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Why is business an essential component of veterinary medicine?

In a capitalistic society such as ours, business is integral to every successful venture, including veterinary medicine. The same business principles are applicable to virtually any profession, as long as a good or a service is exchanged for money. From the entire profession to the individual doctor, these principles must be followed to continue our advancement in quality medicine.

From the conception of an idea to begin a veterinary practice, business planning is essential for any practice that wants to be successful and practice medicine. Any sort of medical facility requires a substantial initial investment that usually cannot be funded without outside help. A lender will require a business plan; however, that plan, and subsequent loan, will likely be approved no matter how substandard because veterinarians rarely default on their payments. A business plan is a strategy. A realistic scope of the market, detailed goals of the business and the ways in which it wants to achieve those goals should be included for the benefit of the new practice. Although many practices have probably opened and operated with minimal forethought, a prudent business plan may reveal issues that could come up later and allow the entrepreneur to address these issues before they even arise.

When that plan ultimately becomes a business, a thorough understanding of business principles is needed to increase the net profit. The net is what pays the owner's salary and is reinvested into the clinic. It is a basic understanding that any non-governmental endeavor must accrue the largest amount of revenue by using the smallest amount of investment to be optimally financially successful. This maximizes net profit and is approached at two different angles, as just stated: the business can earn more or it can spend less. The business-savvy owner needs to know how to do both of these for his or her company, not only to increase his own salary, but also to increase what is given back to the practice.

Although veterinarians strive to be paid for knowledge, it is undeniable that practices will almost always have some products to offer clients. Inventory management is not usually addressed in today's curriculum, but a basic understanding of holding costs, turnover ratios, and wastage is essential to maximize the balance of spending less and earning more. Frequent measuring and adjusting are crucial if retail is to be optimally profitable.

As the benefits of these standard business practices are reinvested, the practice, and ultimately the patients and clients, are the ones who benefit. These returns show up as advanced diagnostic and imaging modalities such as ultrasonography or digital radiography, or perhaps as new equipment such as cautery or a laser surgical unit. As long as these are assessed for their true cost and are charged for accordingly, and the clinicians are trained to use them effectively, the quality of medicine can be enhanced. While the knowledge of medical principles is an intangible theory, the truth is that it requires money and equipment to implement those principles; thus it is fair to assume that if one uses business principles to increase profit, quality medical care can be positively affected as well.

How do the business aspects of veterinary medicine affect the medical aspects?

Business aspects most obviously affect medical aspects in that more discretionary income for the practice could translate into more advanced equipment for the clinic. Ultrasound and digital radiography may allow the veterinarian to identify more subtle lesions that could be missed otherwise. Advanced surgical equipment could reduce complications or morbidity associated with certain procedures, or may even make procedures available that previously were not. Business practices may affect the quality of medicine in ways that are not so obvious, but can still have a profound impact on the way one practices.

Studies have found that if services are offered as either a “yes/no” option, approaching a 50% “yes” percentage is considered fairly successful. However, if a so-called “two-yes” option is available, a “yes” percentage of 75-95% is feasible. An example of this would be pre-anesthetic screening or intra-operative monitoring. Although a full serum chemistry panel and a complete blood count with a differential is ideal before anesthesia, alternatively offering just a renal panel and only a total red and white blood cell count may entice clients to accept some sort of pre-anesthetic screening, even if it isn’t the gold standard. This can increase revenue, while not compromising quality of care or the patient’s health. Intra-operative monitoring could be offered much the same way, with a superior offer of ECG, pulse oximetry, capnography, and blood pressure monitoring, or a lower level with just ECG and pulse oximetry.

Some consultants have suggested eliminating accounts receivable. With the accessibility of third-party lending such as CareCredit® and pet insurance such as VPI® Pet Insurance, there is essentially no reason for the veterinarian to assume the role of creditor, as the creditor-debtor relationship isn’t often an amicable one. These companies may affect medical decisions two-fold. First, the doctor may not feel obligated to offer the cheapest therapy for fear that the practice won’t be compensated for it and second, the client may opt for therapy that otherwise would have been inaccessible to them without it.

Some forethought on pharmaceutical pricing can help save clients money on more expensive drugs while allowing the clinician to make more appropriate decisions on drug choice. Assume Clinic A simply prices drugs at 250% cost and Clinic B charges \$0.25 extra per capsule, regardless of the drug, plus 30% for indirect costs. A cheap penicillin capsule that costs \$0.10 would cost \$0.25 to clients at Clinic A and \$0.38 at Clinic B. A more expensive flouroquinolone that costs \$1.00 per capsule would be \$2.50 to clients at Clinic A and \$1.55 to clients at Clinic B. When multiplied over a full dosing regimen the differences for the penicillin are relatively minimal, but the flouroquinolone price difference is substantial. This method of pricing at Clinic B has several beneficial effects. First and foremost, the patient that truly needs the flouroquinolone is more likely to receive it because it is more affordable to the client. Second, the doctor will be less persuaded to over prescribe an unnecessary antibiotic because of the financial gain, and in a worldly view, extend the effective life of our antibiotics.

Everyday, the business and medical aspects impress upon each other, sometimes more subtly as described, other times more conspicuously such as monitoring and tracking client compliance. These relationships are too frequently overlooked, but should not be, as the principles that help the patients, can also help the bottom line.

How can an associate demonstrate good business skills? How can an owner?

Good business skills must be practiced by everyone in a clinic, not just the one who runs the business. There are many that are specific to the owner, who may possibly have the largest effect with good business skills, but there must be a mindset in any practice setting that everyone is important in the team, and it could not run without each person.

The owner of any practice needs to be proficient at managing one of his or her largest assets and expenses, the staff. There is a saying that holds true in this profession as in any other: “hire for attitude and train for skills.” In-service training can be performed by more experienced team members or outside training can be gained in the form of continuing education. Many times, the benefits of training the staff are not realized until it is too late. The staff is taught good habits and practices in formal training; and documentation of the training can also reduce liability if the practice is ever involved in legal matters. An owner should never be afraid to spend money on training an employee for fear that they may leave; rather, that owner should be afraid that he doesn't and they stay.

Once support personnel has established him or herself at a practice, owners and associates can give increasingly more responsibilities to that employee. This should go beyond simply delegating tasks; it should be entrusting the employees with responsibilities. Most notably, this motivates the employee. Studies have shown that although money is one of the top six incentives for performance, it is not in the top three: respect, responsibility, and recognition lead in motivating. The other obvious added benefit is the owner and associates don't need to micro-manage every detail of the practice. The receptionist handles the reception area, a technician may handle the treatment room, and the associates and partners can do what they do best, which is practice medicine.

This commitment to excellence and the respect given to the employees will ultimately foster an environment of good customer service. If it is true that the staff treats clients the way in which the staff is treated by employers, it is vital that associates and owners treat staff with respect and with a smile. The profession sells knowledge, not products, and when this service is performed, the experience is almost entirely based on interpersonal interaction. The majority of this interaction is not with the doctors but the support staff, therefore a smiling, personable employee should be the first thing a client sees upon entering, and the last when leaving. It is up to the owners and associates to ensure the employees enjoy what they do and are truly delighted to help the client.