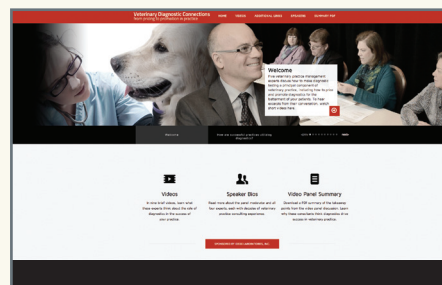


How diagnostics drive success in veterinary practice

Moderator Dr. Fred Metzger and four other veterinary practice management experts met in early 2013 and discussed how to price and promote diagnostics for the betterment of pets nationwide. You can catch highlights of their discussion here as well as in free videos at www.diagnosticpricing.com. Also, see the website for complete speaker bios.



How important is diagnostic testing to practice success?

Karen Felsted: I think focusing on diagnostics and reviewing what our protocols are when we recommend these tests is a huge opportunity for a practice to give pet owners and pets the best care possible. That's why we became veterinarians or why we choose to work in veterinary practices in the first place: for pets to get the kind of care that they need. And diagnostics is a huge component that allows us to do that.

Fritz Wood: Diagnostics has been the fastest-growing profit center in veterinary hospitals for the past 10 years. Successful practices begin with an appreciation that this growth is extremely important to their business. Practice owners can't wake up in mid-January and look back at the prior year and say, "How did we do in the lab?" They have to pay attention year-round. They have to have specific goals for pre-anesthetic testing, senior screens, wellness screens, and screening for pets on medication.



Karen E. Felsted, CPA, MS, DVM, CVPM Felsted Veterinary Consultants Inc.

"If a practice is producing less than 18% in revenue from diagnostic testing, management needs to focus on this."

When is it best to use in-practice diagnostic equipment versus a reference laboratory?

Wood: I ask practices, are people's service expectations higher or lower than they were a few years ago? And clearly they're higher. Are people more or less patient than they were yesterday? Well, clearly less patient. More hurried. To me there's value in having point-of-care results and being able to come back with an answer for the client right away on sick pets, senior screens, preventive screens, and more.

Imagine what that does for compliance if we have an answer right now and can initiate therapy and treatment immediately.

Louise Dunn: It depends on the

practice. Does the practice have a team and equipment/tools to provide the test, and can they produce accurate, reliable results?

Felsted: It's clear for sick pets or emergency cases you're going to do it in the practice. I prefer in-practice testing for preanesthetic cases, and I think it makes sense to do it the day of the surgery. It's more convenient than asking clients to come in for a separate visit. When it comes to preventive care tests, if the practice has systems in place to turn around that lab work while the client waits, then it is worthwhile.

What percentage of gross revenue should you expect from diagnostic testing?

Wood: I would like to see your diagnostic income approach 20% to 25% of your total gross income. And I'd like to see it grow on an annual basis. (See Figure 1 on page 2 for a chart showing laboratory revenue in well-managed practices.)

Felsted: If you look at the three published studies out there,¹⁻³ it's currently somewhere between

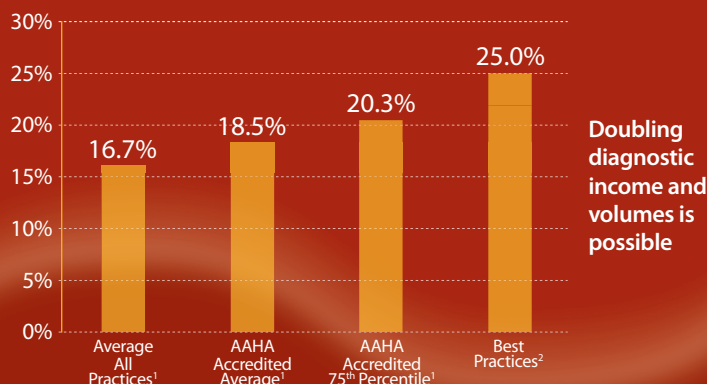


Fritz Wood, CPA, CFP HF Wood Consulting

"Practice owners can't wake up in mid-January and look back at the prior year and say, 'How did we do in the lab?' They have to pay attention year-round."

Figure 1

Laboratory revenue as a % of total practice revenue is high among well-managed practices



1. AAHA Financial and Productivity Pulsepoints, 7th Edition.
2. Selected Practices.

13.5% to almost 18% of revenue. If a practice is producing less diagnostic revenue than that, management needs to focus on this area.

