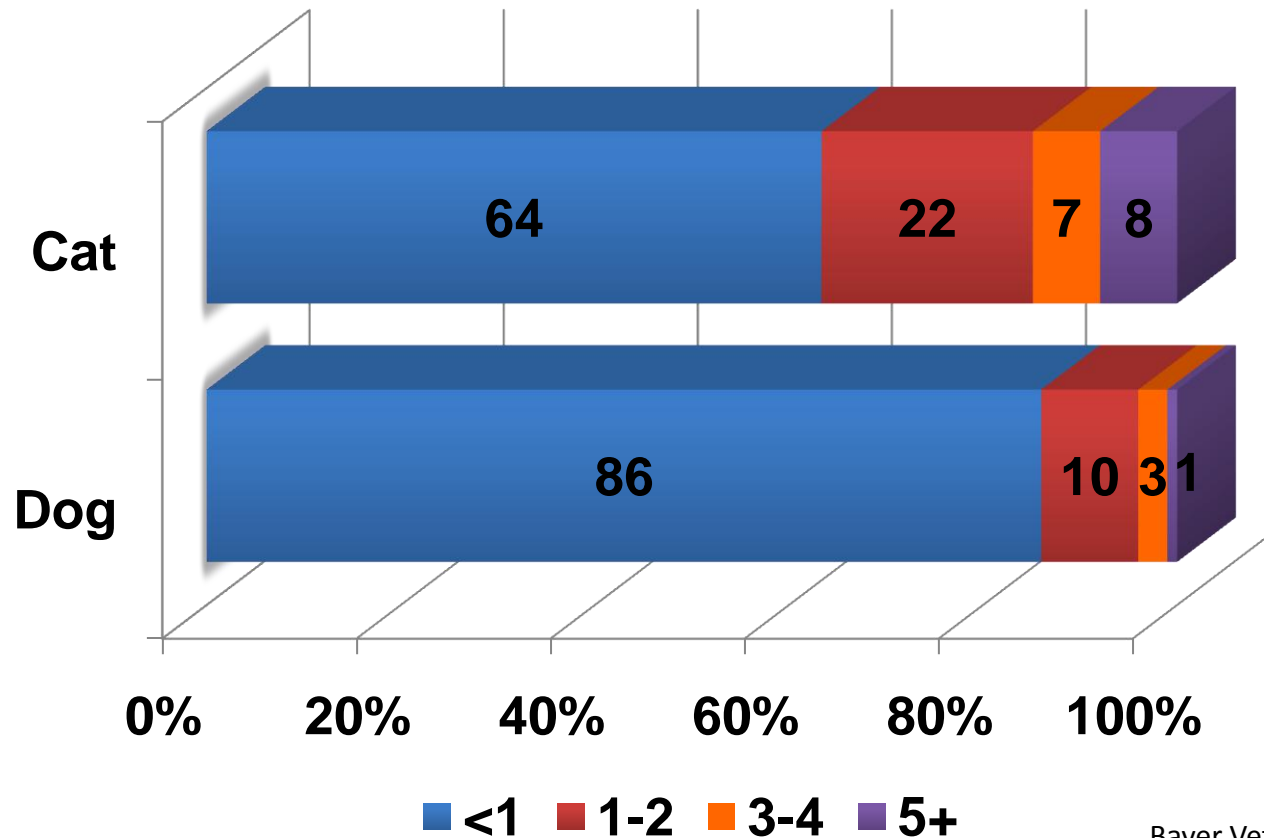
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Attitudes Toward Vet Visits



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Most Recent Vet Visit, Years



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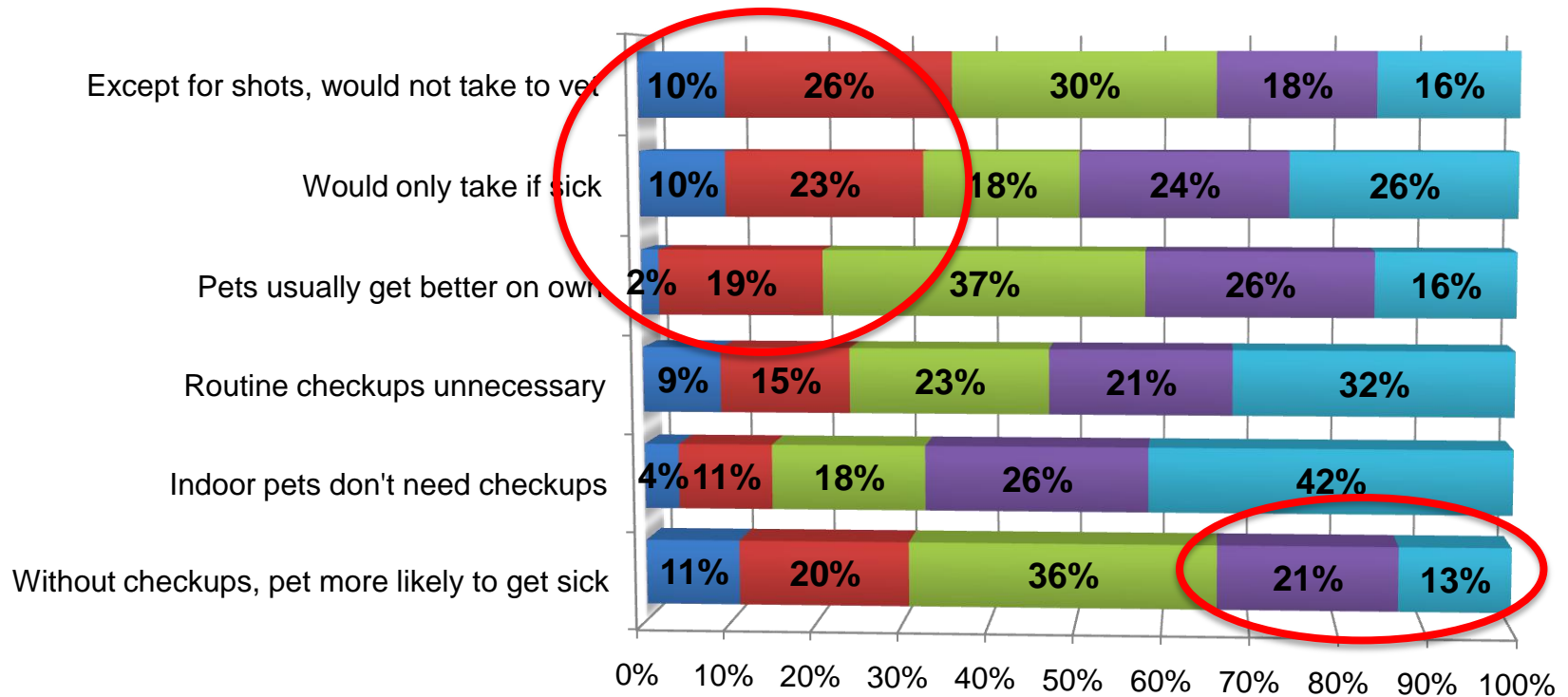
5. Need for Exams Not Understood

- Vet = Shots
 - Change in vaccine habit not replaced by exam habit
- Many owners don't understand how often pet should have exam, why, and what the benefits to pet and owner are

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Attitudes Towards Routine Exams



■ Completely Agree
 ■ Somewhat Agree
 ■ Neither A or D
 ■ Somewhat Disagree
 ■ Completely Disagree
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Pet Owners Consciously Deciding Not To Go

