

MONEY MATTERS

# Inflation Considerations

Give careful thought to how much you raise fees, and investigate whether you're charging for all services rendered and products dispensed.

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Everything has gotten more expensive, from groceries and gasoline to apartment rent and French fries. Given that the inflation rate is at its highest in 40 years, reaching 7.9% in the 12 months ending in February, a practice owner needs to immediately protect profits and cash flow before it's too late, right? Truthfully, the situation isn't that dire, but I'm being alarmist to make a point. Inflation is real, and you need a plan to address it.

Inflation pushed supply costs and wages higher. Meanwhile, the COVID-19 pandemic created a sea change in worker availability, so employers increased pay to attract and retain good people. But don't assume that if you raise staff wages by 10%, you need to match it with a 10% increase in revenue. Veterinary wages typically represent 25% or less of total fees.

Consider these action steps for countering inflation.

## **Raise Fees Appropriately**

If your pricing strategy is tied to inflation, meaning that since 2011 you raised fees by 1.9% annually — the national inflation rate over that period — then yes, a greater increase is needed now to counteract rising costs. However, most of the practices I talk with raise fees by 3% to 5% annually, and sometimes more, even when inflation is low. So, if you haven't based your fee increases on the consumer price index, you don't have to start now, but you do need to cover your increased spending.

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. Be aware, however, that even clients who adore you will scream "Enough!" at some point.

One practice I consult with hiked fees by 25% in 2020 to reduce client demand and at least make more money for working so hard. Most of his clients took the

price increase in stride. So much depends on your competitive environment. If you implement a significant fee increase, be sure your doctors and staff members provide a consistent, high level of service.

A word of caution: 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 income, pet owners feel the burden. At some point, instead of looking for a less expensive practice or one that can schedule them sooner, they might decide to discontinue preventive care.

## **Stop the Freebies**

Total charge capture has increased tremendously as more veterinary clinics integrate laboratory and imaging equipment with their practice information management systems. Even so, the opportunity for lost charges isn't eliminated. 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. For example, commonly missed in-house charges involve 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 — often food and shampoos rather than prescription medications.

What's also helpful is to audit your monthly referral lab invoices against medical records to see whether you charged for the outside tests. Doctors might request an additional test after



## ANOTHER TIP

In the rush to see as many patients as possible, some practices lost some of the social niceties accompanying appointments. Demonstrate that you value clients and genuinely care about their pets. Pet owners can choose from many providers, and new practices open just about every day. So, don't give your clients a reason to go somewhere else.

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? My point: The more exam codes you use, the more confusing it is to select one for each patient. Your doctors and staff might default to the least expensive code. Consider reducing the number of similar services to eliminate the ambiguities.

Finally, review 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



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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.

### Accommodate More Appointments

If your veterinarians can't see as many patients as they did before the pandemic, what can your veterinary nurses do to increase client access without overstressing the doctors? Discuss inefficiencies at staff meetings and brainstorm solutions. For example, can you implement high-density scheduling so that a doctor sees more appointments per hour? Using skilled veterinary nurses, a doctor can spend less time with each patient and still provide excellent care. For this to succeed, you need enough veterinary nurses and exam rooms to support multiple appointments.

If you aren't interested in high-density scheduling, what elements could you incorporate? Discuss the workflow around patient restraint, monitoring and client communication.

### Plan, Plan, Plan

Above all, focus on the long term. 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. **TVB**