Metzger: At my practice, diagnostics make up 24.8% of the gross income. Why is my lab so much? Because we do testing, not just on sick animals but preanesthetic testing and preventive health care. That number isn't something that we strive for. It's just something that happens when you work on sick animals and do preventive health care.

What impedes practices from being successful when it comes to diagnostics?

Metzger: I think veterinarians feel that clients don't get value unless they find some terrible disease. That makes no sense to me. We

want things to be normal, and we know that getting baseline data and establishing the normal reference interval is really important as they age.

Wood: There's the concern that it's going to cost the client more and, therefore, there's some likelihood that there'll be some level of resistance. You have to start with the medical evidence — why is this test important? Let's take the case of adding a preventive screening (CBC and chemistry profile) to a heartworm test. You're going to be drawing blood anyway, so let's stick our neck out and ask people if they'd like to have a broader preventive screen that includes tests for kidney or liver disease, diabetes, or anemia and see what compliance you can gain. Invariably you'll have a lot of normal results. You should celebrate that — you

have a great baseline for that pet in the future. And you may find that 10% of the pets have abnormal results. And you can celebrate those, too. Now you've got an early diagnosis.

How should pricing differ with in-practice versus reference lab testing?

Felsted: It makes sense to keep the prices the same. We ought to focus on educating clients about the need for diagnostics. If you price them the same, then veterinarians can stop making pricing decisions and start focusing on what tests are best for pets and how to talk to clients.

How should diagnostic prices be set?

Wood: I wish I could tell you $A + B = C$, and this maximizes your profit with your client base and your particular clinic. Such a formula doesn't exist. The answer is what the market will bear. And that's going to be different in your clinic than it is in the one down the street. Even if your clinic is nearly identical to the ones down the street, it's going to be different based on your ability to educate clients and demonstrate the value of these tests. But you can track compliance. If your practice recommends the test and all of your doctors say the same thing to clients about this established protocol, then my estimate, based on anecdotal evidence, is that only 10% to 15% of clients should decline. Then you're in the neighborhood of where it needs to be priced.

Dunn: One thing you can do with price is to charge more if you offer more value. Give a copy of the lab results to clients. They'll put it on their refrigerator. There's a value to it. I love IDEXX



"We want things to be normal, and getting baseline data and establishing the normal reference range for pets is really important as they age."

Fred Metzger, DVM, DABVP (Canine/Feline) Owner, Metzger Animal Hospital ; Adjunct Professor, Pennsylvania State University



“Offer clients more value. Give a copy of the lab results to clients. They’ll put it on their refrigerator.”

Louise S. Dunn Consultant, Snowgoose Veterinary Management Consulting

VetConnect PLUS, which lets veterinarians look at in-practice and reference lab results together, provides trends for a particular pet, and lets you print them out. The veterinarian can give clients a printout or email the results to them directly, and that’s more value.

Is bundling preventive care services a good idea?

Elise Lacher: I am a big fan of bundling. For one thing, it becomes the standard of care in the clinics. It helps to address the issue of having several individual doctors working in a clinic. We don’t have Dr. A doing one thing and Dr. B doing something else, because the bundled package says we do this in our clinic. The standard of care for our clinic for these particular services is this and it gets done.

Also, bundling really helps in explaining treatment plans. We’ve got the doctor doing the recommendation, and that’s what gets done. And we find that clients get to “yes” a lot faster and more frequently with bundling of services. And we’re doing more of the services that the pets need. The practices are more profitable, and pets obviously are getting better care.

Dunn: Bundling doesn’t always mean a lower cost to the client. It’s just easier for the team and it’s easier for the client. The client knows what they’re going to pay. The team is doing it because

they believe in it. So it’s more attractive to the client and the team. And it works.

Wood: While I have a long history of being very anti-discount, I would argue that when you bundle things, clients will opt for a higher level of service than they would have otherwise. At the end of the day, what bundling does is make the people at the veterinary clinic feel better about it and have more comfort and conviction. They see that the client is getting a better deal, they meet less resistance, and so they’re more likely to recommend it.