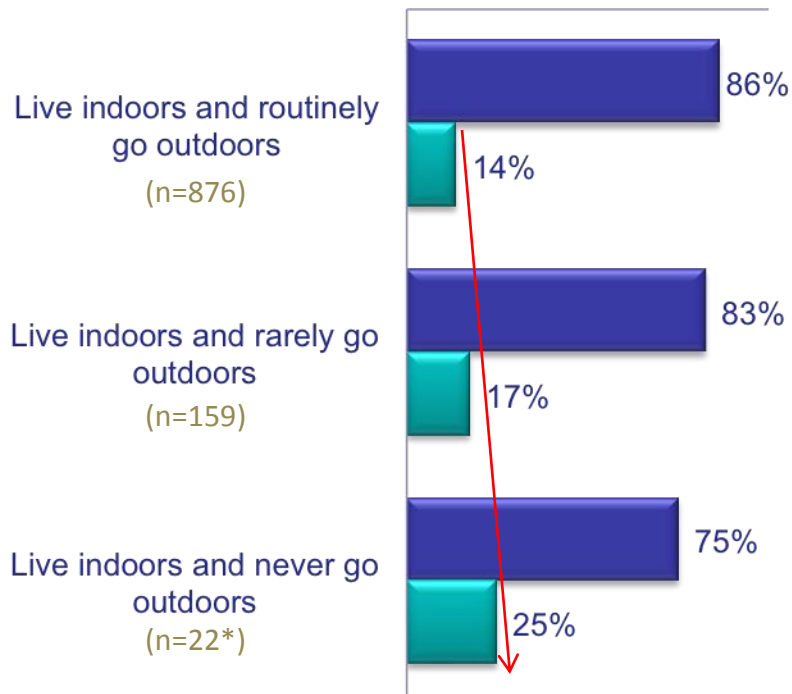


Bayer Veterinary Care Usage Study

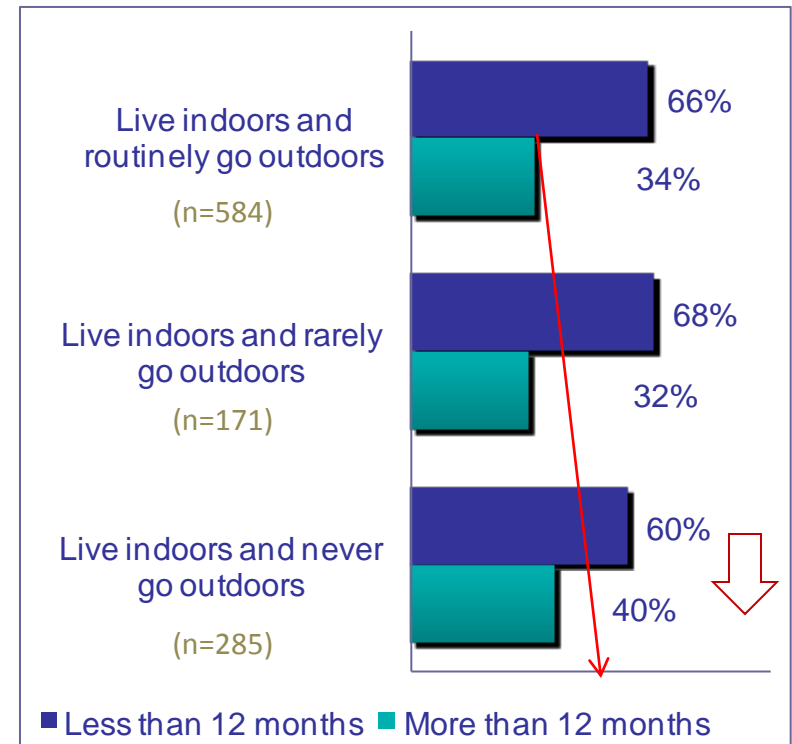
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Perceive Indoor Pets Need Less Vet Care

Dog Survey Pet



Cat Survey Pet



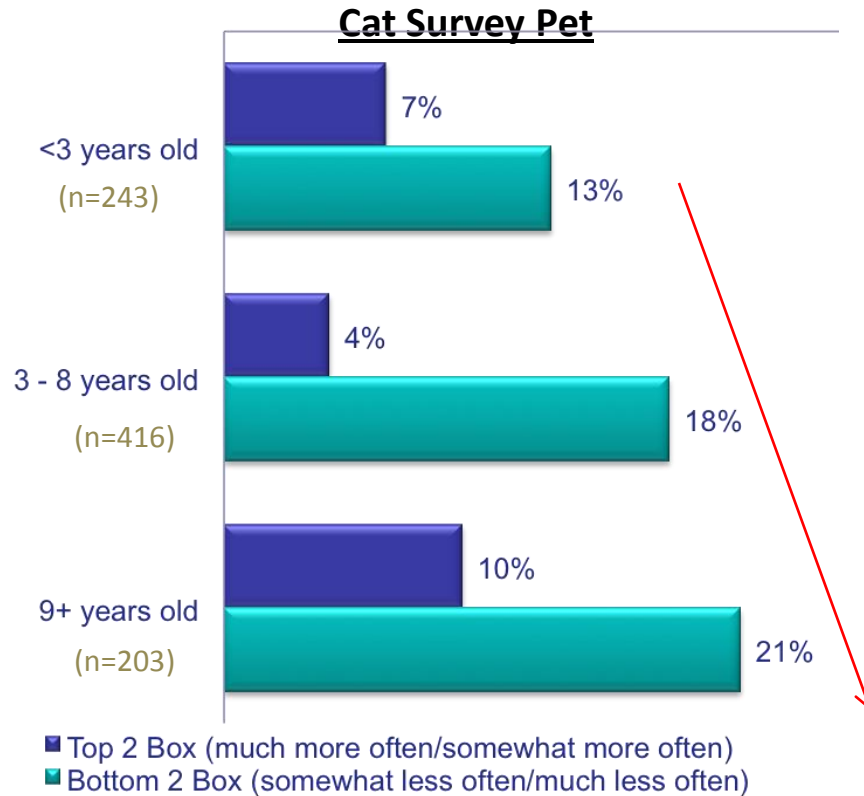
■ Less than 12 months ■ More than 12 months

Q4. Using your best estimate, how long ago did [SURVEY PET] last visit a veterinary clinic?
 Base: All survey pets that have ever visited the veterinarian (Dogs n=1057) (Cats n=1041)

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Older Animals, Especially Cats, at Risk



Bayer Veterinary Care Usage Study

Q8. Generally speaking, would you say you take [SURVEY PET] to its primary veterinary clinic more often, less often or the same amount as two years ago?

Base: All survey pets that have a primary veterinarian (Cats n=862)

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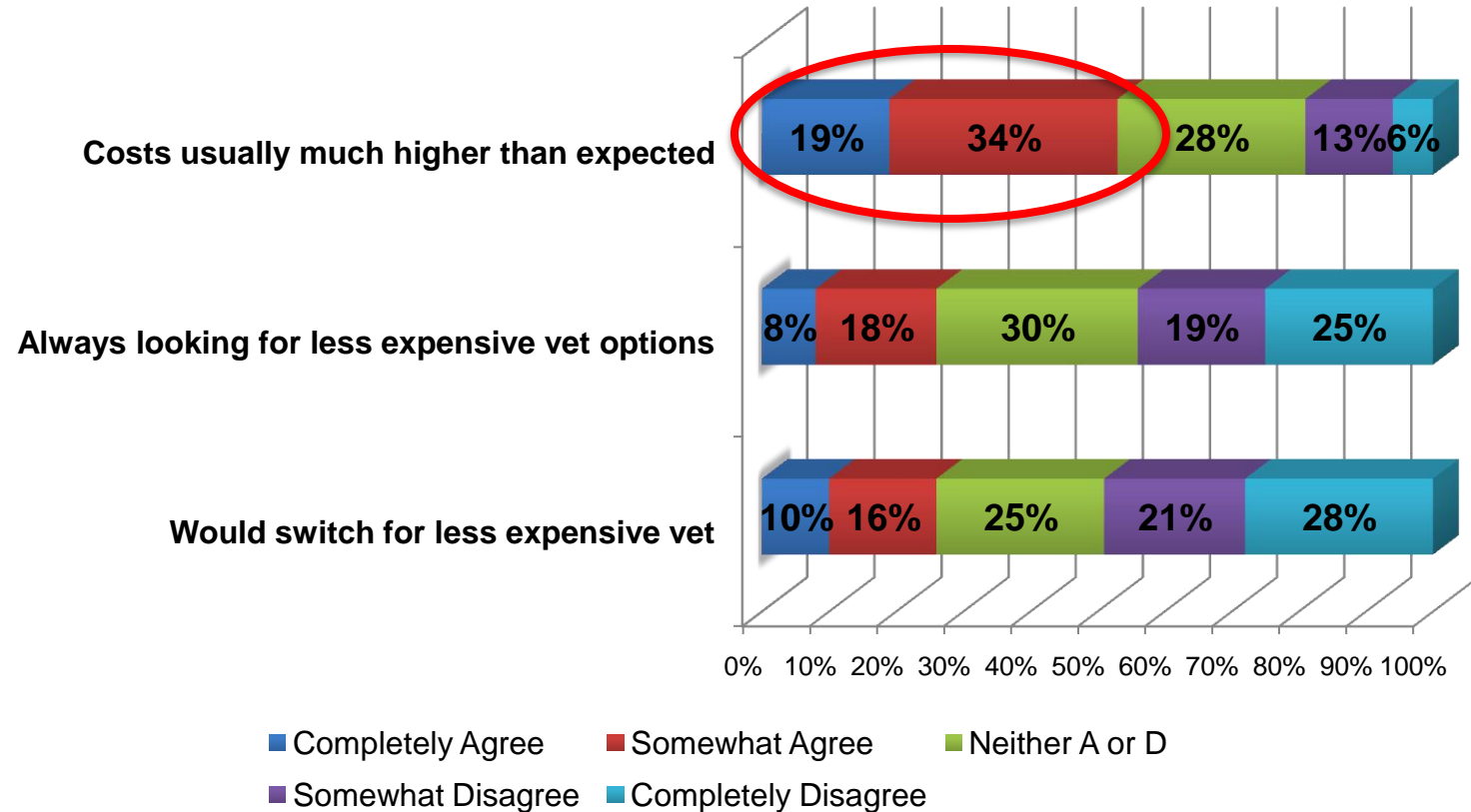
6. The “Sticker Shock” Issue

