

Practice Pulse



The Official Newsletter of the Veterinary Hospital Managers Association - August 2007 Issue

Serving the profession for 25 years!

Practice Management, An Expensive Hobby

Darren Osborne, MA

Practice management is an expensive hobby for a veterinarian. Management abilities aside, the loss of potential revenue that occurs when a veterinarian chooses management over medicine is \$250 per hour (this figure includes the cost of hiring a hospital manager). If the average veterinarian only manages four hours per week, every week, the annual loss to the practice is \$50,000. Whether it is done by necessity or out of general interest, the cost is still the same.

The key to maximizing the production in a veterinary hospital is to keep the veterinarian busy practicing veterinary medicine. Maximizing production is the founding principle for delegating technical tasks to a qualified veterinary technician; it frees up the veterinarian so he or she can move on to other veterinary-only responsibilities. This concept has already been embraced from a clinical perspective. In the most productive hospitals, veterinarians perform surgery, make diagnoses and prescribe treatment. Everything else is delegated to a qualified non-veterinarian.

Practice management is another story. For some reason, many veterinarians are reluctant to delegate management responsibilities. Possible reasons for this include lack of trust, lack of qualified personnel and, ironically, lack of time.

If the average veterinarian only manages four hours per week, every week, the annual loss to the practice is \$50,000.

What is the cost of doing it yourself? According to the latest *VHMA Practice Diagnostic Survey (2007)*, the average veterinarian generates \$284.19 per hour practicing veterinary medicine. Every hour that the average veterinarian is doing non-veterinary, non-revenue generating duties costs the practice \$284.19 in forgone revenue.

The cost of replacing the veterinarian with a qualified hospital manager is a fraction of this figure. The VHMA classifies managers into three categories: Hospital Administrator, Practice Manager and Office Manager (job descriptions for these three different positions are available in the Sample Document Library on the VHMA Web site). An **office manager**, whose duties include managing support staff and day-to-day accounting and personnel duties, can earn **\$16.67 per hour**.* A practice manager will have the responsibility of an office manager and generally has some authority in decision-making responsibilities. The average **practice manager earns \$20.83 per hour**.* The highest level of manager is hospital administrator. An experienced **hospital administrator** can literally run the hospital, overseeing every aspect of hospital management and earns an income that mirrors that of an associate veterinarian -- **\$30.32 per hour**.* If one veterinarian replaces four hours per week of practice management with veterinary medicine and hires a practice administrator to work full time, the practice would come out ahead. This calculation does not take into account the added benefits an administrator can add - budgeting, marketing programs, staff motivation programs, etc.

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Management

One hundred percent of the shots you don't take don't go in.

Wayne Gretzky

2007 Annual Conference-
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Upcoming Events

Annual Meeting & Conference
October 5-7 - Nashville, TN

Management Retreat
February 1-3 - St. Augustine, FL

Summer Meeting
June 6-8 - Toronto, ON

Annual Meeting & Conference
October 3-5, 2008 - TBA

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President's Message

Susan Prowse, CVPM



Every good marketing program must have a way to measure the success of your efforts. The only way to measure a successful marketing plan is to track response. For instance, yellow page advertising - this is something we all do but do we all measure it? At our hospital we track this on our new client form, there is a line that simply reads "how did you hear about us" which provides choices based on our targeted marketing programs. We keep track of our client responses in our computer system so when we want to view response rates, all we need to do is run a simple report. I would believe that a lot of you out there are doing this already, but what are you doing with the information you have generated?

As an example, we monitor our yellow page responses each month but here is an annual breakdown for 2006:

New Clients Yearly 1008	\$ Spent By New Client \$361,656	Avg. \$ Spent \$359.00
New Clients Yearly 1008	Advertising Budget \$161,000	Avg. \$ We Spent Per Client \$160.00

This tells us that we spent \$160.00 per client for a new client who spends \$359.00 with us the first year and, hopefully, for many years to come.

What happens when you want to do something unique? For instance, we do a New Home Letter, a welcome to the neighborhood if you will. This has proved to be a far better marketing plan. It costs us \$59.00 per client to generate \$653.00 per client in revenue. The tangible that we have to track for this marketing plan is the letter the new client received in the mail, they must bring it in with them to receive 10% off of their first visit with us. Again, we track it with a simple referral source code in our computer system.

The best marketing plans are the ones that cost you the least amount of money per client. This is true of the "friend referral." Word of mouth is free advertising and is really the "gold standard" for your advertising budget. It cost you virtually nothing to get the new client to come in. We have it set up as a referral source code in the computer system and a report is generated so we can look at the totals.

Other types of marketing programs that we do include community awareness programs and unless you have something tangible to track, you will not truly know their effectiveness. That is perfectly acceptable as long as you are aware of it.

