

# Economic Trends and Issues in Veterinary Medicine



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# 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

AAHA Financial & Productivity Pulsepoints/JAVMA 8/1/08/AVMA US Pet Ownership & Demographics Sourcebook/DVM State of Profession Survey 2009/AAHA Compensation & Benefits/2011 AVMA Report on Veterinary Compensation/Benchmarks-Well Managed Practices

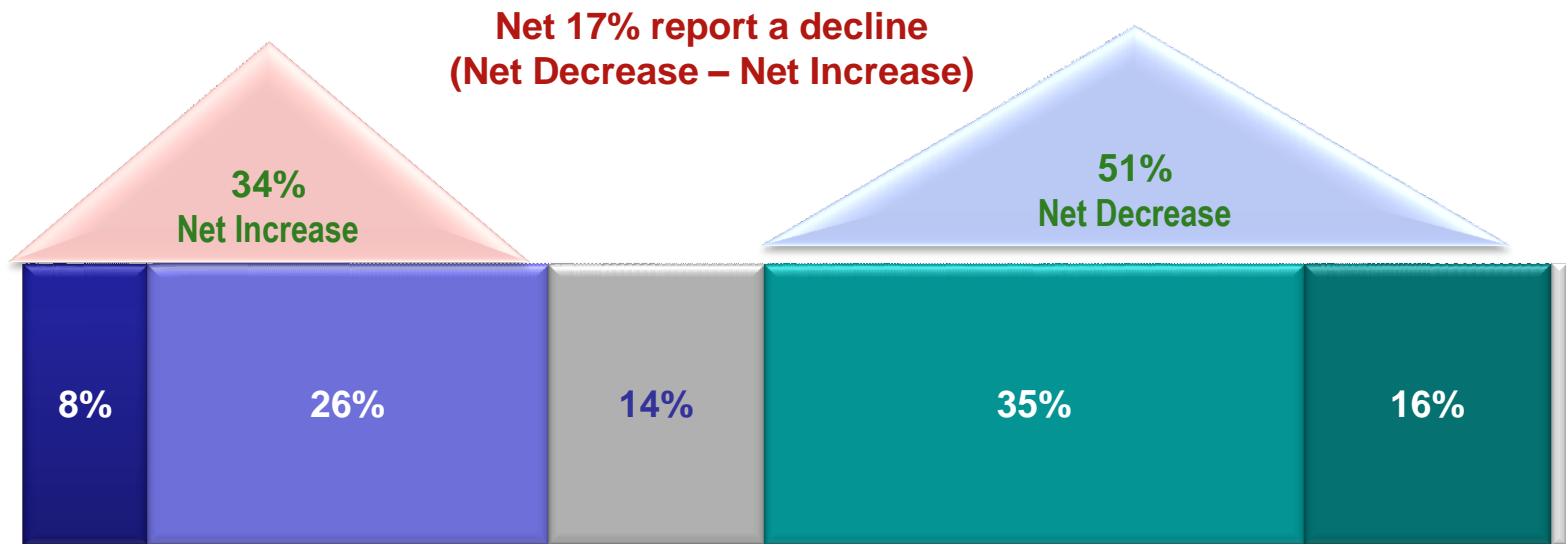


# During/Post Recession

- 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

Bayer Veterinary Care Usage Study/AAHA Financial & Productivity Pulsepoints/AAHA Compensation & Benefits/2011 AVMA Report on Veterinary Compensation/Benchmarks-Well Managed Practices/AAHA State of the Industry 2010 Review/Burzenski & Co/Gatto  
McFerson CPAs Calif Veterinary Economic Report

# Patient Visits in Serious Decline...



■ Increased 10% or more ■ Increased 1-9% ■ Stayed the same ■ Decreased 1-9% ■ Decreased 10% or more ■ Don't know

# Veterinarian Supply Growing Faster Than Pet Owner Demand



	1996/1997	2006/2007	%Change
Comp. Animal Veterinarians	30,255	44,785	+48
Comp. Animal Practices	20,170	22,393	+11
Dogs	52,922	72,114	+36
Cats	59,094	81,721	+38

