

# Financial Management: What to Look For and What to Do About It

## I. How is Your Practice Doing Compared to the Same Time of the Previous Year?

- A. Gross up, down or the same?
- B. New, improved or declined?

## II. What is Happening Within Our Profession?

## III. What Are Your Practice's Pulse Points? — Scoreboard Your Practice

- A. Revenue Overall Hospital
  - 1. Monthly Sales
  - 2. New Clients
  - 3. Number of Invoices
  - 4. Average per invoice (ACT)
- B. Develop Doctor Production Report
  - 1. Monthly Sales
  - 2. Number of invoices generated
  - 3. Average client charge (ACT)
- C. All information should be benchmarked
  - 1. This month / Last month
  - 2. This year / Last year
- D. All information should be compared with industry standards
  - 1. Industry standards per full-time equivalent DVM for overall hospital invoices
    - a. Monthly sales - \$57,284      \$687,408/year  
\$476,806 = Medical Services Revenue  
\$157,299 = Medical Products Revenue  
\$ 53,303 = Other Revenue
    - b. Number of invoices – 463 per month or 5,558 per year
    - c. Number of transactions: All = 5,900    Doctor = 3,200    Other = 2,700
    - d. ACT - \$123.68
  - 2. Industry standards per full-time equivalent DVM for DVM professional services
    - a. Monthly sales - \$53,678      \$644,138/year
    - b. Number of invoices – 257 per month or 3,082 per year
    - c. ACT - \$209.00

4. Average number of new clients per full-time equivalent doctor
    - a. 17.8 per month or 214 per year
  5. Average number of new patients per full-time equivalent doctor
    - a. 33.8 per month or 406 per year
  6. Average number of active clients per full-time equivalent doctor
    - a. 968
  7. Average number of active patients per full-time equivalent doctor
    - a. 1,561 per year
- E. How do you increase the average invoice?
1. Charge for what you do
  2. Institute controls to make sure all charges are billed
  3. Review pricing structures and product mark-ups
  4. Review discount policies
  5. Excel at client education to market existing and new services
  6. Offer another product and/or service
- F. Facility Costs
- |   |      |
|---|------|
| Rent                                    | 5.1% |
| Repairs & Maintenance -Facility/Grounds | 0.7% |
| Utilities                               | 0.7% |
| Property & Casualty Insurance           | 0.3% |
| Real Estate Taxes                       | 0.6% |
| Janitorial, Housekeeping, Trash Removal | 0.4% |

#### **IV. Look for Strengths and Weaknesses Within the Income Areas of Your Practice**

- A. Comprehensive Physical Exam
- B. Wellness Comprehensive Physical Exam
- C. Medical Progress Exam
- D. Items to Consider
  - I. Hospital Services
    - a. Are surgeries and anesthesia procedures timed and billed appropriately?
    - b. Are medical care plans being used?

## 2. Current Trends in Revenues of Most Hospitals

<b><u>MEDICAL SERVICES</u></b>	<b><u>% of Total Revenue</u></b>	<b><u>ONLINE STORE</u></b>	<b><u>% of Total Revenue</u></b>
Examinations/Consultations	13.5%	Drugs & Medical Supplies	\$71,026
Professional/Diagnostic Services	4.8%	Food Sales	\$22,951
Diagnostic Imaging	4.5%	Over-the-Counter Sales	<u>\$ 4,827</u>
Vaccinations	6.9%	<b>Total</b>	<b>\$98,804</b>
Laboratory	16.6%		
Surgery	4.5%		
Anesthesia	3.2%	<b><u>MEDICAL PRODUCTS</u></b>	<b><u>% of Total Revenue</u></b>
Hospitalization	1.2%	Medicine Dispensed	12.3%
Injections	3.0%	Heartworm/Flea/Tick Products	8.6%
Dentistry	2.8%	Other Medical Products	<u>0.8%</u>
Integrative Therapy	0.9%	<b>Total</b>	<b>21.8%</b>
Other Medical Services	1.6%		
Discounts	-2.2%		
Preventive Care/Wellness	4.7%	<b><u>NON-MEDICAL REVENUE</u></b>	<b><u>% of Total Revenue</u></b>
Fluid Therapy	1.0%	Over-the-Counter Products	1.0%
Euthanasia/Aftercare	1.9%	Diets (therapeutic & retail)	2.7%
Emergency Fees	<u>0.7%</u>	Bathing & Grooming	1.1%
<b>Total</b>	<b>69.5%</b>	Boarding	2.9%
		Other Non-Medical Services/Products	0.7%
		Enrollment Fees	<u>0.4%</u>
		<b>Total</b>	<b>8.7%</b>

## 3. Consider Additional Services - Ancillary

Puppy Training Classes	> 20% of practices
House Calls	> 35% of practices
Adoption Programs	> 20% of practices
Behavior Counseling	> 45% of practices
Pet Transportation	> 20% of practices
Nutrition Counseling	> 50% of practices

