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*Witchiett Tumbler and Associates*

VETERINARY ECONOMICS®

# BENCHMARKS 2011

A STUDY OF WELL-MANAGED PRACTICES

- FEES: PROVIDING AFFORDABLE CARE
- REVENUE: ENHANCING CLIENT PERCEPTION
- EXPENSES: MANAGING YOUR RESOURCES
- TECHNOLOGY: FINDING CUTTING-EDGE VALUE

<p><b>Introduction</b></p> <p>Through a research partnership between Wutchiett Tumblin and Associates and <i>Veterinary Economics</i>, we bring you Benchmarks 2011: A Study of Well-Managed Practices, a must-have tool to help you improve your business. This introduction offers the goals and history of the study and explains what the results can do for you and your practice.</p>	PAGE 3
<p><b>Executive summary</b></p> <p>The new normal requires businesses to be more creative and innovative than ever. You can no longer afford to say, “We’re good enough,” “We’re average and that’s OK,” “That’s just the way it is,” or “It’s the economy.” It’s time to jump-start your practice and apply some new ideas—even if some of those new ideas make you a bit uncomfortable. After all, discomfort is often a sign of learning and transformation.</p>	PAGE 6
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<p>CHAPTER 2</p> <p><b>Revenue</b></p> <p>Owners of Well-Managed Practices don’t have a magic elixir to stop declining client visits or end the recession, but they do know they must take every opportunity to preserve and protect their client relationships. The stronger the relationship, the more likely it is that clients will remain with your practice.</p> <p><b>TOOLS</b></p> <ul style="list-style-type: none"> <li>Critical components of veterinary practice revenue . . . . . 36</li> <li>Worksheet: Boost your revenue . . . . . 37</li> <li>Checklist: Opportunities to enhance value . . . . . 39</li> </ul>	PAGE 31

CHAPTER 3

Expenses

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Cash. Inventory. Equipment. Expenses. Time. How does a busy practice manage all these and remain profitable? Well-Managed Practices have shared how they prevent fraud and manage their expenses to keep a healthy bottom line.

**TOOLS**

- Checklist: Simple steps to prevent fraud . . . . . 50
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- Cool ideas to control hot inventory. . . . . 53
- The pluses of a home delivery pharmacy. . . . . 54
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CHAPTER 4

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Moving your practice information online doesn’t mean you’ll have to sacrifice your practice’s personal touch. The Internet is simply another way to engage your clients and potential clients using a new medium. You want to make your practice as personal and convenient as possible to keep clients coming back, and a website, social media, and more can do just that.

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# Introduction

**T**his study is different from your usual collection of data. First of all, this is a Benchmarks study, which means it has nothing to do with across-the-board industry averages. Rather, this study takes a look at the best of the best: Well-Managed Practices. The idea is that by exploring how these top-notch performers set fees, bring in revenue, manage expenses, and generate profits, you'll be able to emulate their success.

For more than two decades, veterinary financial consulting firm Wutchiett Tumblin and Associates in Columbus, Ohio, has studied these strong practices to learn how they enhance clients' perception of value, grow in a tough economy, know when to spend and when to cut back, and utilize technology. And now, through a partnership with *Veterinary Economics* magazine, we bring you Benchmarks 2011: A Study of Well-Managed practices. This book is a must-have tool as you build a strong practice—even in shaky times.

To compile the data on the following pages, we asked 100 companion animal practice owners to complete a detailed electronic questionnaire. Led by Denise Tumblin, CPA, owner and president of Wutchiett Tumblin and Associates, a team of management consultants scrutinized each practice's financial data and strategies in the areas of fees, earnings, expenses, and technology.

## The makings of a Well-Managed Practice

So just what constitutes a Well-Managed Practice? The 100 small-animal practices surveyed had to meet the following criteria:

**Patients come first.** Practice owners never lose sight of the fact that they went into practice to promote patients' health and well-being.