Another marketing tool we use is the following formula to determine the **Value of a Client:**

(Average Number of Years the client stays with the practice) x (Average Number of Times they visit the practice annually) x (Average Client Transaction) = Value of Client*

Clients typically stay with our practice seven (7) years and, on average, visit the practice 2.5 times annually. It may be different for your hospital.

**This is an average number and we all have clients who are above and below this figure.*

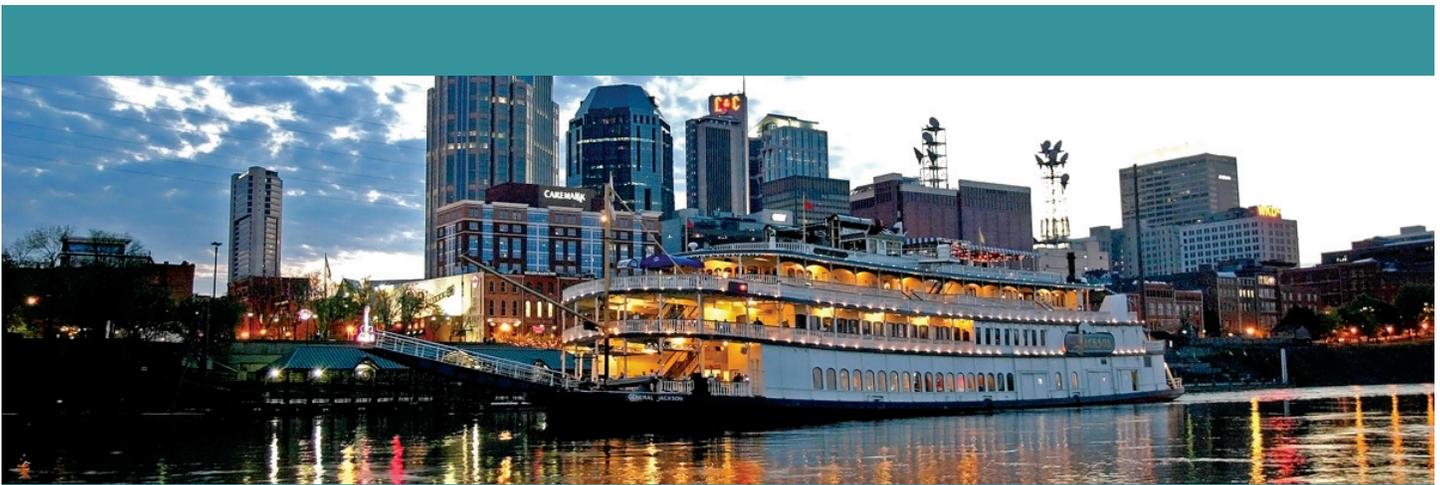
I hope you will find this useful, I know I did, and it has led us to some very interesting information.

How do you find the right person and how do you find someone you can trust? If there is no conspicuous person in your hospital presently, you can advertise in the VHMA Career Center or locally to try to attract a candidate with formal business management education or experience from another industry. An emerging trend is to hire human health care managers or candidates with a business degree or MBA. Managing a veterinary hospital is not that different from managing in any another service industry. Many successful hospital managers have come from retail, hospitality or banking backgrounds where they already learned how to deal with staff, clients, budgets, inventory, etc. Once hired, there are a number of veterinary specific educational programs that can assist you in training the veterinary aspect of the business (a list of veterinary educators is available in the Links of Interest on the VHMA Web site). For new managers, the VHMA offers a Mentor Program in which an inexperienced manager is partnered

with a veteran manager for guidance and development. VHMA also offers a continuing education track at our Annual Conference specific to learning needs of new managers.

The time spent locating and hiring a veterinary manager will pay off. Most veterinarians will be reluctant to give up control but a new set of eyes can enlighten. Managing a veterinary hospital from a business perspective may be just what is needed to convert an average practice into a winning one.

**2005 Veterinary Hospital Managers Association Survey of Compensation and Benefits for Hospital Managers*



VHMA 2007 Annual Meeting and Conference October 4 - 7, 2007 • Nashville, TN

Program Topics include:

- “How To Build A Better You”***
- “Emergency Practice - A Focus Group Study”***
- “Simple Solutions to OSHA Problems”***
- “Regulations for the Veterinary Hospital Pharmacy”***
- “Understanding and Interpreting Financial Statements”***
- “Budgeting”***
- “Developing and Implementing Hospital Protocols”***
- “Dear Dr. Vet...” - The Manager’s Role in Responding to Licensing Board Investigations”***
- “Horns of Dilemma - Legal Consequences for Veterinary Ethical Breaches”***

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