- Contrary to common belief, demand for veterinary services is not inelastic
- Frequency and size of fee increases are factors
- *“All of a sudden, the price just skyrocketed. You could go when it was 60 bucks, now I can’t get out for less than \$150.”*

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Cost Perceptions



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Dr. Karen E. Felsted, CPA, MS, CVPM
CEO-National Commission on Veterinary Economic Issues

INCREASING VETERINARY VISITS

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Lessons Learned

- There is no “typical” pet owner — different owners want different things
 - Much overlap in what pet owners want
 - Very difficult to truly identify who goes in which category
- Focus on implementing the following solutions
 - Every client, every patient, every record, every time

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Why Visits Are Declining

Client Factors

- Don't understand need
- “Sticker shock”
- Feline resistance

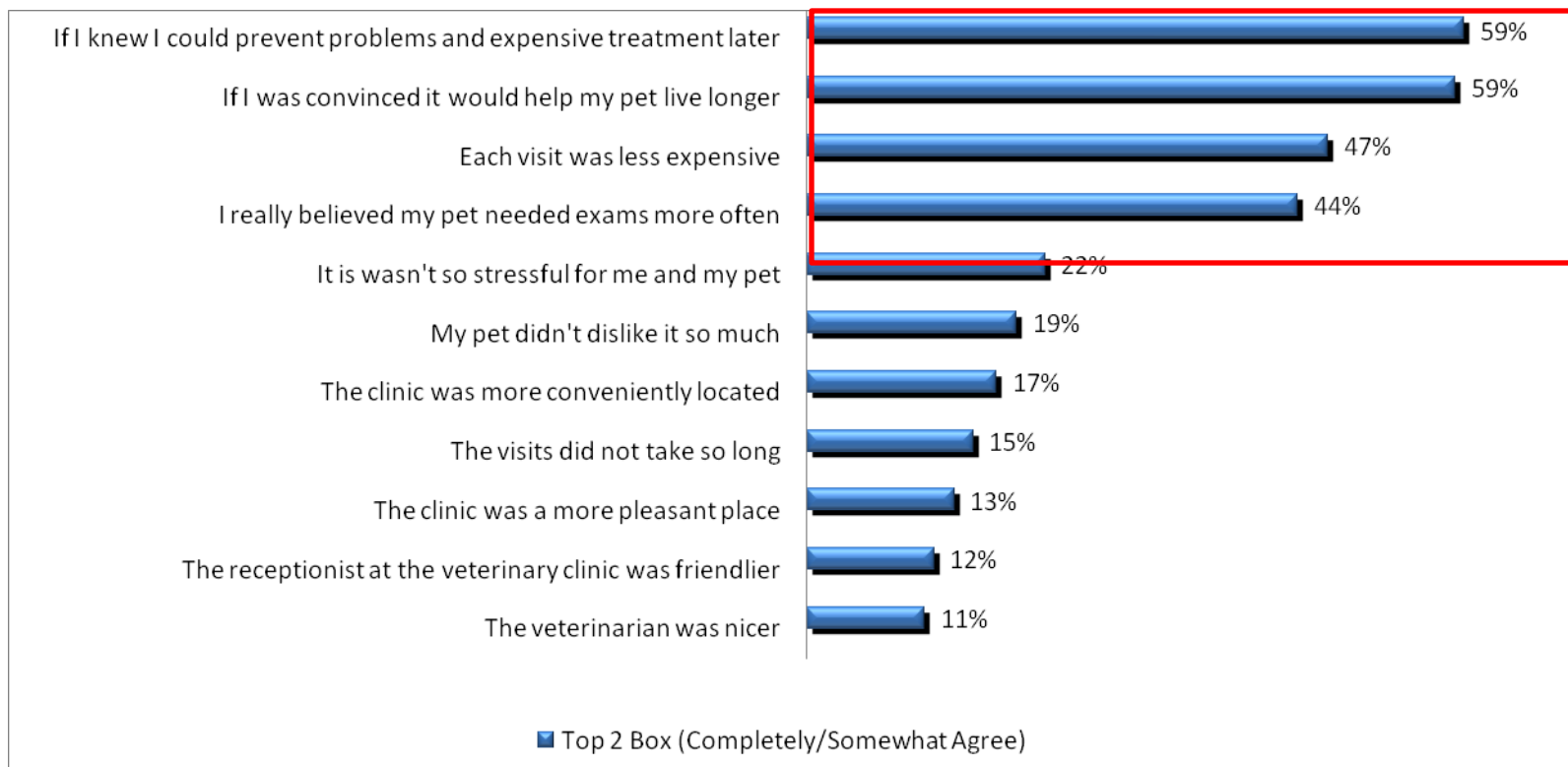
Environmental Factors

- Recession
- Fragmentation of veterinary services
- Internet Information

Bayer Veterinary Care Usage Study

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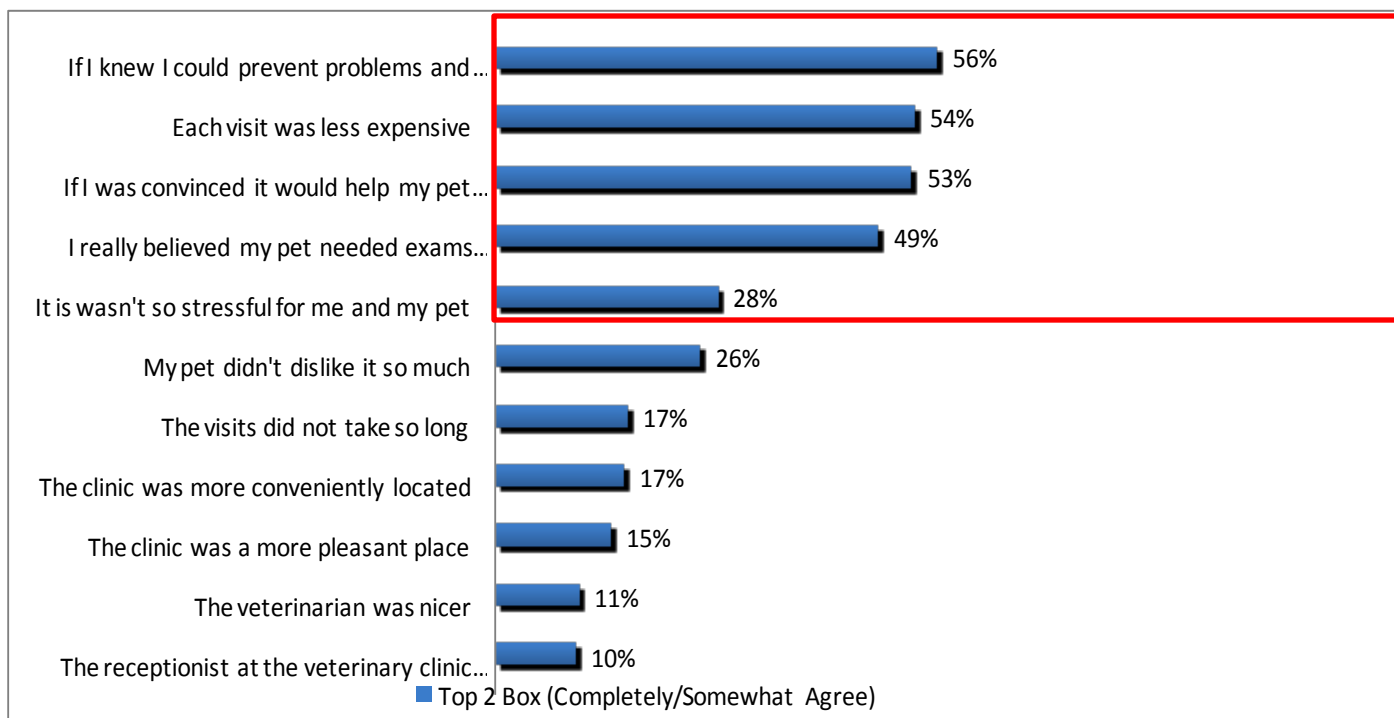
I Would Take My Dog to the Vet More Often if.....



Bayer Veterinary Care Usage Study

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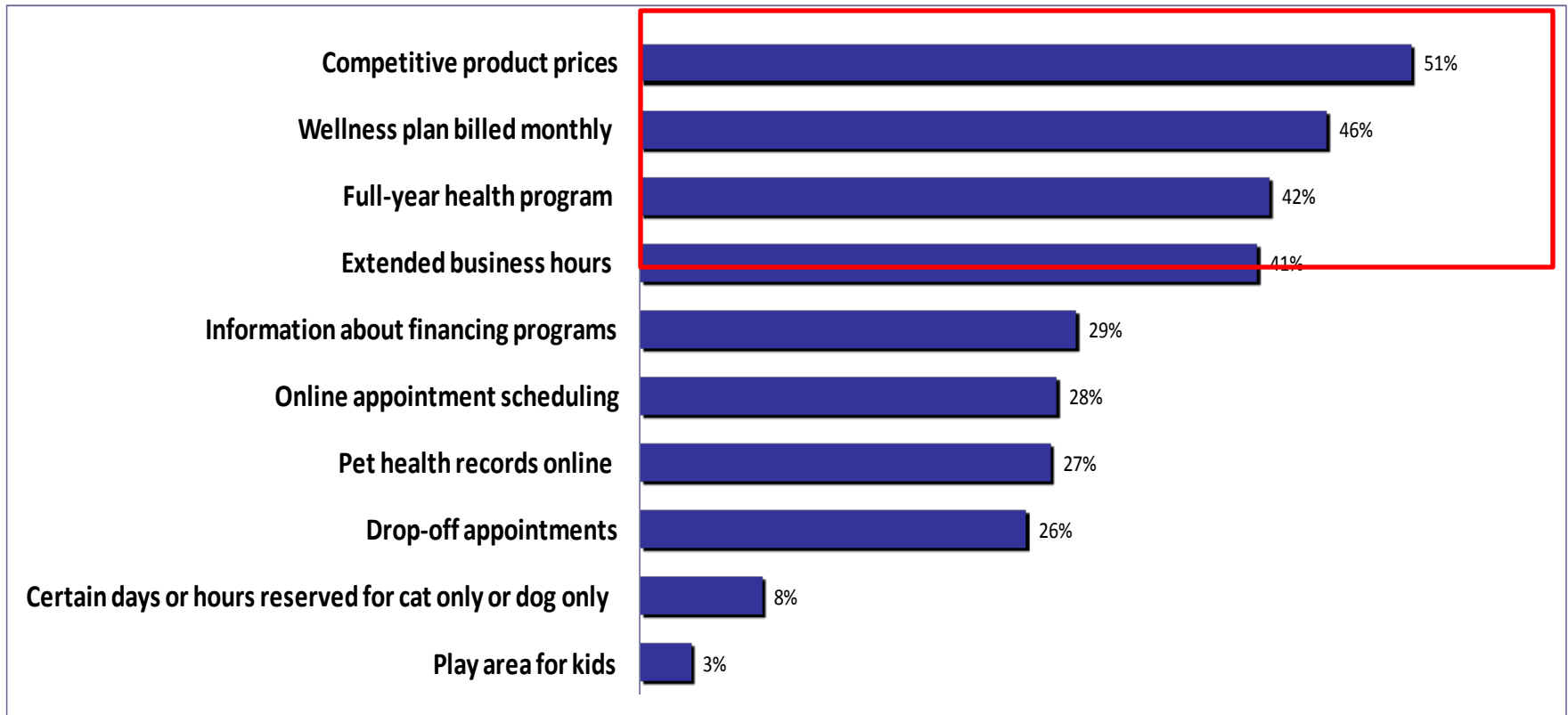
I Would Take My Cat to the Vet More Often if.....



Bayer Veterinary Care Usage Study

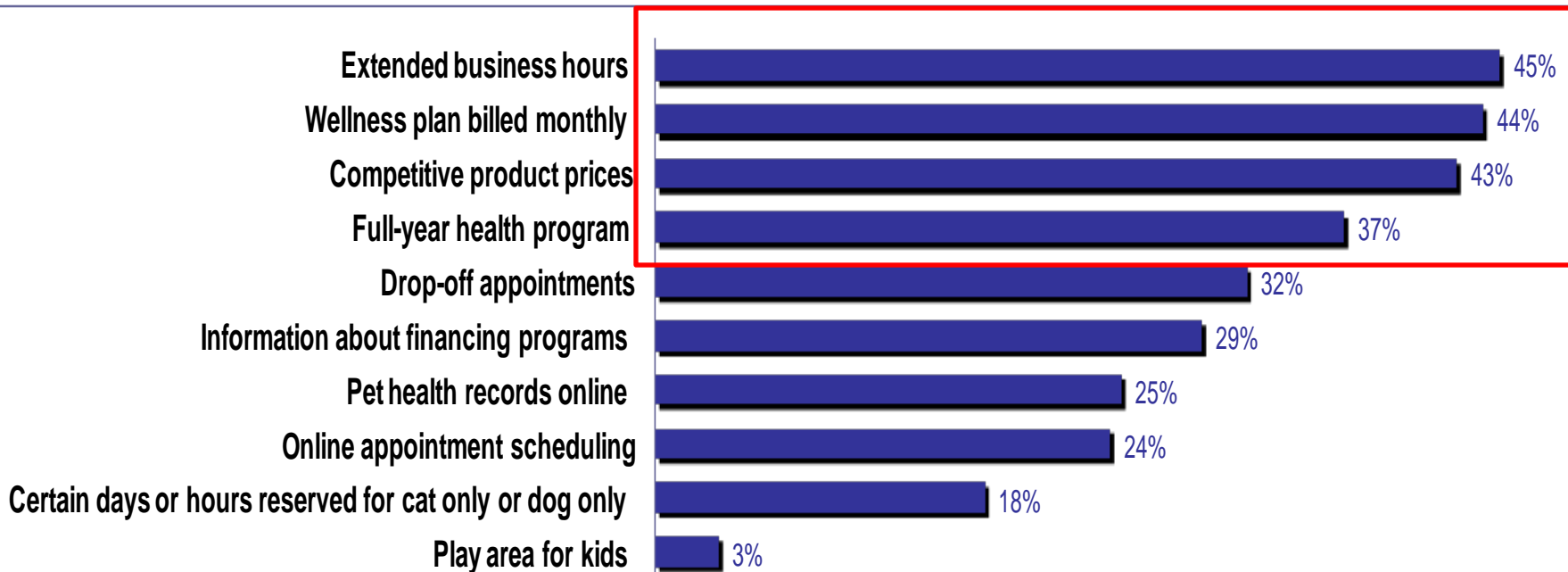
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Increasing Dog Visits: Things Veterinarians Can Do