## 4. Consider Additional Services – Medical

a. Ultrasound	d. Ophthalmology
b. Acupuncture	e. Laser Surgery
c. Endoscopy	

**\* Invest in new equipment  
- Today's hospital budget is  
2 to 3% of gross revenue**

## **V. Variable Expenses as a % of Total Revenue**

Drugs and medical supplies	10.1%
Heartworm/flea/tick products	4.6%
Laboratory	4.2%
Cremation/care of remains	0.6%
Diets (therapeutic and retail)	2.3%
Rabies tags/Dog licenses	0.3%
Grooming supplies	0.1%
Other medical products	0.8%
Items purchased for OTC sale	0.5%
Practice vehicle expense (gas, repairs, Ins.)	0.2%
Collection expense	0.1%
Bad debt/returned checks	0.1%
Credit card/merchant fees	1.6%
Refunds to clients	0.1%
Medical waste disposal/radiation badge monitoring	0.1%
Sales and use tax	<u>0.8%</u>
<b>TOTAL</b>	<b>26.5%</b>

## **VI. Fixed Expenses as a % of Total Revenue**

Advertising and promotion	0.5%
Professional/business dues and subscriptions	0.3%
Office and computer supplies	0.6%
Postage/freight and delivery	0.1%
Printing	0.1%
Insurance (health and liability)	1.8%
Insurance (workers' comp./industrial insurance)	0.4%
Telephone, answering service, Internet	0.4%
Continuing education, meetings and travel	0.5%
Business meetings	0.1%
Repairs and maintenance - equipment	0.3%
Business consultation services	0.5%
Rent	6.0%
Accounting services	0.2%
Legal services	0.2%
Payroll service/retirement administration cost	0.2%
Laundry and uniforms	0.1%
Business gifts and flowers	0.1%
Charitable contributions	0.1%

### **Fixed Expenses as a % of Total Revenue (continued)**

Entertainment	0.1%
Bank charges	0.0%
Other/miscellaneous	0.2%
Technical (IT) support contracts	0.4%
Recruitment and relocation	0.1%
Licenses and permits	0.1%
Personal property tax	0.2%
Employee Relations	<u>0.2%</u>
<b>TOTAL</b>	<b>13.8%</b>

### **VII. Some Points to Consider**

- A. Our ability to drive service revenue is a factor of time and efficiency
- B. A doctor's time is a finite and scarce commodity
  - I. "There are only twenty-four hours in a day."
- C. More Transactions
  - I. Less doctor time per transaction
- D. Less Transactions
  - I. More doctor time
- E. Quality of Personal vs. Professional Life

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All practitioners must find a balance of time and efficiency  
that is perceived to be fair and equitable to the client.

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### **VIII. How Can We Increase Our Income and Improve Upon Our Quality of Life?**

- A. Delegate and leverage your health care team.
  - I. Make your staff a resource, not a cost
- B. Ask Yourself: What tasks or activities currently performed by the doctor can be delegated to members of the veterinary health care team?
- C. Develop passive income areas of the practice by utilizing your veterinary health care team.
- D. Look to those services that don't require direct, full-time involvement of the doctor.
- E. What are the most common passive income areas?
  - I. Dental Cleanings
  - 2. Radiograph Procedures
  - 3. Lab Work

4. Nail Trims
5. Ear Cleanings
6. Bandage Changes
7. Anesthesia Induction
8. Boarding
9. Grooming

**IX. Characteristics of Successful Practices**

- A. Will average 38% more visits per week
- B. Doctors will not work an excessive number of hours
- C. Will produce 51% more personal gross revenue
- D. Will receive more than 100% greater personal compensation
- E. Will utilize one additional non-DVM staff per DVM on practice than others
- F. Will average total expenses 2% greater than other practices
- G. Will have an average client transaction \$7-\$10 higher than others

**X. Invest in Continuing Education**

- A. Budget .6-1% of gross revenue and include entire health care team in training

**XI. Industry Trends**

- A. Limited DVM availability
- B. How do we leverage our doctors' ability to enhance revenue?

**XII. Can We Achieve a "10" Quality of Personal and Professional Life?**

- A. Dream or Reality?

Enter your practice data in the light blue cells.

Clinic Name Here

**End of Month Report**

Month: December  
Year: 2022

	Last Year:		
INCOME	Dec 2019	Dec 2018	Difference
Total Income			
Number of Business Days			
Transactions			
Average per Transaction			
Number of New Clients			
Total Accts Receivable			

Last Month:	
Nov 2019	Difference

INCOME ACCOUNTS					
Professional Services			Boarding		
Dentistry			Grooming		
Surgery			Diet Products		
In-house Lab			Pharmacy		
Outside Lab			Flea Products		
Radiology			General Inventory		
Anesthesia			Other Income		
Clinical Trial			Discounts		

Forecasted Income		More than last year
Forecasted Reached?		

