

VETERINARY BUSINESS ASSESSMENT

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This handout is a tool that students can use to inquire about the financial health and management of a practice, both through personal observation and by interviewing the practice owner (or their designee). It can be used in an externship experience or when evaluating a job position. Hopefully a student using it will have sufficient background to ask the questions, to determine whether a concept is being addressed or not, and to make some assessment about the efficiency and effectiveness of its application.

If used by a teaching hospital, a completed Assessment document from each externship experience could be submitted to an instructor (who should treat the individual practice information as *strictly confidential*. Collective data may be used to assess trends and to guide future use of this assessment tool. In this process, no individual practice information will be identified.) Grading would be based on the assessment of the student's thought process, their ability to use the tool constructively and to demonstrate a grasp of the concepts integrated into the project. The grading system used for this form at Purdue is satisfactory/unsatisfactory and is based upon the evaluation from the externship mentor as well as completion of this assessment tool.

To the extern:

Veterinary Business Assessment: A PUSVM Externship Learning Tool

Introduction

Veterinary business success is essential for the continued operation of the practice enterprise, for the appropriate compensation of doctors and staff, for the ongoing investment in up-to-date inventory, equipment and facilities, and for generating a fair return on the owner's investment risk.

In the third year of the PUSVM veterinary curriculum, VCS 517 Achieving Success in Private Practice addressed many of the issues that contribute to veterinary business success and the importance of this success to the newly graduated veterinarian. If there is no timely application of these concepts, their usefulness is likely to be forgotten.

Accordingly, this instrument titled Veterinary Business Assessment has been designed for use during your externship experience. The objective is for you to learn how the subject practice or business addresses the many factors that contribute to business success. We would like for you to consider the concepts introduced in the 3rd year business course, engage in some analysis of how the subject practice/business/institution addresses the application of the concepts, and make some assessment as to whether or not the application is effective or not.

Please respond with answers to at least 3 of the 5 areas (Marketing, Human Resources, Finance (Part I), Finance Part (II), and Strategic Thinking) listed in the instrument that follows.

(For institutional application, do animals cared for receive periodic vaccinations, exams or parasite control? How is this managed?)

- Describe any mechanism in place to track new clients or to measure client retention (client retention ratio = “current” clients divided by new clients). Are these numbers used in any meaningful way to improve the recruiting of new clients or to better retain established clients? (In a specialty practice, the client is the rDVM. For a zoo, the patron is the client and attendance is typically tracked on a periodic basis.)

2. *Human Resources*

- How would you describe the quantity and quality of staff in the practice/business/institution? What is the staff to doctor ratio (national average is 3:1 for a hospital-based practice) and does this ratio appear to be satisfactory in this practice setting? How well qualified are the staff members to do their respective jobs?

- How would you describe the training program for staff and its effectiveness in this practice/business/institution?

- How would you assess the effectiveness of supervision, coaching and direction given to support staff?

- Of the tasks that can be delegated by the veterinarian to others, are they efficiently and consistently delegated in an appropriate manner? Please describe how this is done.

- How is communication among doctors and staff maintained? Regular staff meetings? Other? Please describe.

3. Finance (Part I)

- Fee Compliance: Do clients consistently understand the value and benefits of services and products offered? Do they also understand the associated risks? Do they consistently accept and follow practice recommendations as a result? Please provide the reasons for your response:

- Fee Capture: Are all fees captured as appropriate? That is, are all procedures, services and products recorded on the medical record and fees assessed for each one? If large animal ambulatory, is invoicing accomplished at the producer's location? If no is your answer to either question, please explain your answer:

- Professional fees – Consultative practice: Are consultative services offered in contract form that outlines services to be provided with fee structure attached (quoted as hourly, monthly or annual fee)? _____ If yes, please elaborate:

- Metrics: What revenue numbers are tracked on a systematic basis (e.g., transaction numbers, average client charge, client visits per year, etc?) and how are they used?

- Products vs. services -Is there a substantial reliance on products for practice revenue? (Remember that unlicensed providers can offer boarding, grooming, pet food and other over-the-counter products for sale. Costly heartworm and flea preventatives could be sold over-the-counter in the near future. Substantial reliance on all of these items can render a practice vulnerable while a greater reliance on professional services for practice profits may assure ongoing financial success.) Please explain your answer:

4. Finance (Part II)

- **Inventory management:** Recall that 1) inventory turnover (ITO) is useful in measuring the effectiveness of inventory management, that 2) good inventory management frees up capital that can be used to invest in the practice in more productive ways (e.g., to buy a new ultrasound machine, etc.) and 3) good inventory management reduces the carrying cost (25% loss due to outdates, damage, loss, obsolescence, etc.) of excess inventory. [Note: Industry average ITO for veterinary practices is around 5 (annual expenditures on drugs and supplies divided by actual value of physical inventory on hand).] How would you assess the effectiveness of inventory management in the subject practice?

- **Pricing:** Recalling that there are typically 4 ways in which fees are established, are you able to assess how these approaches are utilized in pricing services and products in the subject practice/business/institution? Please describe your observations. (In a non-practice situation, how are direct costs tracked and offset by revenues?)

[Reminder: The four approaches include: 1) *Competitive pricing*: the pricing of services and products that are the subject of telephone shoppers (e.g., vaccinations, spay/neuter, horse dewormers, etc. Clients do not differentiate quality of these if provided by different providers; they are seen as “commodities” and selected on the basis of price). 2) *Value-based pricing*: the pricing of services and products based on benefits and value perceived by the client. *If the patient or client needs are met and the value appreciated*, there may be no limit to the amount the client is willing to spend. 3) *Cost-based pricing*: commonly used for prescribed medications and OTC products (e.g., cost X 225% plus Rx fee = price to client of a prescription drug). 4) *Variable pricing*: pricing to a niche (e.g., higher fees for office visit after hours or during extended hours, or reduced office visit fees during slow hours to encourage client use, or senior citizen discounts which may be offered only at selected times, etc.).]

- **Staff costs:** Are support staff costs seen as an expense or as an investment? Are attempts made to minimize overtime? Are attempts made to budget or limit total hours worked by the team? Are attempts made to optimize staff scheduling to match peaks and valleys of service volume? Please describe your observations:

5. *Strategic Thinking*

- Who is responsible for and who contributes to the long term planning and strategic thinking in the practice/business/institution and how do they accomplish this?

- Is there a vision for what the practice/business/institution will look like, how it will operate, how its product and service mix might be different in 5-10 years, and how the client and patient (or patron, or internal customer) mix might change during the next 5-10 years? If yes, please describe your observations:

- Is there a practice (agency or institution) mission statement in place and does it consistently drive the decisions made in the practice? Is it used by owners (directors, heads, or other administrative leadership) or managers or support staff consistently, selectively or not at all? Please describe your observations:

- How is success measured annually and how are goals set for the following year?

NOTICE TO ALL EXTERN RESPONDENTS:

Have you discussed this entire instrument and your observations with your Externship Mentor or his/her designee? Yes _____, No _____, or To a limited extent _____
If “to a limited extent”, please explain: