Economic Trends and Issues in Veterinary Medicine

Dr. Karen E. Felsted, CPA, MS, DVM, CVPM
Felsted Veterinary Consultants, Inc.
Data Needs

- Much data available for
  - Companion animal private practice arena
  - Compensation for all groups

- Other data less available

- AVMA and allied groups must work together to identify the data needed, how to get it and how to make it accessible
Before the Recession

Veterinary care usage metrics declining in spite of increased pet numbers

- Transactions per FTE veterinarian
- Median new clients per FTE veterinarian
- Median active clients per FTE veterinarian
- Total veterinary visits
- Veterinarian visits per pet
- % of households with pets who visited the veterinarian

- Average practice revenue up 7-13%
- Veterinarian compensation/take home earnings up

During/Post Recession

- Continued decline in visits
- Decline in revenue growth/absolute revenue
- Softening in veterinarian compensation/earnings

2011
- Estimated 1-3% revenue growth in companion animal practices
- Much variability in impact of recession on practices
- Visits still declining in practices

Patient Visits in Serious Decline…

Net 17% report a decline  
(Net Decrease – Net Increase)

<table>
<thead>
<tr>
<th>Increase</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased 10% or more</td>
<td>8%</td>
</tr>
<tr>
<td>Increased 1-9%</td>
<td>26%</td>
</tr>
<tr>
<td>Stayed the same</td>
<td>14%</td>
</tr>
<tr>
<td>Decreased 1-9%</td>
<td>35%</td>
</tr>
<tr>
<td>Decreased 10% or more</td>
<td>16%</td>
</tr>
<tr>
<td>Don't know</td>
<td>34%</td>
</tr>
</tbody>
</table>

Bayer Veterinary Care Usage Study  
©2011 Bayer HealthCare
## Veterinarian Supply Growing Faster Than Pet Owner Demand

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Comp. Animal Veterinarians</td>
<td>30,255</td>
<td>44,785</td>
<td>+48</td>
</tr>
<tr>
<td>Comp. Animal Practices</td>
<td>20,170</td>
<td>22,393</td>
<td>+11</td>
</tr>
<tr>
<td>Dogs</td>
<td>52,922</td>
<td>72,114</td>
<td>+36</td>
</tr>
<tr>
<td>Cats</td>
<td>59,094</td>
<td>81,721</td>
<td>+38</td>
</tr>
</tbody>
</table>
Workforce Issues

- Lots of opinions about this—need serious analysis and data in all arenas
  - Public health
  - Research
  - Food supply/safety
  - Private practice—FA, Equine, CA

- Illegal practice a related issue
Cost of Care Has Increased

- Significant fee increases
- More sophisticated care available
- Referral hospitals
- Emergency hospitals
- Pets are living longer
  - More routine care
  - More likely to develop serious and/or chronic diseases
Price is an Issue

Costs much higher than expected
- Pet Owners: 26% Agree, 28% Neutral
- Vets: 26% Agree, 25% Neutral

Always looks for less expensive vet option
- Pet Owners: 26% Agree, 30% Neutral

Would switch for less expensive vet
- Pet Owners: 26% Agree, 25% Neutral

More difficult to increase fees
- Vets: 74% Agree, 15% Neutral

Client increasingly complaining about fees
- Vets: 49% Agree, 29% Neutral

Bayer Veterinary Care Usage Study
©2011 Bayer HealthCare
Pet Owners Don’t See Value

- Weakness
  - Value
  - Payment Options
  - Comfort Waiting Room - Pet
  - Comfort Waiting Room - Owner

- Strengths
  - Friendliness - Vet
  - Friendliness - Staff
  - Range of Services
  - Hours of Operation
  - Appt. on Time
  - Reminder Method

Bayer Veterinary Care Usage Study
©2011 Bayer HealthCare
Cats Significantly Under-Represented in Patient Base