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Increasing Cat Visits: Things Veterinarians Can Do



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Five Key Solutions

- **Track visits and related metrics monthly**
- Develop and communicate a profession wide mantra regarding need for exams and other care
- Manage pricing and communicate value to avoid “sticker shock”
- “Friend” the cats in your practice
- Make it easy for clients to schedule and keep appointments

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Track Visits and Related Metrics Monthly

- Can't manage what you don't measure
- Visits and transactions are not the same — need to track both
 - Visit = pet coming to the practice for an exam or procedure (annual physical, dental, surgery)
 - Transaction = any invoice
- Visits may be more difficult to identify in your practice management software
 - Review available reports
 - Talk to your software help desk about options

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Track Visits Related Metrics Monthly

- Related metrics
 - Transactions
 - Transactions/visits per active client
 - New clients
 - Active clients
- Caveat: No single metric can give you all the info you need to better manage your practice
- Don't forget to calculate profitability

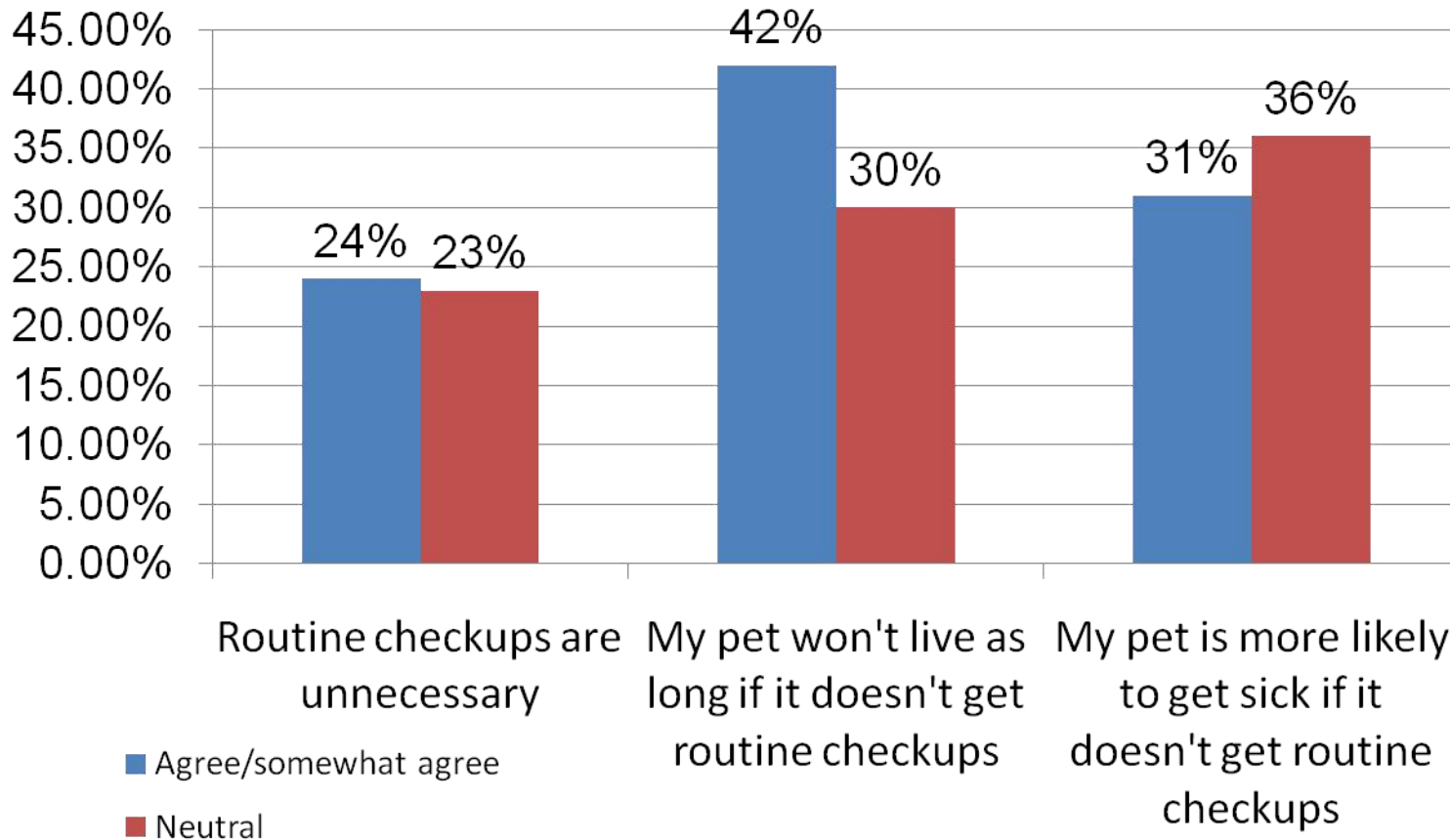
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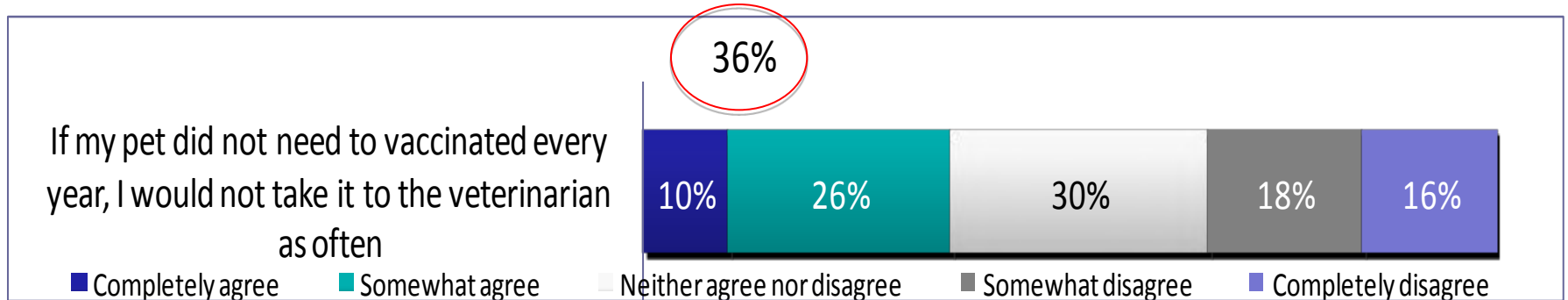
Pet Owners Are Very Misinformed



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Exams: Pet Owners Don't Get It



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Educating Pet Owners About the Need for Exams and Other Care

- Profession-wide efforts
 - Develop mantra similar to “twice a year dental cleaning” or USDA “Five a Day”
 - Identify and disseminate science-based information regarding need for exams and other wellness care
 - Initiate research in areas where science-based information is lacking
 - Reduce fragmented information initiatives—profession should work together to provide ONE go-to resource about pet health care

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Educating Pet Owners About the Need for Exams and Other Care

- Practice efforts
 - Identify science-based information regarding need for exams and other wellness care
 - Educate clients about WHY exams and wellness care are so important
 - Prevention of future problems
 - Longer life for pet
 - Happier/healthier pet now
 - Educate clients about WHAT the exam includes and how this helps you help their pet

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Educating Pet Owners About the Need for Exams and Other Care

- Practice efforts
 - Develop client-friendly communication materials in multiple media formats
 - People take in information differently
 - Hearing, reading, seeing
 - Brochures, website, podcasts, posters & models
 - Don't underestimate the power of the Internet as an information source
 - Refer to your website
 - Refer to other websites you trust
 - Social media