# 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

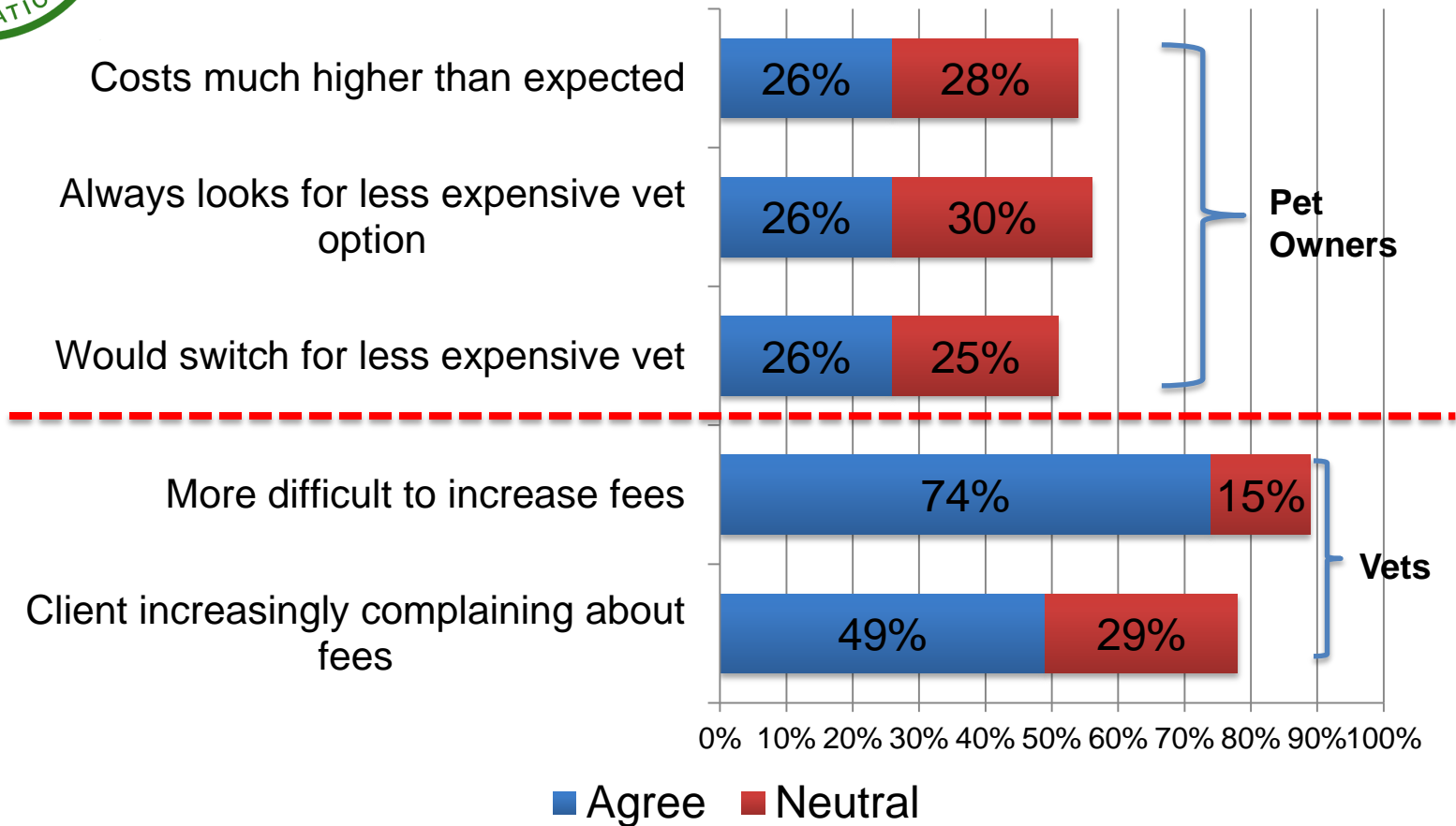
# Cost of Care Has Increased



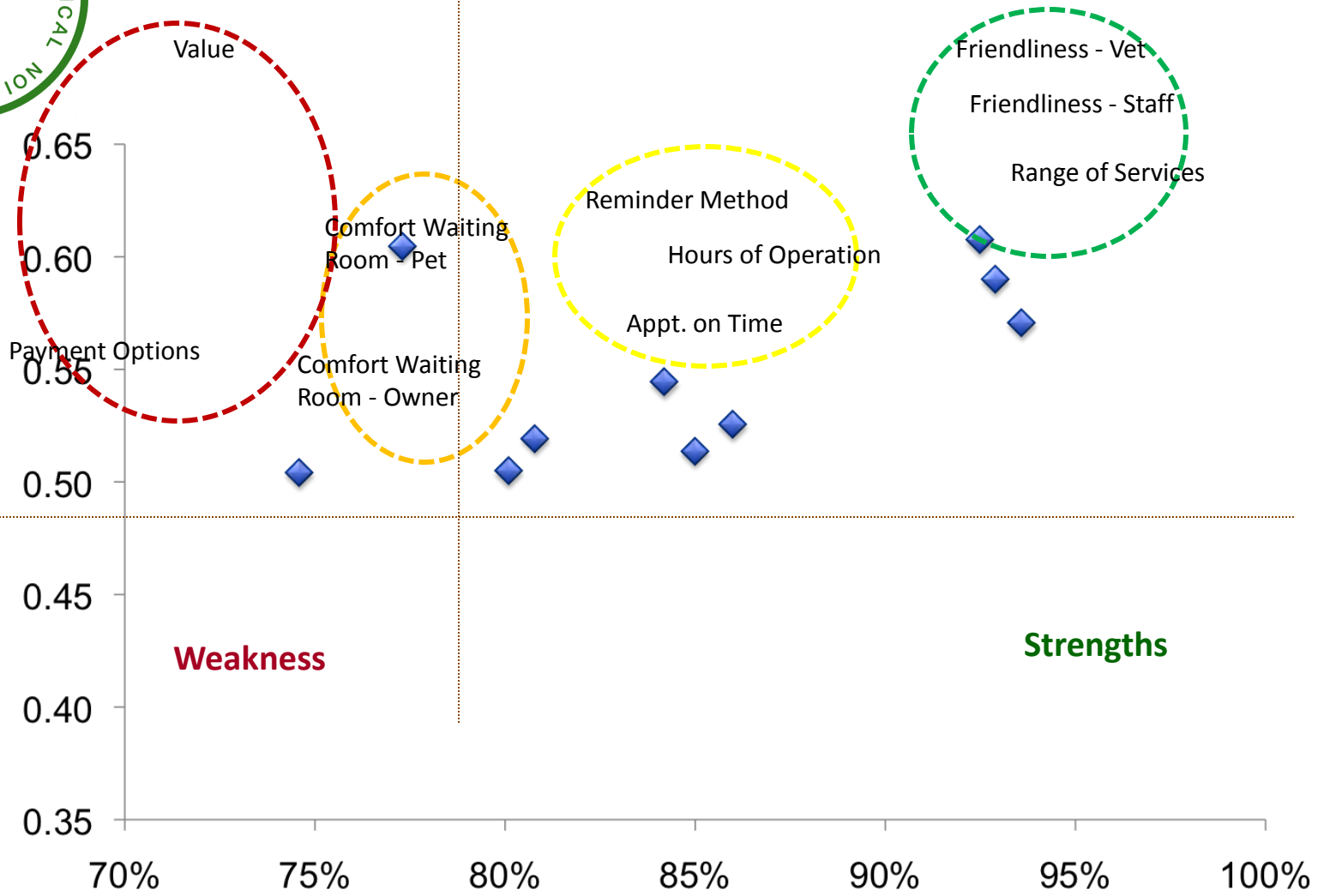
- Significant fee increases
- More sophisticated care available
- Referral hospitals
- Emergency hospitals
- Pets are living longer
  - More routine care
  - More likely to develop serious and/or chronic diseases