Population

Patients

45% Cats
55% Dogs
39% Cats
59% Dogs

Bayer Veterinary Care Usage Study
©2011 Bayer HealthCare
80% of Growth Potential is Cats

- 13% more cats than dogs
- Cat visits are ~30% less than dog visits
- Cat owners spend less on veterinary care
- Cat owners don’t understand the need for veterinary care as much as dog owners
- Lifetime value of cats is higher than veterinarians think it is

Bayer Veterinary Care Usage Study
©2011 Bayer HealthCare
Banfield Pet Hospital State of Pet Health 2011 Report

- 16% increase in canine flea infestation cases
- Dx of Lyme disease has doubled in last 5 years
  - 11,000 cases in 2010
- Diabetes mellitus
  - Canine: 32% increase since 2006
  - Feline: 16% increase since 2006
Veterinary Student Debt, Starting Salaries and Jobs

- 68% of veterinarians have no debt—typically doctors who graduated many years ago
- 2011 graduate-US veterinary college
  - $66,469 average private practice starting salary (down 1.3% from 2010)
  - $142,613 average debt (up 6.5% from 2010)
- Median debt is $140,000
  - 18% have debt in excess of $200,000
  - Not uncommon to see in excess of $250,000
Veterinary Student Debt, Starting Salaries and Jobs

- 89.6% of those graduating had student debt
- 91.2% of the debt was incurred while in veterinary school
- Fewer 2011 veterinary graduates had a job offer at the time of graduation and, on average, received fewer offers per student
New Graduates Choosing Advanced Studies

Graduates to specialty disciplines or advanced studies

- 1996 18.0%
- 2006 25.9% (459 graduates)
- 2011 30.5% (799 graduates)
- 138 residency positions available 2010
- About 750 specialty practices
Why Picking Internships?

AVMA 2011 Annual 4th Year Veterinary Student Survey
- 36.9% selected internship route to practice better quality veterinary medicine
- 22.1% believed they needed more training before entering practice

AVMA 2010 Biennial Economic Survey data demonstrated that completion of an internship, unless it culminates in a residency, doesn’t appear to have an economic benefit (i.e. lead to higher earnings)
Who Wants to Be a Practice Owner?

  - 74.2% of the male students
  - 48.5% of the female

- Owners, on average, earn $58,000 more per year than associates

“Gender Differences in Salary and Practice Ownership Expectations of Matriculating Veterinary Students”
JAVMA 8/1/11/2011 AVMA Report on Veterinary Compensation
Veterinary colleges continue to face severe financial problems due to a significant reduction in public funding.

Many veterinary colleges are increasing class sizes, several new veterinary schools anticipated to open soon and several more colleges of veterinary medicine have received AVMA accreditation.

The number of applicants to veterinary colleges has declined and is currently a little over 2 applicants for every seat.
Us vs. Them: Earnings

<table>
<thead>
<tr>
<th>Profession</th>
<th>Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physicians</td>
<td>$173,860</td>
</tr>
<tr>
<td>Dentists</td>
<td>$158,770</td>
</tr>
<tr>
<td>Lawyers</td>
<td>$129,440</td>
</tr>
<tr>
<td>Veterinarians</td>
<td>$92,570</td>
</tr>
<tr>
<td>Chiropractors</td>
<td>$79,820</td>
</tr>
<tr>
<td>Optometrists</td>
<td>$106,750</td>
</tr>
</tbody>
</table>
Us Versus Them: Profits

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

- CPA offices: 17.1%
- Chiropractors: 16.0%
- Dental offices: 15.4%
- Optometry: 12.2%
- MDs (general/family): 10.4%
- Phys/occ therapy: 11.0%
- Veterinarians: 10.5%
Business Practices Used in Veterinary Hospitals

- Use of important business strategies fell between 1997-2003
- Increasing prices is most used tool to increase profits
- 62% of veterinarians don’t use financial concepts to run their businesses
- Many veterinarians do not review key metrics on a regular basis

AVMA-Pfizer Business Practices Study, Bayer Veterinary Care Usage Study