**The practice runs efficiently.** These practices earn enough profit to have a healthy amount of revenue left over after they pay all of their variable and fixed costs, nondoctor staff compensation, and rent expenses. Specifically, a Well-Managed Practice averages a profit-to-gross-revenue ratio of 34 percent to 42 percent. This means that a practice earning \$2 million in revenue would have at least \$680,000 left to pay owners and associates and reinvest in the practice.

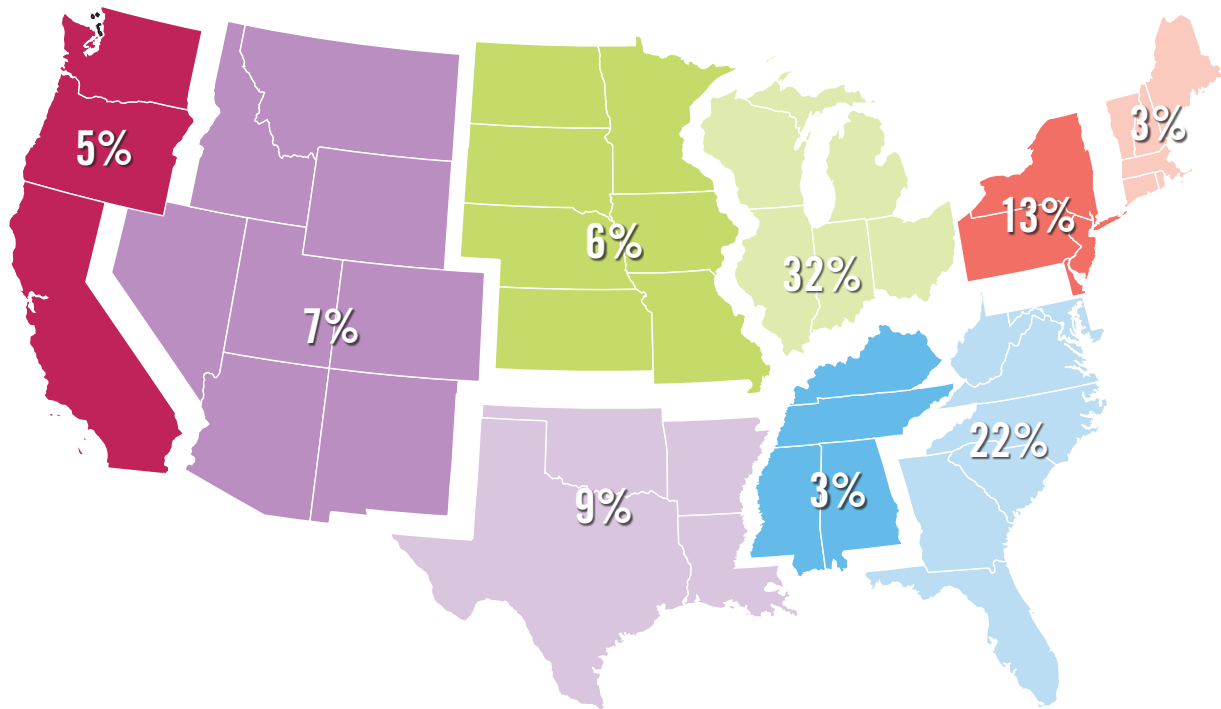
**Practice owners enjoy practicing veterinary medicine.** A love of the profession comes through in practice owners' attitudes toward their team members and clients. And when clients and team members are happy, they stay with the practice.

**Practice owners foster a culture of respect.** Team members are people first and foremost, and Well-Managed Practice owners know they must appreciate doctors and team members for who they are more than the roles they play. The owners value all their team members and strive to help them achieve their potential.

## The numbers behind a Well-Managed Practice

On the following page are charts and statistics to give you a behind-the-scenes look at the financial situation at Well-Managed Practices. Consider whether these benchmarks are true of your practice, and then read on to find more details on fees, revenue, expenses, and team management—plus tools to help you get where you want to be.