# Price is an Issue



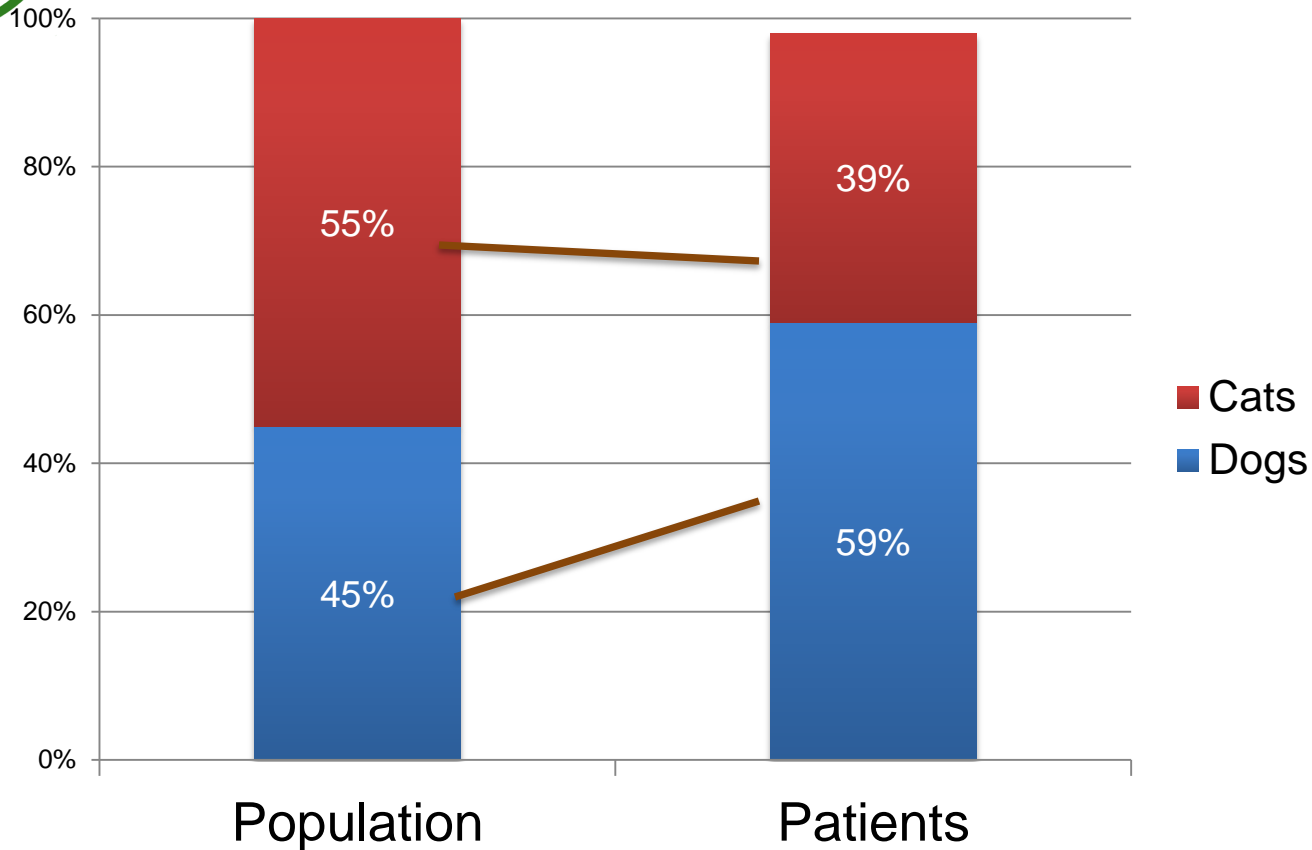
# Pet Owners Don't See Value



**Weakness**

**Strengths**

# Cats Significantly Under-Represented in Patient Base



# 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

# 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 4<sup>th</sup> 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?