Felsted: You bring up the word *discount* in veterinary medicine, and veterinarians just freeze; they don’t want to hear about it, and that it is a bad word all the way around. Everybody agrees that just randomly giving away services is a bad form of discounting. But, particularly as it ties into bundling, if the client gets a little price break and we feel better about what we’re selling or what we’re trying to get pet owners to do, then that’s a discount that makes sense. That’s

a marketing discount. If we have 50% of clients doing something instead of 30%, that’s made a great difference in the health of pets and the financial health of the practice.

How do you improve client compliance with diagnostic testing?

Felsted: There was actually a fantastic study last year about communication in the exam room. Researchers filmed hundreds of veterinarian-pet owner interactions, and what they found is that clear recommendations mean clients are seven times more likely to accept those recommendations.⁴ Veterinarians should leave no doubt as to what it is they think the pet owner should do. So instead of saying, “Maybe you should think about a dental,” we say something like, “It is critical that Fluffy get her teeth cleaned within the next month.” And that’s as important for technicians, receptionists, and other team members as it is for veterinarians.

Metzger: Be a doctor, and don’t ask. Tell them what you think they should do and then leave it up to them. We’re very bad about listening in veterinary medicine. So I recommend you tell people what you really think they should do, and then shut your mouth.

Wood: I think there’s a fear in veterinary medicine of having a strong opinion and explaining it with conviction. To me, it’s



“We find that clients get to ‘yes’ a lot faster and more frequently with bundling of diagnostic tests.”

Elise M. Lacher, CPA Principal and Consultant, Strategic Veterinary Consulting Inc.

an abdication of the veterinarian's authority when something is made optional. If you make a preanesthetic test optional, then that sends a very clear and very strong message that it's not very important. Because I know if it were important I wouldn't have the choice.

Dunn: Everyone on your veterinary team is part of the 5 Cs. First, we have cause. Second, we have conviction. Third, we all have confidence with what we're doing. Fourth, we do it consistently. And, fifth, we all care.

Felsted: Conviction is essential, but conviction isn't enough. Conviction doesn't make people good communicators. You need to give team members the tools and the techniques to be able to convey that conviction to clients. That's where team training comes in. It's not just what the doctor says in the exam room, it's also what the technician says and the receptionist when the client asks them about it.

Conclusion

Metzger: So, to wrap up, let's review our key takeaway points:

- Successful practices focused on growth should set a goal that diagnostics compose at least 20% of their total revenue.
- Practices should price all laboratory work similarly, regardless of whether it is performed in-house or by a reference lab. This will eliminate confusion for staff and clients and emphasize the overall value of diagnostics.
- Bundling of diagnostic services with other procedures can help staff members and pet owners focus less on price and more on overall health care. Thus, clients are more likely to comply with the veterinarian's recommendations.

Test your hospital's diagnostic protocols against these client compliance and communication best practices.

Does your practice...?

1. Compare your diagnostic recommendations to current industry standard clinical guidelines? (See AAHA and AVMA's Partners for Healthy Pets website [www.partnersforhealthypets.org] or IDEXX STEP's — Simple Tools for Effective Protocols [www.idexx.com/steps].)
2. Evaluate the use of in-house diagnostics and reference labs in terms of patient care, client compliance, and client service in each testing instance?
3. Set goals for diagnostics? Will your practice recommend diagnostics for preanesthetic testing, senior care, wellness care, and ongoing monitoring of pets with chronic diseases or pets receiving long-term medication?
4. Share diagnostic results with clients as soon as possible? How hard is it for your practice's busy doctors to fit callbacks into their day?
5. Use visual aids to explain the importance of diagnostics? Don't neglect your clients who are visual learners.
6. Add diagnostic tests to your protocols if they're medically important? For example, could a 90-day pilot of a new diagnostic test for specific vector-borne diseases give you important data on the prevalence in your area?
7. Use regular training to ensure team members understand and can explain the need for particular diagnostics? Team members should be confident in explaining why clients should say "yes" to your diagnostic recommendations.

- There is no magic diagnostic pricing formula. Charge a fee that you know the market will bear and that will get owners to agree to the testing. If slightly lower prices mean more clients authorize the test, that makes better financial sense.
- Practices can also help grow revenue by offering preventive care screening and getting those important baseline diagnostic results for pets of all ages, resulting in better patient care and more financial success.

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For even more discussion and solutions about diagnostic testing, visit www.diagnosticpricing.com for video segments from this one-of-a-kind roundtable.



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