**Who participated in Benchmarks 2011?**



**Estimated average total compensation per owner for the year 2010** **\$221,700**  
 (Includes veterinary salary, management fee, return on investment, and benefits)

**Total practice revenue by percentile**

25th percentile	<b>\$1,186,945</b>
50th percentile	<b>\$1,844,025</b>
75th percentile	<b>\$2,574,940</b>

Range: \$562,000 to \$7,412,489

**Total revenue per doctor\*** (Medical hours only)

Less than \$450,000	<b>14%</b>
\$450,001 to \$500,000	<b>7%</b>
\$500,001 to \$550,000	<b>14%</b>
\$550,001 to \$600,000	<b>17%</b>
\$600,001 to \$650,000	<b>21%</b>
\$650,001 to \$700,000	<b>6%</b>
More than \$700,000	<b>21%</b>

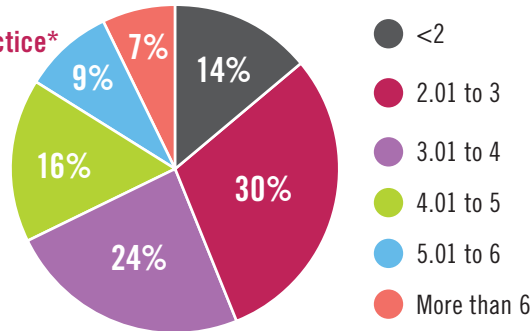
\*CALCULATED BASED ON FULL-TIME EQUIVALENT OF 40 HOURS PER WEEK

**Number of doctors at the practice\***

	MEDICAL	MANAGEMENT	TOTAL
Owners	1.3	0.3	1.6
Associates	2.1	0	2.1
Owners and associates	3.3	0.3	3.6

Numbers rounded

**Number of doctors at the practice\***



**Staff-to-doctor ratio\*** (Doctor medical hours only)

Manager	0.4
Receptionist/client care coordinator	1.2
Credentialed technician/patient care coordinator	1.2
Veterinary assistant	1.1
Ward attendant	0.4
<b>Total</b>	<b>4.3</b>

**Owners:**

Rate the amount of practice revenue and expense information you share with your staff and associates on a scale of 1 to 5

1 No information	1%
2 Little information	17%
3 Some information	48%
4 Considerable information	7%
5 Most Information	27%

**Associates and staff:**

Rate the amount of practice revenue and expense information your owner shares with you on a scale of 1 to 5

	ASSOCIATES	MANAGERS	STAFF
1 No information	6%	0%	10%
2 Little information	23%	17%	18%
3 Some information	33%	17%	34%
4 Considerable information	10%	33%	18%
5 Most Information	27%	33%	20%

Numbers rounded

**Associates and staff:**

Rate your knowledge about the business and financial side of veterinary medicine on a scale of 1 to 5

	ASSOCIATES	MANAGERS	STAFF
1 No information	4%	0%	3%
2 Little information	23%	6%	20%
3 Some information	50%	22%	44%
4 Considerable information	6%	33%	10%
5 Most Information	17%	39%	23%

\*CALCULATED BASED ON FULL-TIME EQUIVALENT OF 40 HOURS PER WEEK

# Executive summary

It's safe to say that the past 18 to 24 months have rocked our world. Revenue and profit is down for some practices, and those who've been lucky enough to see growth know it's certainly not what they've been accustomed to in the past. Owners and managers have had to develop strategies to address this "new normal" way of doing business.

On the plus side, the new normal requires businesses to be more creative and innovative than ever. You can no longer afford to say, "We're good enough," "We're average and that's OK," "That's just the way it is," or "It's the economy." It's time to jumpstart your practice and apply some new ideas—even if some of those new ideas make you a bit uncomfortable. After all, discomfort is often a sign of learning and transformation.

So stretch beyond your comfort zone and embrace the creative and innovative strategies from some of the best practices across the country found in each chapter in *Benchmarks 2011: A Study of Well-Managed Practices* by Wutchiett Tumblin and Associates and *Veterinary Economics*. You'll find a variety of

management tools designed to help you get ahead, along with opinions from the associate doctors, managers, and staff in key areas.

