

INFLATION IS INFECTING EVERY BUSINESS - DO YOU HAVE A TREATMENT PLAN? MARCH 2022

Everything has become expensive, from groceries and gasoline to rent and French fries. The inflation rate is at its highest in nearly 40 years, reaching 7.9% as of the end of January 2022. No business is immune to inflation, but there are steps you can take to counter inflation. Consider the following suggestions as a treatment plan (medications, diagnostics, and preventives) to address the “inflation infection.”

Initial Injection – Raise Fees

An initial treatment for inflation, one that gives an immediate response to the higher cost of doing business, is to raise fees. But, remember that pet owners shop common fees, and if you accept new clients, you must be competitive. Your clients are paying more for groceries and gasoline, so they won't be surprised when your fees increase. Just be careful - don't fire good clients by raising your prices so much that they can't afford to pay. Client price tolerance has its limits. Has your practice reached that level? Probably not, but watch out. We've heard about a client's willingness to “pay whatever it takes” to access a veterinarian, but that view doesn't represent every pet owner.

It's been said the veterinary profession is recession-resistant, but it is not recession-proof. When prices rise faster than personal incomes, pet owners feel the burden. At some point, instead of looking for a less expensive practice or one that can schedule them sooner, pet owners might decide to discontinue preventive care - so be careful with this initial action of raising fees. The next step for battling inflation is to look for areas where the business is losing money.

Diagnostics – Look for “Bleeders”

Total charge capture has increased tremendously as more veterinary clinics integrate laboratory and imaging equipment with their PIMS. Even so, lost charges still happen. Regularly review medical records and cross-check them against invoices. You'd be surprised at how often performed services don't get onto the invoice. Examples include cytology, nail trims, stool samples, needle aspirates, Schirmer tear tests, and blood pressure checks. Also, look for products sent home with a client but not charged — usually food or shampoos rather than prescription medications. Compare your monthly referral lab invoices against medical records to see whether you charged for the outside tests. Doctors might request an additional test after an invoice is completed but never charge the client.

In addition, count the number of exam codes your hospital uses. The more you have, the greater the chance of different prices attached to nearly identical services. For example, could you easily explain to clients the differences in these exams: Level 1, Level 2, Level 3, annual, semiannual, physical, recheck, follow-up, progress, wellness, comprehensive? Could your staff? The point? The more exam codes you have, the more confusing it is to select the right one for each patient. Your doctors and staff might default to the least expensive code. Consider reducing the number of similar services to eliminate ambiguities.

Another set of codes worth looking at is your injection codes. Some practice consultants advocate raising your most frequently used codes by a higher percentage. The premise is that by raising prices on services you provide most often, you get a faster and bigger increase in income. But the advice doesn't go far enough. If you increase the cost of injecting insulin by \$5, shouldn't every injection fee rise by the same amount? The drug price will differ, but the professional fee associated with the injection should be consistent.

Next, dive into all things inventory – in-house quantity to keep on hand, reorder quantities, vendor deals, and the traffic and sales of your online pharmacy. Clients may not be aware of what they can purchase online from you, and that represents untapped revenue for the practice. Confirm proper buy-to-sell pricing and markups, in addition to any pricing strategies and special stocking levels you need to put in place due to supply issues

Don't forget to look at your fixed costs – especially if you have the opportunity to shop utility suppliers and credit card processors. If you aren't shopping around, at the very least, look for wasteful habits (e.g., too high or low thermostat setting, lights on in areas not being used, etc.).

Finally, improve the efficiency and productivity of the team. The first step is to pay the wages and benefits that attract and retain great team members. The COVID-19 pandemic created a sea change in worker availability, so employers increased pay and may have changed benefit packages. Keep in mind that veterinary wages typically represent 25% or less of total fees - so don't assume that if you raise staff wages by 10%, you need to match it with a 10% increase in revenue. The next step is to improve your processes. Monitor a few metrics for efficiency (e.g., staffing hours/transaction, Invoices/FTE DVM hours, etc.) to identify areas of inefficiencies. Discuss inefficiencies at staff meetings and brainstorm solutions. For example, can you implement high-density scheduling so that doctors see more appointments per hour? Discuss the workflow around patient restraint, monitoring, and client communication.

Preventives – Boost Immunity and Avoid Illness

Now that you have done some diagnostics and treated those areas that were ‘bleeding’ money, shift the focus to a long-term treatment plan. Preventive measures can target a specific area of concern or be more holistic. When it comes to business health, consider both approaches to achieve profitability. While today the focus may be on inflation, it was the pandemic before that, next year it may be a recession, and in two more years...well, you get the picture. Be proactive to prevent problems (or an illness). Take advantage of all the available tools and focus on the long term. One of the best tools at our disposal is technology.

Technology provides opportunities to change how we provide access to patient care, communicate with clients, and build a high-performance team. Let's drill down on the team, more specifically, the virtual team. While much discussion has focused on the veterinarian and providing virtual visits, there are virtual positions suitable for other team members. These new roles can help your practice increase revenue and improve the team's efficiency and productivity. For example, a virtual assistant can play a role in expanding access to care by monitoring wearable device data, keeping the lines of communication open for clients, transcribing notes into the electronic medical record during an office exam, scheduling appointments, checking out a client in the exam room...the list is only limited by your desire to use the right technology.

Another virtual role is management. You heard that right! Some management duties can be performed off-site such as inventory ordering, posting invoices and housekeeping tasks for the in-hospital and online store, personnel scheduling, team training, payroll processing, QuickBooks data entry, vendor and client communications, answering the phone, website/social media updates, and more. Virtual teams are part of a long-term strategic process to better position the business for future opportunities and threats.

Your hospital will survive this period of high inflation, so continue to invest in your practice and its patients and clients. Scaling back spending on items not critical to patient care or staff morale is fine, but keep buying the equipment you need and investing in your team — the people who set your practice apart.