Nationwide-VBMA Revenue Exercise
Member

By completing this exercise, you will earn 1/2 credit in Category 1 of the BCP.

***STEP ONE:* Complete a Budget**

- Estimated your salary and expenses as if were you were a veterinarian in your first year of practice and use those numbers to complete the personal budget simulation created by Dr. David Lee at the University of Minnesota – keep in mind, expenses like health insurance, mortgages/rent, student loans, utilities, recreation, etc. **If you leave an expense blank, please type the blank expense in a word document and provide a short explanation for why the expense was left blank.**

  For example, if you have no expenses for health insurance an example explanation could be; Health Insurance - Covered by a significant others insurance. If an explanation is not provided for $0 expenses, your entry will be ineligible.

- Dr. Lee's website will walk you through 8 steps to create a personal Budget. Simply follow the detailed instructions at: http://www.finsim.umn.edu/

- Save your Budget's **"Expense Analysis"** page with explanation to blank expenses in a word document. Submit in STEP THREE (below).

- It should take about 20 minutes to complete.

***STEP TWO:* Complete the Insurance and Preventive Care Plan Revenue Exercises**

- Complete the Pet Insurance Revenue Exercise (pages 3 – 5) and Preventive Care Plan Revenue Exercise (pages 6 – 8) by typing and saving your answers (1 – 40) into a word document. Please title each section and number each answer to the corresponding number on the exercise worksheet.
  Eg: Pet Insurance Revenue Exercise
  1.
  2.
  3.
  Etc.

  Preventive Care Plan Revenue Exercise
  17.
  18.
  19.
  Etc.

- These two Exercises illustrate how the amount of gross revenue you generate for a practice can affect your salary. **After completing these Exercises you will learn that you have more control over these factors than you may have realized.* **Please double check your math and your work**. **Submissions that are incomplete or have incorrect math will be ineligible and will result no BCP credit.**

- Submit in STEP THREE (below).

- Each exercise should take about 10-15 minutes to complete.

STEP THREE: **Submit your Budget + Two Revenue Exercises**

- Bundle the following into 1 word file and save the file as your first and last name:
  1. Cover page with your name, class year, school, Coordinator's name

  2. Expense Analysis page (from the Budget simulator in STEP ONE above) with explanations for any missing expense

  3. The answers (1 – 40) from the Pet Insurance and Preventive Care Revenue Exercise (pages 3 – 8)

  NOTE: Submissions must be typed and submitted in the requested word file. **Handwritten submissions will not be eligible.**

- Submit bundle to your Chapter's Nationwide-VBMA Coordinator by your Chapter's deadline.

- Your Chapter's Nationwide-VBMA Coordinator will email submissions together to Nicole Numbers at Nationwide. Submissions will be reviewed for accuracy to qualify for BCP credit.

- Submissions that are emailed separately, and/or provided past your Chapter's deadline will not be eligible.

2018 NATIONWIDE-VBMA

PET INSURANCE REVENUE EXERCISE

Let's assume you NEED to earn ____$71,000___ in order to survive and pay your student loan payments:

But you would really LIKE to earn: ___$81,000____

A veterinarian in small animal practice typically expects to earn approximately 20% of what she generates in gross revenue for the practice (which means you produce 5 X your desired salary).
How much revenue do you need to generate for your practice in order to meet your "LIKE to earn" number above?

- 5 X [desired salary] = revenue
- 5 X _________$81,000_________ = ________**(1)**_________

WHAT IF YOU WANT TO EARN A HIGHER SALARY IN YOUR SECOND YEAR OF EMPLOYMENT?

Let's assume you request a 3.5% raise and ask for $83,835

How much revenue would you need to generate? 5 X $83,835= ________**(2)**___________

One way to justify this salary increase: Promote financial solutions to your clients, such as pet insurance:

The number of insured pets in the United States is less than 1-2%. Let's assume that 1% of the patients visiting your practice have pet insurance of your 1,400 active patients. You would like more of your clients to consider pet insurance so you begin educating your clients at each visit.

Due to your efforts and that of fellow team members, you see an uptick in the number of clients who purchase pet health insurance. By the end of the year you now have 8% of your clientele insured. (Nationwide internal data suggest that the average dog owner without pet insurance spends $376 per year per dog, while dog owners who have pet insurance increase that spending to $542 per dog per year.)

How much additional revenue did you generate for the hospital by increasing the number of insured pets by an incremental 7%? Will this be enough to justify asking for your raise to $83,835?

First we need to figure out: Without insurance, how much would this 7% of your client base have spent anyway at the hospital? Assume the average dog owner without insurance spends $376 per dog per year.

- 7% X [total active patients] = [# of patients in this sample]
- 7% X 1400 = ______**(3)**______ patients in this sample

- [# patients in this sample] X [amount spent per year without insurance] = revenue generated anyway
- ______**(4)**______ X $376 = ___________**(5)**____________ revenue generated by this group prior to purchasing pet insurance

With insurance, how much does this 7% spend now? Assume the average dog owner with insurance spends $542 per dog per year.

- [# patients in this sample] X [amount spent per year WITH insurance] = revenue generated NOW
- ______**(6)**______ X $542 = ___________**(7)**____________ revenue generated by this group after purchasing pet insurance

What is the difference in revenue generated by these two groups?