Remember that success isn't determined by your results but rather by your momentum. Momentum is fueled by how you feel. And how you feel is determined by the consistent daily application of the best you have in you each day.

## Benchmarks 2011 participant profile trends

Owner compensation is down about 5 percent this year. The average total compensation per owner for the year 2010, including veterinary salary, management fee, return on investment, and benefits, is \$221,700.

The past four years also show a change in the number of full-time equivalent doctors and staff and higher production per full-time-equivalent (FTE) doctor, indicating that practices are striving for more productivity and efficiency with fewer people:

The average total number of FTE doctors per practice was 3.6 in this year's study, down from 4.0 in Benchmarks 2009.

FTE doctors per practice	BENCHMARKS	BENCHMARKS	BENCHMARKS	BENCHMARKS
	2008	2009	2010	2011*
Fewer than 2	23%	20%	13%	14%
2.01 to 3	30%	21%	23%	30%
3.01 to 4	22%	26%	26%	24%
4.01 to 5	13%	11%	14%	16%
5.01 to 6	3%	10%	9%	9%
More than 6	10%	12%	14%	7%

Numbers rounded

Staff members per doctor	BENCHMARKS	BENCHMARKS	BENCHMARKS	BENCHMARKS
	2008	2009	2010	2011
Managers	Did	0.4	0.4	0.4
Receptionist	not	1.2	1.1	1.2
Credentialed technician	survey	1.4	1.0	1.2
Veterinary assistant		1.1	1.2	1.1
Ward attendant		0.4	0.4	0.4
Total		4.4	4.1	4.3

\*ALL BENCHMARKS STUDIES REPORT DATA FROM THE YEAR PRIOR. FOR EXAMPLE, THE 2008 STUDY REFLECTS 2007 INFORMATION, THE 2009 STUDY REFLECTS 2008 INFORMATION, AND SO ON.

Revenue per doctor*	BENCHMARKS	BENCHMARKS	BENCHMARKS	BENCHMARKS
	2008	2009	2010	2011
Medical revenue	\$553,000	\$535,000	\$535,000	\$547,000
Other revenue	\$69,000	\$71,000	\$62,000	\$65,000
Total revenue	\$622,000	\$606,000	\$597,000	\$612,000
Medical revenue per doctor hour	\$288	\$279	\$279	\$285
Average doctor transaction (ADT)	\$152	\$157	\$167	\$167

## CHAPTER 1

**Fees: Providing affordable care**

With the recession still rearing its ugly head, fee increases for veterinary services continue to be a sensitive issue. Well-Managed Practices educate their clients regarding the benefits of high-quality care and the options for payment, including pet insurance and payment plan providers like CareCredit (the most commonly used) and Chase Health Advance.

Ninety percent of study participants report

that 10 percent or less of their clients have pet insurance. One-third of the participants stated that in the past two years the number of their clients with pet insurance has grown 1 percent to 5 percent, and another 16 percent report growth of 6 percent to 10 percent in clients' usage of pet insurance.

Here's a sampling of fees with a comparison to Benchmarks 2009:

	BENCHMARKS	BENCHMARKS
	2009	2011
Physical exam	\$46	\$48
Avian exam	\$50	\$54
Comprehensive exam	\$59	\$62
Medical progress exam	\$35	\$39
Hospitalized patient exam	\$35	\$36
Blood pressure evaluation	\$33	\$35
Corneal fluorescein stain	\$24	\$25
Ear swab and stain	\$27	\$30
Radiograph, film, 2 views (8x10)	\$123	\$134
Radiograph, film, additional view (8x10)	\$46	\$52
Radiograph, digital, 2 views (8x10)	\$136	\$142
Radiograph, digital, additional view (8x10)	\$50	\$52
Blood glucose test (single)	\$23	\$25
BUN	\$28	\$29
CBC	\$48	\$52
CBC with serum chemistry profile	\$111	\$122
Fecal centrifugation	\$25	\$27
Feline leukemia, FIV, heartworm test	\$59	\$58
Canine heartworm, borreliosis, ehrlichiosis test	\$45	\$42
Surgeon's fee per minute, soft tissue	\$6	\$6.38
Surgeon's fee per minute, orthopedic	\$7	\$7.50
Surgical assistant per minute	\$0.90	\$1.00

