

How To Determine Your Client Fees Fairly & Accurately

I. Client Fees

- A. Need to separate “Shopped and Exposed” fees from your in-hospital fees
 - 1. Definition of “Shopped and Exposed” fees
 - 2. Definition of “In-hospital” fees

II. “Shopped” and “Exposed” Services



III. Calculate Your Fees Based On:

- A. Overhead costs per minute
- B. Direct costs at percent (%) mark-up
- C. Return on time to the doctor

IV. In-Hospital Service Fees - Overhead costs per minute

- A. Calculate overhead costs/minute/DVM
- B. Formula: ALL expenses – compensation to doctors (both owners & associates) including related costs – inventory costs ÷ number of hours the doctors are scheduled (both office hours & surgery) ÷ 60 = overhead costs/minute/DVM

V. In Hospital Fees - Direct costs

- A. Direct costs definition: Inventory costs, costs of materials used in the procedure
- B. Formula: 2x cost due to costs of ordering

VI. In Hospital Fees - Return on time to the Doctor

- A. Return on time to the Doctor definition: Per minute cost of the doctor's time spent on a procedure
- B. Formula: Cost of DVM's time/minute x # of minutes spent on procedure
- C. In hospital procedures
- D. Surgery
 - 1. General/Soft Tissue
 - 2. Orthopedic

VII. How to Determine Pharmacy Fees

- A. Set % mark-up
- B. Minimum per pill charge
- C. Pharmacy preparation charge
- D. Minimum Rx charge

VIII. Outside Laboratory

- A. 2 x cost plus \$5.00, or
- B. 2.5 x cost

IX. Update Your Fee Schedule

- A. Your fee schedule needs to be updated at least every six months
- B. Evaluate your "Shopped and Exposed" services
- C. Increase your "In-hospital" fees at least twice the cost of living
- D. Review outside laboratory charges
- E. Keep up daily on pharmacy items

LET'S CALCULATE YOUR IN-HOSPITAL FEES

- A. Overhead Costs Per Minute

 - B. Direct Costs at Percentage Mark-up

 - C. Return on Time to the Doctor
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PHARMACY

- A. Set % Mark-up

- B. Minimum Per Pill Charge

- C. Pharmacy Preparation Charge

- D. Minimum Rx Charge

SAMPLE VETERINARY HOSPITAL, INC.
COMPARATIVE INCOME STATEMENTS
FOR THE TWELVE MONTHS ENDED DECEMBER 2022 AND 2021
(Prepared Without Audit - For Management's Use)

	<u>12 Months Ended</u> <u>Dec. 31, 2022</u>	<u>12 Months Ended</u> <u>Dec. 31, 2021</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Pct</u>
INCOME				
Office Visit	\$ 161,961	\$ 152,337	\$ 9,624	6
Outpatient svc/Immunization	193,753	228,719	(34,966)	(15)
Pharmacy	281,497	258,490	23,007	9
Dietary products	90,234	90,014	220	0
Laboratory income	249,621	283,809	(34,188)	(12)
Radiology income	51,320	49,444	1,876	4
Hospitalization/inpatient	57,298	62,189	(4,891)	(8)
Surgery	87,480	95,197	(7,717)	(8)
Dentistry	35,554	32,944	2,610	8
Anesthesia	82,203	73,663	8,540	12
Ancillary Services	234,274	250,275	(16,001)	(6)
Ultrasound	14,278	19,033	(4,755)	(25)
Large animal & misc.	(258)	(1,870)	1,612	(86)
Total Income	<u>\$ 1,539,215</u>	<u>\$ 1,594,244</u>	<u>\$ (55,029)</u>	<u>(3)</u>
COST OF PROFESSIONAL SERVICES				
Non medical supplies	\$ 8,531	\$ 7,558	\$ 973	13
Medical supplies	14,288	15,717	(1,429)	(9)
Outpatient svc/immunizations	9,458	12,925	(3,467)	(27)
Pharmacy costs	151,899	122,044	29,855	24
Dietary products	57,236	54,040	3,196	6
Laboratory costs	56,495	58,236	(1,741)	(3)
Radiology costs	1,041	2,407	(1,366)	(57)
Hospitalization/inpatient	2,261	0	2,261	0
Surgery costs	5,096	860	4,236	493
Dentistry costs	824	314	510	162
Anesthesia costs	2,874	3,069	(195)	(6)
Ancillary services	17,152	11,454	5,698	50
Animal disposal	2,412	3,672	(1,260)	(34)
Total Cost of Professional Services	<u>329,567</u>	<u>292,296</u>	<u>37,271</u>	<u>13</u>
Gross Profit	<u>\$ 1,209,648</u>	<u>\$ 1,301,948</u>	<u>\$ (92,300)</u>	<u>(7)</u>