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Educating Pet Owners About the Need for Exams and Other Care

- Practice efforts
 - Train doctors and staff members to talk in a pet-owner friendly manner about common recommendations and conditions
 - Develop one message to be communicated by all doctors/staff in a practice
 - Expand reminder system
 - Types of items for which reminders are sent
 - Language that communicates value
 - Different formats—e-mail, texts, phone calls, mail

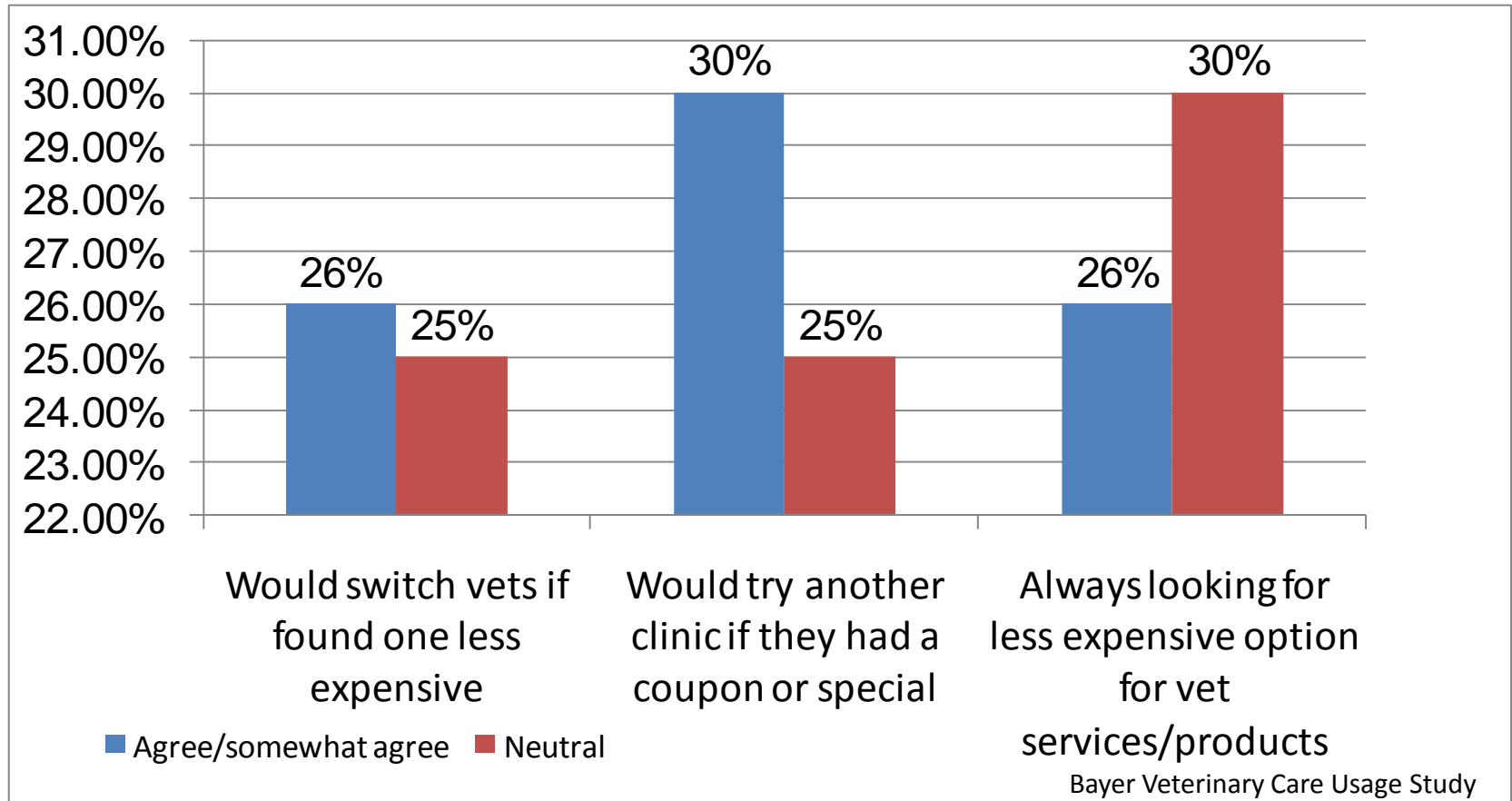
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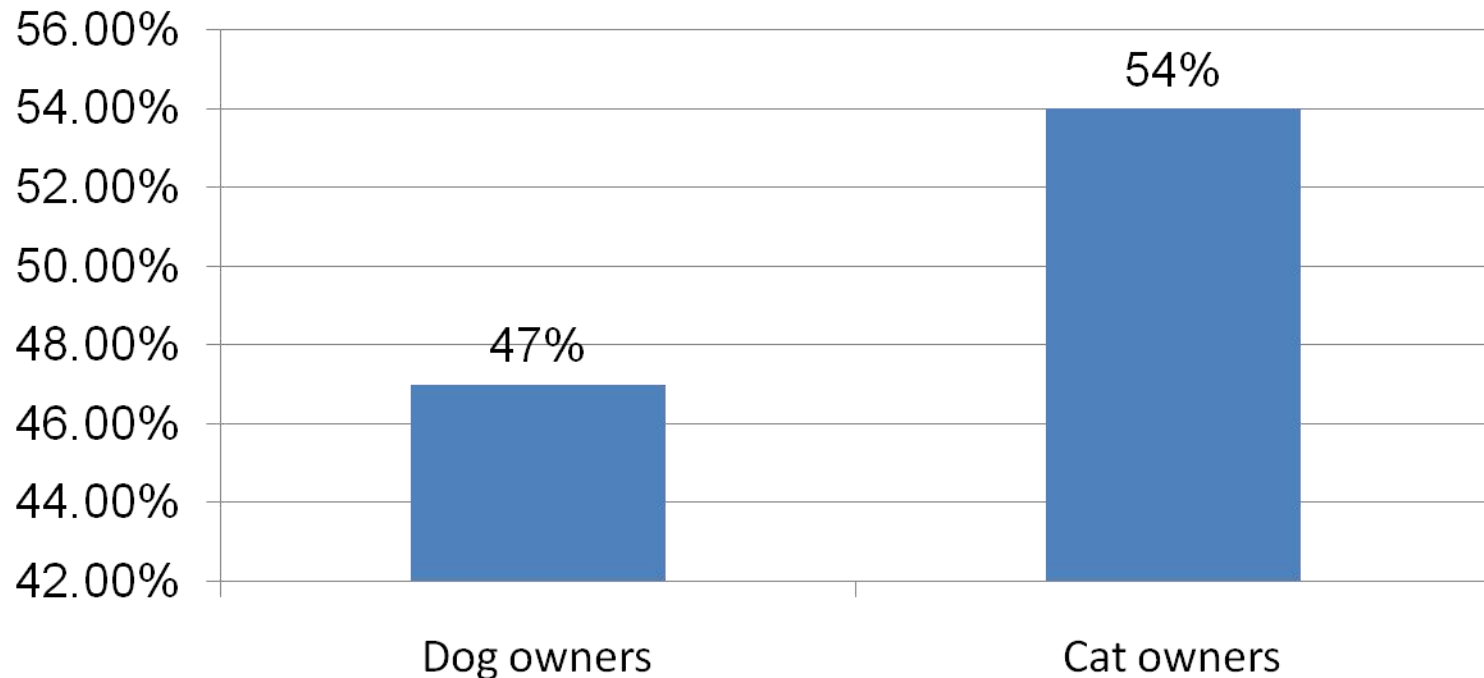
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Price is an Issue



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I Would Take my Pet to the Vet More Often if Each Visit was Less Expensive