- Survey of first-year veterinary students at NCSU during 2000-2003 and 2005-2009
  - 74.2 of the male students
  - 48.5% of the female
- Owners, on average, earn \$58,000 more per year than associates

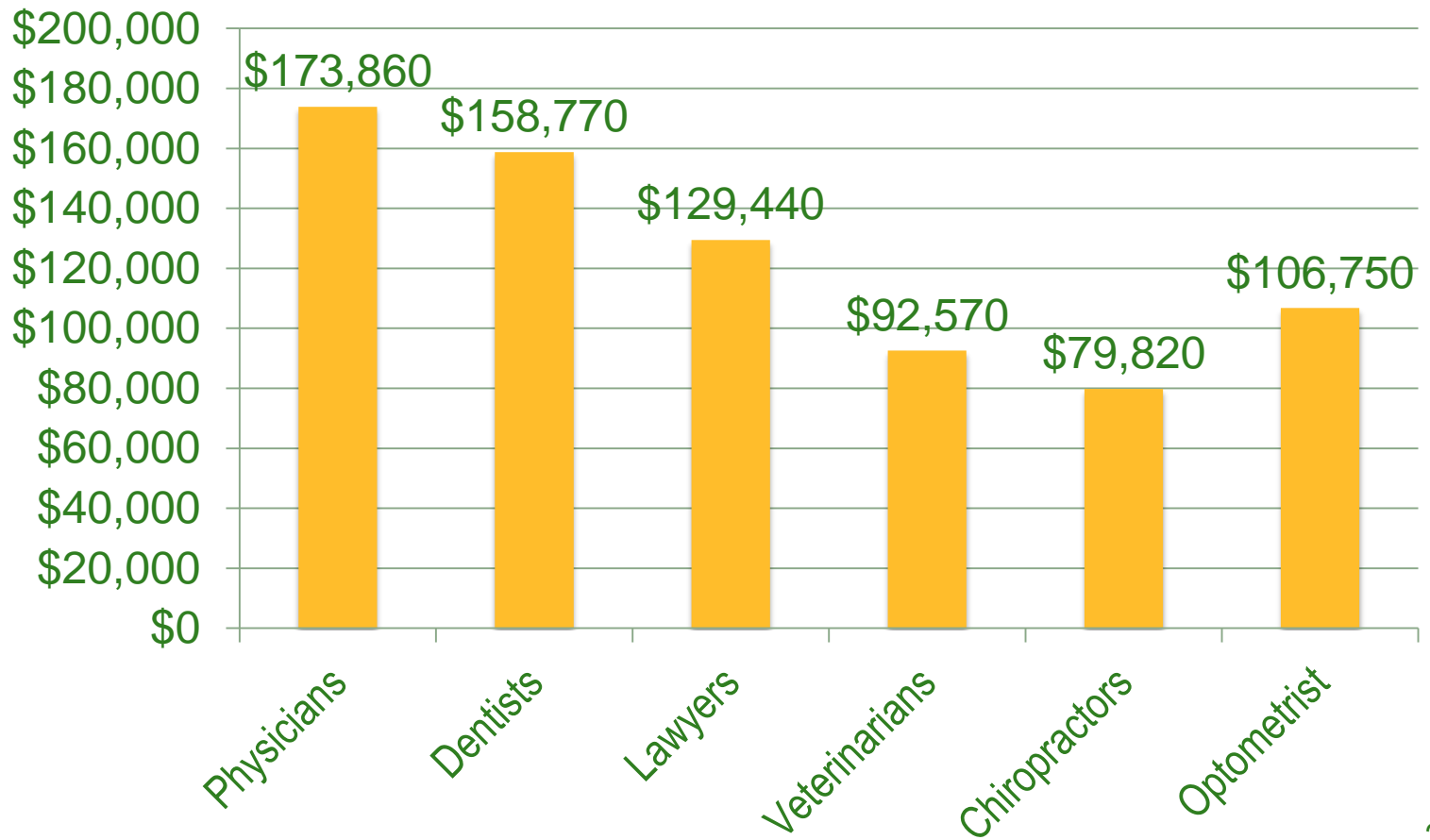
“Gender Differences in Salary and Practice Ownership  
Expectations of Matriculating Veterinary Students”  
JAVMA 8/1/11/2011 AVMA Report on Veterinary  
Compensation