Accounts Payable	
Previous Balance:	
+ Current A/P*:	
- Payments Made:	
<b>Accounts Payable Balance:</b>	

EOM Checking Account Balance

\* Current A/P is <= 30 days, incurred since last report

STAFF SALARIES			
	Industry Avg	Dollars	% to Gross
Receptionist	4.4%		
Technicians/Assistants	10.5%		
Animal Handlers	1.2%		
Administrative	3% - 4%		
Staff Veterinarians	10 - 14%		
<b>Total</b>			

Clinic Name Here

## End of Month Report

Month: December

Year: 2022

Cost of Goods Sold	\$0.00	% of Gross Rev	\$0.00	% of Gross Rev
Dentistry			Pharmacy	
Surgery			Flea Products	
In-house Lab			General Inventory	
Radiology			Grooming	
Anesthesia			Other	
Dietary Products			Outside Lab	

### SALES BY PROVIDER

#### Last Year

#### Last Month

Dr. One	Dec 2019	Dec 2018	Difference
Total Income			
Transactions			
Average per Transaction			

Nov 2019	Difference

Dr. Two	Dec 2019	Dec 2018	Difference
Total Income			
Transactions			
Average per Transaction			

Nov 2019	Difference

Dr. Three	Dec 2019	Dec 2018	Difference
Total Income			
Transactions			
Average per Transaction			

Nov 2019	Difference

Dr. Four	Dec 2019	Dec 2018	Difference
Total Income			
Transactions			
Average per Transaction			

Nov 2019	Difference



# Doctor Production Report

	March			April			May						
	2022	% Gross	2021	2022	% Gross	2021	2022	% Gross	2021				
<b>Dr. A</b>													
Diagnostic Income	\$10,483.07	22.34%	\$9,019.15	\$9,142.89	24.21%	\$5,899.77	\$12,099.04	27.34%	\$6,368.85	22.21%			
Pharmacy Income	\$10,942.94	23.32%	\$6,493.35	\$7,318.84	19.38%	\$4,380.17	\$9,434.94	21.32%	\$4,980.95	17.37%			
Professional Value Inc	\$23,354.62	49.77%	\$15,909.97	\$17,670.21	46.79%	\$10,247.66	\$20,255.04	45.77%	\$13,182.17	45.97%			
Miscellaneous Income	\$2,144.47	4.57%	\$4,711.93	\$3,632.99	9.62%	\$996.57	\$2,464.95	5.57%	\$4,143.62	14.45%			
TOTAL INCOME	\$46,925.10	100.00%	\$36,134.40	\$37,764.93	100.00%	\$21,524.17	\$44,253.97	100.00%	\$28,675.59	100.00%			
Average Invoice	\$259.25		\$301.12	\$250.10		\$244.59	\$230.49		\$235.05				
Number of Invoices	181		120	151		88	192		122				

	March			April			May						
	2022	% Gross	2021	2022	% Gross	2021	2022	% Gross	2021				
<b>Dr. B</b>													
Diagnostic Income	\$8,882.85	27.41%	\$6,291.23	\$5,788.27	20.18%	\$5,666.77	\$7,760.60	30.41%	\$6,438.76	23.34%			
Pharmacy Income	\$6,594.89	20.35%	\$5,714.40	\$5,008.09	17.46%	\$4,431.87	\$4,938.10	19.35%	\$5,848.40	21.20%			
Professional Value Inc	\$15,429.13	47.61%	\$11,447.67	\$15,064.42	52.52%	\$11,729.03	\$11,639.63	45.61%	\$11,716.11	42.47%			
Miscellaneous Income	\$1,500.46	4.63%	\$3,501.41	\$2,822.42	9.84%	\$3,686.85	\$1,181.57	4.63%	\$3,583.52	12.99%			
TOTAL INCOME	\$32,407.33	100.00%	\$26,954.71	\$28,683.20	100.00%	\$25,514.52	\$25,519.90	100.00%	\$27,586.79	100.00%			
Average Invoice	\$209.08		\$205.76	\$235.11		\$229.86	\$197.83		\$215.52				
Number of Invoices	155		131	122		111	129		128				

	March			April			May						
	2022	% Gross	2021	2022	% Gross	2021	2022	% Gross	2021				
<b>Dr. C</b>													
Diagnostic Income	\$9,533.02	23.17%	\$14,614.97	\$9,081.04	20.48%	\$10,708.36	\$10,594.68	23.17%	\$12,032.80	24.96%			
Pharmacy Income	\$8,282.24	20.13%	\$11,396.89	\$8,783.96	19.81%	\$11,178.10	\$9,204.60	20.13%	\$8,663.03	17.97%			
Professional Value Inc	\$21,559.36	52.40%	\$24,466.97	\$22,365.63	50.44%	\$23,856.52	\$23,960.33	52.40%	\$21,226.15	44.03%			
Miscellaneous Income	\$1,769.18	4.30%	\$2,977.51	\$4,110.42	9.27%	\$2,190.57	\$1,966.20	4.30%	\$6,286.36	13.04%			
TOTAL INCOME	\$41,143.80	100.00%	\$53,456.34	\$44,341.05	100.00%	\$47,933.55	\$45,725.81	100.00%	\$48,208.34	100.00%			
Average Invoice	\$258.77		\$255.77	\$238.39		\$275.48	\$198.81		\$243.48				
Number of Invoices	159		209	186		174	230		198				