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SALARIES AND WAGES				
Compensation – officer	\$ 245,000	\$ 245,000	\$ 0	0
Other veterinarians	119,353	151,426	(32,073)	21
Other salaries and wages	74,117	64,136	9,981	(16)
Technicians	111,900	120,975	(9,075)	8
Receptionists	53,215	70,774	(17,559)	25
Administrative personnel	40,033	27,000	13,033	(48)
Other support staff	7,936	7,294	642	(9)
Total	<u>\$ 651,554</u>	<u>\$ 686,605</u>	<u>\$ (35,051)</u>	<u>(5)</u>
PAYROLL AND OTHER TAXES (all employee related)				
FICA tax	\$ 39,897	\$ 42,583	\$ (2,686)	(6)
Federal unemployment tax	1,460	1,143	317	28
State unemployment tax	7,177	1,602	5,575	348
Workers' compensation	5,160	4,381	779	18
Licenses and permits	455	1,317	(862)	(65)
Sales and use tax	21,300	12,337	8,963	73
Franchise and other taxes	100	100	0	0
Total	<u>\$ 75,549</u>	<u>\$ 63,463</u>	<u>\$ 12,086</u>	<u>19</u>
EMPLOYEE BENEFITS				
Employee benefit programs	\$ 37,425	\$ 41,399	\$ (3,974)	(10)
Pension and profit sharing (DVM)	56,515	56,980	(465)	(1)
Laundry and uniforms	1,493	1,674	(181)	(11)
Vehicle expense	6,514	7,201	(687)	(10)
Education and publications	10,072	8,558	1,514	18
Travel – seminars & meetings (employee)	1,410	4,058	(2,648)	(65)
Dues	4,786	4,420	366	8
Total	<u>\$ 118,215</u>	<u>\$ 124,290</u>	<u>(6,075)</u>	<u>(5)</u>
FACILITY COSTS				
Rent	\$ 144,000	\$ 144,000	\$ 0	0
Real estate taxes	48,028	39,688	8,340	21
Maintenance and svc contracts	12,543	19,800	(7,257)	(37)
Repairs	13,477	24,621	(11,144)	(45)
Insurance	1,255	1,922	(667)	(35)
Utilities	9,168	11,377	(2,209)	(19)
Telephone and internet	8,339	8,155	184	2
Total	<u>\$ 236,810</u>	<u>\$ 249,563</u>	<u>\$ (12,753)</u>	<u>(5)</u>

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ADMINISTRATIVE EXPENSES				
Advertising and promotion	\$ 11,660	\$ 10,125	\$ 1,535	15
Business gifts and flowers	1,341	394	947	240
Staff meetings	1,467	228	1,239	543
Meals and entertainment	6,523	6,049	474	8
Computer supplies	4,408	2,037	2,371	116
Office supplies	10,151	9,492	659	7
Postage	3,427	4,467	(1,040)	(23)
Printing	1,776	127	1,649	1,298
Accounting fees	18,350	18,275	75	0
Legal fees	0	5,756	(5,756)	(100)
Contributions	545	773	(228)	(30)
Consulting fees	19,140	5,640	13,500	239
Total	<u>\$ 78,788</u>	<u>\$ 63,363</u>	<u>\$ 15,425</u>	<u>24</u>
MISCELLANEOUS (INCOME) EXPENSES				
Bank charges	\$ 30,386	\$ 30,707	\$ (321)	(1)
Collection fees	0	25	(25)	(100)
Client refunds	0	68	(68)	(100)
Miscellaneous expense	1,094	379	715	189
Depreciation	92,095	125,489	(33,394)	(27)
Amortization	11,733	11,733	0	0
Officers life insurance	2,174	6,400	(4,226)	(66)
Miscellaneous income	0	(42,216)	42,216	(100)
Interest income	(4,885)	(11,782)	6,897	(59)
Interest expense	46,560	36,616	9,944	27
(Income) loss from partnership	0	(862)	862	(100)
Total	<u>\$ 179,157</u>	<u>\$ 156,557</u>	<u>\$ 22,600</u>	<u>14</u>
NET INCOME (LOSS)	<u>\$ (130,425)</u>	<u>\$ (41,893)</u>	<u>\$ (88,532)</u>	<u>211</u>