# Colleges of Veterinary Medicine

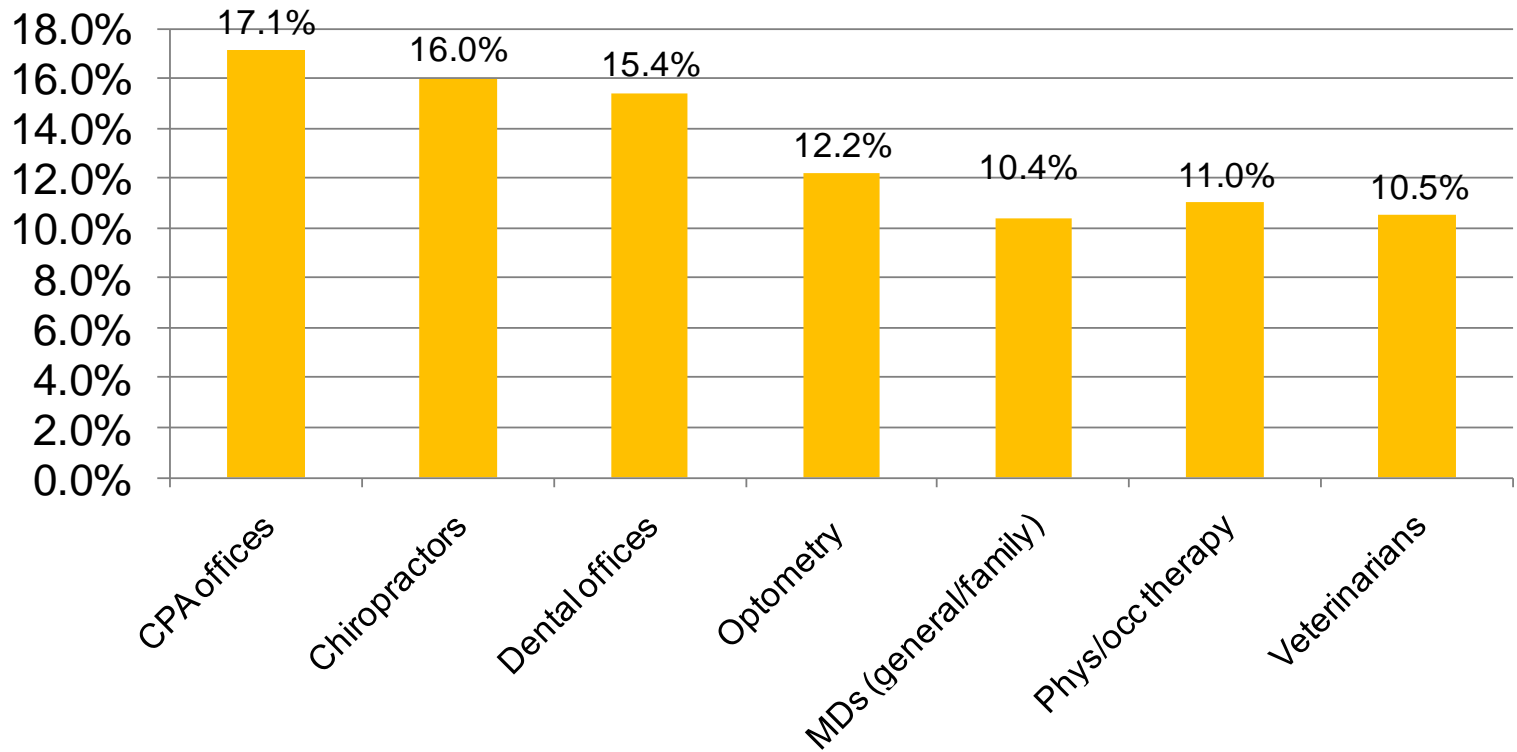


- Veterinary colleges continue to face severe financial problems due to a significant reduction in public funding
- Many veterinary colleges are increasing class sizes, several new veterinary schools anticipated to open soon and several more colleges of veterinary medicine have received AVMA accreditation
- The number of applicants to veterinary colleges has declined and is currently a little over 2 applicants for every seat

# Us vs. Them: Earnings



# Us Versus Them: Profits



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

# 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



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