- [revenue with insurance] – [revenue without insurance] = additional revenue you generated
- __________**(8)**___________ - __________**(9)**__________ = ______**(10)**________

Were you able to justify a raise to **$83,835**? If you generated at least $419,175 in total gross revenue for your hospital you can justify the **$83,835** salary request in year two of employment:

- [old revenue] + [additional revenue] = [new revenue total] / 5 = [new salary]
- ____$405,000____ + __________**(11)**________ = __________**(12)**_________/ 5 = ________**(13)**_________

WHAT IF YOU WANT TO EARN A HIGHER SALARY AS A MID-CAREER VETERINARIAN?

Let's assume you want to earn $100,000 per year

How much revenue would you need to generate? 5 X $100,000 = $500,000

Our recommendation is that you actively study practice management concepts and aggressively implement practice management improvements in your practice. The 2015 Well-Managed Practice Benchmarks publication reports that well-managed hospitals see 1,383 active patients per doctor on average, with doctors grossing > $500,000 each.

DISCUSSION:

Before you start interviewing for a job at a veterinary practice, think about:

Ways to influence key practice metrics such as: number of active patients, average amount spent per patient, number of clients with insurance.

Always remember: To justify your salary request, you need to think of ways you can increase the amount you generate for the practice (what you produce). This number has a direct impact how much you can earn.

PLEASE DESCRIBE:

14. How can you influence the number of active patients you see? (What ways can you market yourself as a new doctor in your community…)

15. How can you influence the average amount spent per patient per year? (How can you explain your recommendations clearly to clients, so they result in follow-up visits and high compliance…)

16. How can you influence the number of patients who purchase pet insurance? (Think about ways to recommend insurance so that clients who are good candidates for it will explore it further…)

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VBMA Veterinary Business Management Association

2018 NATIONWIDE-VBMA

PREVENTIVE CARE PLAN REVENUE EXERCISE

Let's Review the Fundamentals again:

Assume you NEED to earn____$80,000____in order to survive and pay your student loan payments:

But, you really want to earn:

_______$86,000________

How much revenue you need to generate for your practice in order to earn this much?

5 X [desired salary] = revenue

5 X _________$86,000_________ = _________**(17)**___________

REMEMBER: You can expect to earn approximately 20% of what you produce, which means you should produce 5 X your desired salary.

SCENARIO ONE:

Let's assume your desired salary is $91,000, and you're fortunate enough to work in a well managed small animal practice.

How much revenue do you need to generate? 5 X $91,000 = ________**(18)**____________

Let's assume your well managed practice has 1,400 active patients and your average medical spend per patient per year is $389. (JAVMA Vol 247, No. 1, July 1, 2015)

Will you be able to generate enough revenue to justify your desired salary?

[active patients] X [medical spend per patient] = [total revenue generated]

1400 X $389 = _____**(19)**_______

20% X [total revenue generated] = [your salary]

20% X ________**(20)**___________ = _______**(21)**____________

The answer is YES! You can earn your desired salary in this scenario.

How much more you can earn by embracing Preventive Care Plans (PCP's) at your practice?

What are Preventive Care Plans (PCP's)?

Preventive care plans are also called "Wellness Plans." A preventive care plan (PCP) is a bundle of veterinary services which includes all of the wellness items that a pet might need throughout the year. For example, a PCP might include an exam, vaccines, heartworm medication, etc.

The client will pay for these services in 12 monthly installments, so that the payments are more predictable and affordable. Hospitals offering PCP's see an increase in revenue and visits. They are able to diagnose issues early and are able to focus on pets, clients, and treatment. These plans also eliminate the need to discuss costs during preventive care visits. They generate steady cash flow over the 12-month period. PCP's are a win-win for the hospital and for the client.

SCENARIO TWO:

Let's assume that 20% of your active patients will purchase PCP's.

That means that 80% will not purchase these plans.

Like Scenario One, assume that you have 1400 active patients.

20% X [active patients] = _____**(22)**_________ # of patients who purchase PCP's

80% X [active patients] = _____**(23)**_________ # of patients who do not

The patients who purchase PCP's spend, on average, $613 per patient per year. (JAVMA Vol 247, No. 1, July 1, 2015) How much revenue is generated by these patients?

$613 X [# of patients on PCP's] = revenue generated

$613 X ____ **(24)**_______ = ________**(25)**___________

The patients who do not purchase PCP's continue to spend $389 per patient per year (from scenario one). How much revenue is generated by these patients?

$389 X [# of patients NOT on PCP's] = revenue generated

$389 X ____**(26)**_______ = ________**(27)**__________

How much revenue did you generate for your practice in this new scenario where 20% of your patients are on PCP's?

[rev generated from PCP's] + [rev generated from remaining patients} = total revenue generated

________**(28)**___________ + _________**(29)**____________ = _________**(30)**___________

How much will you earn in this scenario, assuming you earn 20% of what you produce?

20% X [total revenue generated] = salary

20% X ________(31)___________ = ________(32)___________

Compared to Scenario One, how much more salary can you take home by promoting PCP's?

[Scenario Two salary] – [Scenario One salary] = [Additional earnings due to PCP's]

_________(33)_________ - _________(34)__________ = _________(35)__________

DISCUSSION:

In our previous discussion about ways to influence key practice metrics such as: number of active patients and average amount spent per patient, preventive care plans appear to have tremendous potential impact. In fact, PCP's can help build a young practice, or make an established practice more competitive in its existing marketplace.

PLEASE DESCRIBE:

36. Do Preventive Care Plans appear to be worth implementing?

37. How much time do you anticipate it take to discuss them with clients?

38. Is that extra time worth the extra income?

39. What ways can you actively communicate PCP's to clients, so they see the win-win?

40. What ways can you actively market PCP's externally, so that your practice attracts new clients?