Take a look at page 11 for complete fee results. Want to gauge your own fees against Well-Managed Practice targets? Flip to page 12 to see how your practice stacks up.

\*CALCULATED BASED ON FULL-TIME EQUIVALENT OF 40 HOURS PER WEEK; MEDICAL HOURS ONLY.



## CHAPTER 2

**Revenue: Enhancing client perception**

A big concern in veterinary practices right now is the declining number of client visits. From 2008 to 2009, Well-Managed Practices saw about an 8 percent decline in the number of doctor-provided invoices. Non-doctor-provided invoices increased by the same 8 percent. Perhaps this change can simply be

attributed to how practices credit invoices related to prescription refills—we have no way of knowing for sure.

From 2009 to 2010, doctor-provided invoices rose slightly. The invoice numbers per FTE doctor from the most recent Benchmarks studies are:

<b>Invoices per doctor</b>	BENCHMARKS	BENCHMARKS	BENCHMARKS	BENCHMARKS
	2008	2009	2010	2011
Doctor-provided	<b>3,407</b>	<b>3,258</b>	<b>3,002</b>	<b>3,021</b>
Non-doctor-provided	<b>2,736</b>	<b>2,394</b>	<b>2,581</b>	<b>2,507</b>
Total	<b>6,143</b>	<b>5,652</b>	<b>5,583</b>	<b>5,528</b>

We also observed a 15 percent to 18 percent decline in the number of active and new clients, and a 14 percent to 20 percent decline in the number of active and new patients.

<b>Clients and patients per doctor</b>	BENCHMARKS	BENCHMARKS	BENCHMARKS	BENCHMARKS
	2008	2009	2010	2011
Active clients	<b>1,215</b>	<b>1,185</b>	<b>Did not</b>	<b>1,005</b>
New clients	<b>262</b>	<b>243</b>	<b>survey</b>	<b>198</b>
Active patients	<b>1,909</b>	<b>1,985</b>		<b>1,544</b>
New patients	<b>476</b>	<b>415</b>		<b>357</b>

To combat the decline in client and patient numbers, Well-Managed Practices add value to the client experience whenever they can. Chanda Holschbach, hospital administrator and owner of Packerland Veterinary Center in Green Bay, Wis., says, “Because of the length of employment of our staff, they’re able to recognize and greet clients and pets by name when they enter the building. It puts a personal touch on clients’ experience and keeps them from feeling like just a number.”

Well-Managed Practices add services to better serve patients and attract and keep clients. In the past two years:

» 45 percent of Well-Managed Practices added digital radiography

» 22 percent of practices added therapeutic laser treatments

» 13 percent added nutrition counseling

» 10 percent added ultrasound services.

Find more on page 34. Take a look at the recommendations for improving your revenue, also starting on page 34, and remember what Drs. Peter Farrell and Michael Rach, owners of Burnt Hills Veterinary Hospital in Burnt Hills, N.Y., keep top of mind: “Clients want to know how much you care, not how much you know.”