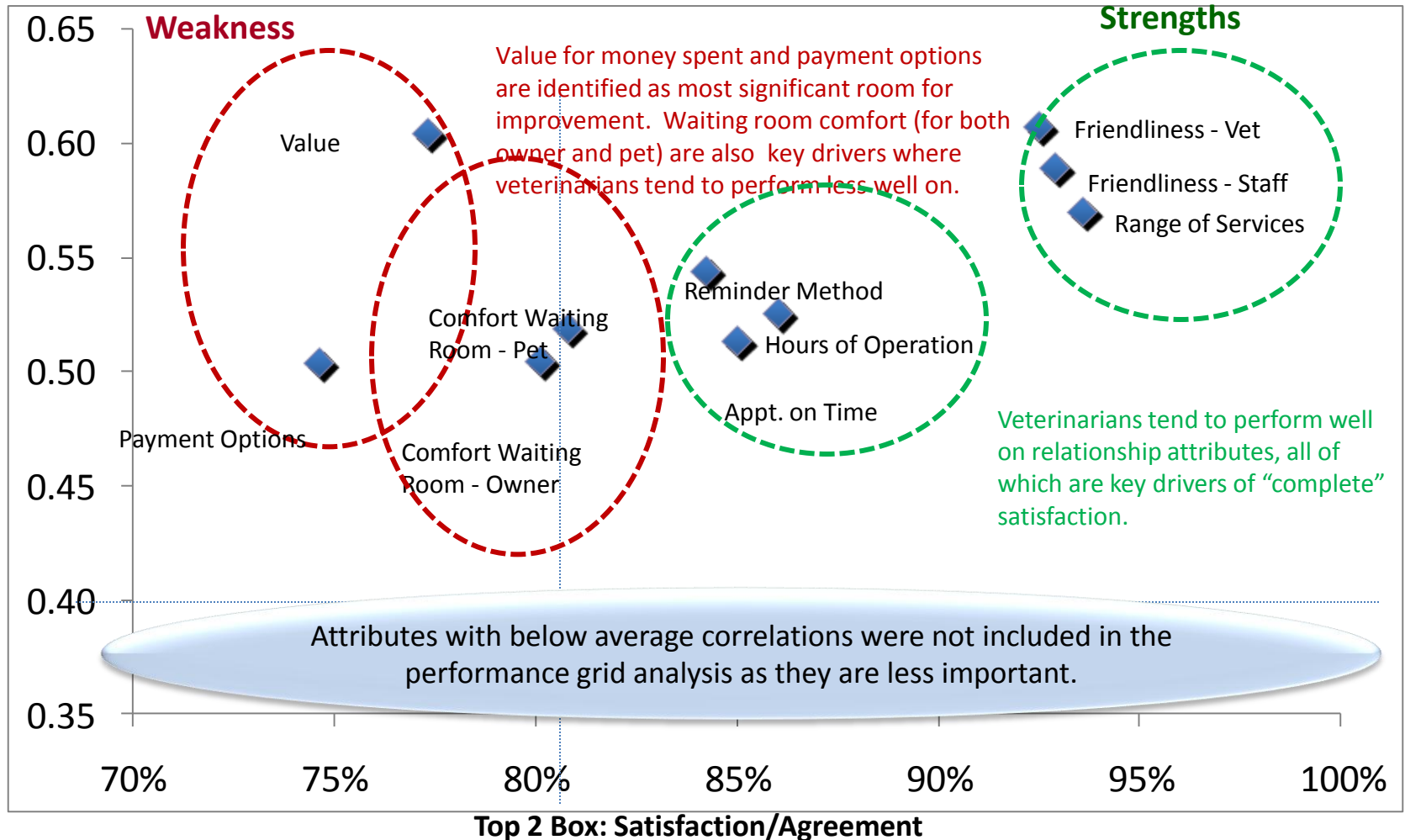


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Cost and Value Attributes Weaker

Stated Importance



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Price is an Issue

- Absolute price and escalation
 - “All of a sudden, the price just skyrocketed. You could go when it was 60 bucks, now I can’t get out for less than \$150.”
- Pricing is a component of an integrated marketing and business plan, not a stand alone business strategy
 - “My business dropped by 20% last year so I raised my prices by 20%.”
- No “one size fits all approach” to pricing
- Across the board, large annual price increases aren’t a long-term viable strategy

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Price is an Issue

- Formulate pricing approach based on practice niche, value, and competitive strategy
 - Must know what your niche is, why you are different from other practices and why your clients should pay more
- Must analyze the impact of YOUR prices on YOUR clients
 - Pricing problem
 - Value problem
 - Financing problem
- Price increases are not the only way to improve profits

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Need to Look at Alternate Strategies

- “Things my veterinarian could do that would make me most likely to take my pet to the practice more often”
 - “If I had a payment plan where I would be billed in equal monthly installments for a year’s regular veterinary services.” (46% dog owners, 44% cat owners)
 - “Prices for products (flea & tick products, specialty pet foods, supplements) are competitive with what I find elsewhere.” (51% dog owners, 43% cat owners)

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Alternate Strategies

- Routine care plans with monthly billing and set services included
- Targeted incentives for lapsed clients in slow months
- Lower exam fees — reduce barrier to entry
- Premium prices at peak times; lower prices during slower times

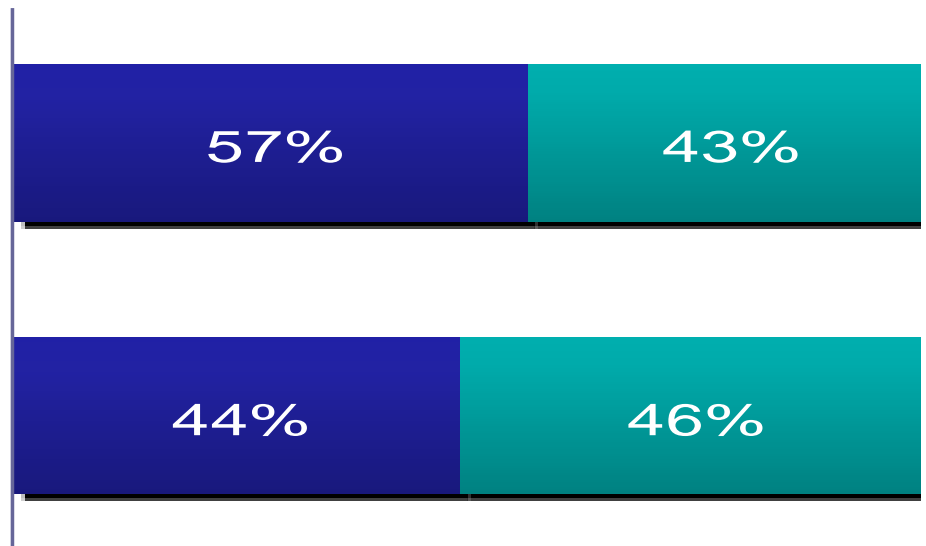
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Communication of Value

My veterinarian communicates with me using language I understand

My veterinarian clearly explains when I should bring my pet in for various procedures or tests

■ Completely agree ■ Not completely agree



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Payment Options Make a Difference

- When clients are equipped with the ability to pay, pets receive improved care, veterinary teams can practice high-quality medicine, and business profitability improves
 - A 2006 study conducted by VPI showed that the company's policyholders on average had 41 percent higher stop-treatment levels, scheduled 40 percent more veterinary visits, and spent twice as much on veterinary care over the life of their pets compared to non-policyholders
 - In a 2010 CareCredit survey, 71 percent of the firm's cardholders said having a financing option affected their decisions regarding the level of treatment they provided their pets

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Start with a Written Financial Policy

- Should include forms of payment accepted, financing options available, when deposits are required, etc.
- Benefits
 - Clients who know what to expect are more likely to accept treatment because fear of cost is eliminated
 - Written document generally more clear and concise than oral information
 - Useful for staff training so all members of the team are on the same page

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Home

Questionnaires

Practices

Logout



Your Financial Policy

Get Started!

QUESTIONNAIRES

PRACTICES

It's **free**, It's **easy**

And it only takes one short session

Understand and Educate Clients about Financial Options

- Financial option recommendations are no different from other services you recommend to clients
- Veterinarians and staff members must understand the products themselves in order to effectively recommend them
- Clients want a recommendation for a specific brand along with the reasons why your practice thinks this product is the best

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A Veterinarian's Guide to Pet Health Insurance



The purpose of this guide is to provide an objective overview of pet health insurance, and to help veterinarians and staff answer basic questions about it from clients.

- How insurance can benefit the practice and the client 2
- Why insurance hasn't caught on faster in the past 3
- Prospects for growth in pet insurance use 3
- How pet insurance differs from managed care 4
- A simple explanation of how pet insurance works 5
- Making insurance work for you in your practice 6
- Summary 6

How pet insurance affects the practice, the client and the patient

John Volk, Senior Consultant, Brakke Consulting, Inc.
Christine Merle, DMV, MBA, CVPM, Brakke Veterinary Practice Management Group

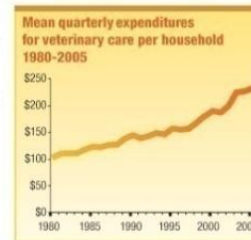
Why consider pet insurance

Every veterinarian has faced a health care crisis in daily practice. A patient requires a complex, unplanned, expensive medical procedure, perhaps on an urgent basis. The emotional connection between the pet and its owner is obviously strong. Yet the family's economic realities are in direct conflict with the medical imperatives. The client's anguish is palpable. The options of foregoing the prescribed treatment or even euthanizing the animal are abhorrent to both client and veterinarian. There are no good choices.

The prospects of such a "healthcare crisis" becoming more frequent are inevitable.

Veterinary costs are rising. According to a recent analysis published in JOURNAL OF THE

AMERICAN VETERINARY MEDICAL ASSOCIATION, expenditures for veterinary services in real dollars virtually doubled between 1980 and 2005! The increase was measured in constant dollars, adjusted for inflation. For those households that routinely visit the veterinarian—your best clients—the increase was actually more: 124%!



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Five Key Solutions

- Track visits and related metrics monthly
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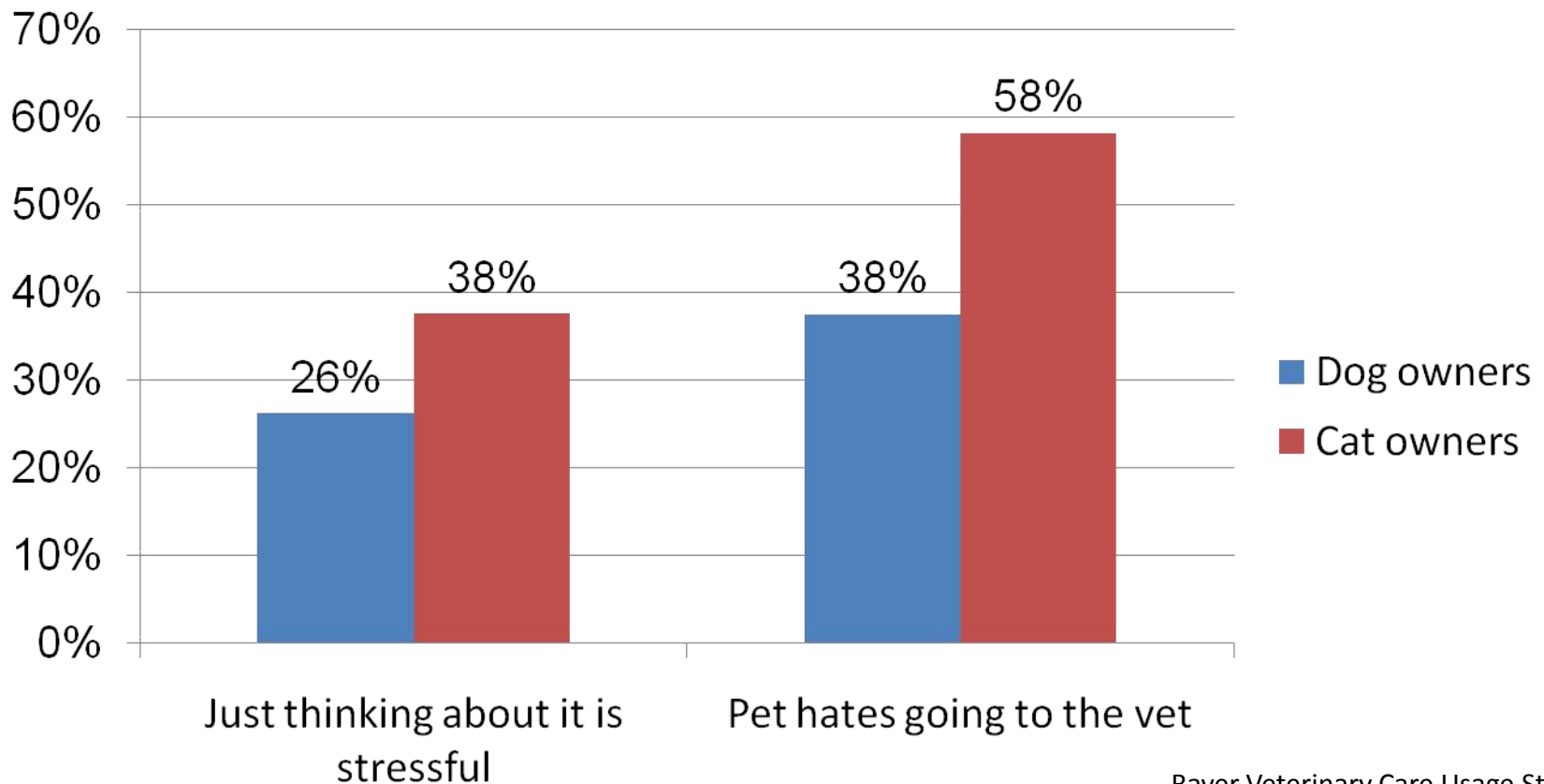
It Takes Extra Effort To Give Cats the Care They Need

- 13% more cats than dogs in the US
 - Minority of patients in most practices
- Cat owners:
 - Don't think indoor cats get sick
 - Don't think cats need veterinary care as they get older
 - Don't understand that cats can hide symptoms
 - Are comfortable with longer period between exams

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Taking the Cat to the Vet is a Hassle



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Be a Cat Friendly Practice

- Identify all the cats owned by your clients
- Train doctors and staff about cat issues and healthcare
 - AAFP/AAHA Feline Life Stage Guidelines
- Help owners comply with veterinary recommendations
 - Often ignored because owner does not understand necessity
 - CATegorical Care: An Owner's Guide to America's #1 Companion (Catalyst Council)
 - Consider compliance when selecting treatment

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Be a Cat Friendly Practice

- Promote cat friendly handling
 - How to acclimate cat to carrier and properly transport – owner
 - How to handle cat during exam – veterinary team
- Promote cat friendly reception areas and entrances

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eNewsletter catalyst council

The CATalyst Council is reaching out to all parties - the pet healthcare community, shelter and welfare organizations, government, commercial groups, and the public - to ensure that cats receive the proper care and attention they need and deserve.

Learn how you can help!



News & Events

The CATalyst 2009 Top 10 Cat-Friendly Cities

March 27, 2009

What makes a cat-friendly city? The love and care cats receive, says the CATalyst Council. Today, the recently formed organization is set to raise the stature of America's number one companion, the cat, by announcing the CATalyst 2009 Top 10 Cat-Friendly Cities.

[READ MORE](#)

Watch Video
Where does your city rank?

catalyst council
TOP 10
CAT-FRIENDLY cities

Our Founding Associations



Our Partners



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Things That Make It Easy For Clients

- Book the next appointment before the pet leaves the practice and explain why
- Send reminders religiously—postcards, e-mail, text messages
- Make scheduling available online
- Remind clients by telephone and/or e-mail 48 hours before appointment
- Consider extended hours
- Let clients know you offer drop-off services

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Getting Clients in the Door

- Track visits and related metrics monthly
- Develop and communicate a profession wide mantra regarding need for exams and other care
- Manage pricing and communication of value to avoid “sticker shock”
- “Friend” the cats in your practice
- Make it easy for clients to schedule and keep appointments

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Thank You

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