## CHAPTER 3

**Expenses: Managing your resources**

You know the mantra. There are two ways to maximize the bottom line—increase revenue or decrease expenses. If you're like many veterinary practices across the country, revenue growth, while desirable, may have been a chal-

lenge in the past two years. Implement strategies to boost revenue from Chapter 2, then turn to your expenses. Take a look at these trends in expenses year to year from the most recent Benchmarks studies:

Expense type	Percentage of total practice revenue		
	BENCHMARKS 2007	BENCHMARKS 2009	BENCHMARKS 2011
Variable	21.8%	24.5%	25.1%
Fixed	9.0%	8.9%	8.9%
Staff	25.6%	25.3%	24.7%
Facility	8.0%	8.4%	8.8%
Reinvestment	5.9%	4.3%	4.5%

Numbers rounded

Given the intricate relationship between the medicine and business sides of practice, we wanted to find out just how much information about the revenue and expenses owners

share with their associates and staff. On a scale of 1 (no information) to 5 (most information), here's the perspective from each group's viewpoint:

Amount of information the practice shares	WHAT OWNERS SAY	WHAT ASSOCIATES SAY	WHAT MANAGERS SAY	WHAT STAFF SAY
	No information	1%	6%	0%
Little information	17%	23%	17%	18%
Some information	48%	33%	17%	34%
Considerable information	7%	10%	33%	18%
Most information	27%	27%	33%	20%

Hidden costs such as wasted time and inventory shrinkage may not come immediately to mind when you think about managing resources, but Well-Managed Practices pay attention to these items too. We identified who's primarily responsible for each step in the inventory and financial recordkeeping processes. The results may surprise you (see pages 45 and 46). Associates, managers, and staff members agree that one of their biggest personal challenges working at the practice day to day is time management.

Protect your practice from lost profit and

your staff members from temptation by implementing theft-prevention protocols (see page 50). And consider this: To increase client convenience, 46 percent of Well-Managed Practices offer a home delivery pharmacy hosted on the practice website.

Starting salaries for associate doctors haven't changed much over the past three years. Other benefits such as continuing education, professional dues and licenses, liability insurance, health insurance, and retirement contributions are in addition to the numbers shown below.

**Years of experience**

	Median salaries		
	BENCHMARKS 2009	BENCHMARKS 2010	BENCHMARKS 2011
Less than 1	\$60,000	\$60,000	\$61,000
1 to 2.9	\$67,000	\$69,000	\$70,000
3 to 5.9	\$75,000	\$76,000	\$75,000
6 to 10.9	\$82,000	\$84,500	\$85,000

Review the recommendations starting on page 47 and the tools starting on page 50 for more ways to protect your hard-earned resources.

## CHAPTER 4

**Technology: Finding cutting-edge value**

“My clients are technologically savvy and price-conscious. Their wants and needs are constantly evolving. We either change with them or watch them leave.”

That’s a quote from Dr. Charles Curie, owner of Country Doctor Veterinary Clinic in Jefferson, Ohio. You might feel like the speed with which technology changes makes it impossible to jump onboard—that you’ll get run over if you try.

But joining the ranks of the technologically savvy doesn’t have to be ominous. In fact, your practice management software is the perfect place to start. Electronic medical records are the wave of the future—25 percent of Benchmarks 2011 participants are currently using

electronic records, and another 30 percent say they’re paper-light. Fifty-one percent plan to convert to electronic medical records within the next two years. If you haven’t yet made the switch, check out “Electronic medical records: In the trenches” on page 75.

Regarding another area of rapidly advancing technology, we asked owners, associates, and staff members how often they use their smartphone or mobile device for business or personal purposes other than phone calls and text messaging. The associates and staff use their devices more frequently, but the owners are more likely to use their device for business- or practice-related purposes. Here’s what they told us:

**Frequency of smartphone use**

	OWNERS	ASSOCIATES	STAFF
Daily	18%	17%	32%
Several times per week	5%	17%	8%
Less frequently than once per week	35%	35%	30%
I don’t own a smartphone	35%	31%	27%

And what about your practice’s online presence? Do you participate in social media networks such as Facebook and Twitter? If not, consider the clients—and subsequently the pets—you could reach through your very own social media presence and activity. Still

not convinced? Take a look at the tips from Kelly Baltzell from Beyond Indigo Pets and Karyn Gavzer from KG Marketing & Training (pages 71 and 73) to make social media work for your practice and help improve the health of your patients.