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FALL 2009
Newsletter

YOUR VETERINARY MANAGEMENT CONSULTANTS

CONSULTING COACHING VALUATIONS NEGOTIATIONS PURCHASE / SALE WORKSHOPS

Editorial Comment

A month or two past, the great premier of British Columbia proudly announced that he, together with all his other smart friends, had made yet another good decision for BC; the government is planning to harmonize the PST and the GST for a single tax application of 12%. They say if you want to steal a little bit of money, you should rob a bank. If you want to steal a whole bunch, become a politician. But I digress;

The main concern I have is that the harmonization of provincial and federal taxes is going to become a national occurrence given the amount of money the Federal government is throwing around to entice the provincial governments to bolster their treasuries during these recessionary times. Ontario has already announced their adoption of this system and it is now being considered in BC, I heard a lot about the tax, but didn't hear a lot about what industries were going to be affected, thus my journey of discovery in the veterinary industry being selected as a choice to slap the full 12% to. Yes, ladies and gentlemen, it's not just consumables and non-prescription pet food upon which tax will be assessed, but now veterinary fees! And so, your planned 7% increases for 2010 have since been grabbed by the provincial government. The only thing left to do, it would seem, is for veterinarians to announce the bad news to the consumer.

So, what's your response? Are the veterinarians and their associations going to sit idly by and not do anything?

At first I was mad and naturally concerned that this was the one thing the veterinary industry didn't need at this time. And then I thought ... wait, this is one a hell of an opportunity! This is the time for veterinarians and their associations to formally complain and publically demand this profession is recognized for who they are, what they do and why they should be exempt from HST application. Can you imagine the overall cost to society that your profession saves? Who brings awareness to society's responsibility to control the pet population, and what profession continues to research new and better treatments for animal illness and disease and what profession maintains the good health of man's best friend who keeps us company and laughing so that we don't waste health dollars? Veterinarians provide an invaluable service to our society and communities and this is just another government decision made based on greed without logical mindful thoughts about this tax application.

What a way to finally tell the story of veterinarians. This is an opportunity ripe for the benefit of veterinarians and all the people who service this industry. It's time to respond, don't you think?

Terry Jackson, C.G.A. / tjackson@vetadvise.com

Hiring A New Grad

Every year at this time, there is always lots of chatter and anticipation about hiring a new graduate. For some, hiring a new graduate presents an opportunity to bolster their professional staff and reduce the day to day work pressures. For others, the hiring process represents the final block in their retirement plans. Irrespective of the reason, the arrival of a new veterinary graduate is an opportunity to take your practice to a whole new level. It is also the beginning of a significant re-investment in your business, which if not controlled and monitored could cost your practice nothing but headaches, lost money and worst of all unhappy clients.

To minimize difficulties with your new veterinary graduate, consider the following points:

1. Evaluate your practice requirements. Is it feasible to hire an inexperienced grad that you can spend time to monitor and train, or are you in need of an experienced associate to reduce the current demands on yourself? Review your revenue patterns and justify the investment you are about to make.

It is always a good idea to commit to paper a "profile" describing the type of person you want to hire. List the qualifying points and prioritize each of them. This will keep the review process somewhat objective, leading to a more successful choice.

2. Prior to the start date, develop a comprehensive training program that can be effectively incorporated into each work day. Make sure the program includes observation time on your part, as well as on theirs.

The training program should be documented, signed by both parties and include weekly evaluation reporting with time sensitive progression goals.

In addition to the training program, there should be an extensive mentoring program between the principal veterinarian(s) and the graduate. This is the time to coach and mentor your associate about your medical delivery philosophy. Talk to them about your experience in communicating with clients and staff. Have a discussion with the graduate about your fee structure and your invoicing program, and talk to them about your relationship with staff and your tricks to attracting and

FAQ's

Q: *What are the things I should monitor and manage if I have limited time in which to manage?*

A: A veterinary practice has three major components that significantly influence profitability. Poor or ineffective management leads to lost profits and/or can indicate bigger problems in the organization.

Revenue patterns serve as an excellent gauge as to the market's reaction to how the veterinarian and support team conduct business overall. Rapidly fluctuating revenue patterns are uncommon for companion animal practices in western Canada. Decreasing revenue patterns could suggest loss of clients and negative publicity in the market place. Rapid growth patterns lead to frustrated personal and service level delivery.

Employee wages expressed as a percentage of revenue is an excellent gauge of the number one resource of a veterinary practice. Increasing wage costs suggest stressed out employees with the potential for low morale and staff turnover. Too low wage costs suggest inadequate employee compensation, which in turn leads to low motivation, increased potential for staff turnover and an inability to attract and retain trained staff.

Drugs, medicines and consumables are the bread and butter of a veterinary clinic. The sale of this expense is inter-related with professional fees. In a companion animal practice, the cost relationship of this expense should be in the 23% range.

Experience in the range of 26% – 28% suggests low mark up and not charging appropriately. Experience in the range of 17% – 20% suggests very low prescription food sales and perhaps "outside" pharmacy sales.

Effective management involves consistent monitoring and timely reaction.

Hiring a New Grad ... Con't

retaining a great team.

Notice that I am separating the mentorship program from the training program. The purpose of the training program is to teach them, specifically, how you and your clinic operate. Mentorship, on the other hand, has you share your operating philosophy and your knowledge. This ensures that you and your new associate begin the development of a "joint practice philosophy", because like all good philosophers you are participating to learn also.

4. Be sure to enter into an Employment Contract with your new associate that includes: employment terms, hours of work, compensation, and a probationary period. As the owner of the clinic you may want to consider holding back on some of the "perks" like continuing education and uniform allowances and make these benefits dependent on a Restrictive Covenant Agreement and completion of the probationary period.
5. The number one rule with any associate joining your practice is to spend the first week shadowing each other. Show the associate how you practice veterinary medicine and observe how they incorporate your strong points into their medical delivery. Demonstrate to the associate how and why you invoice the way you do, and confirm where and why you discount certain fees. Finally, explain to the associate how and why you maintain a medical record and closely monitor their medical notes.

Remember, an associate veterinarian is an investment that has the potential to return thousands of dollars to your practice and reduce your work load. Hiring a new graduate without some forethought, planning or measurement control could be a financial disaster that significantly impacts the future of your practice.

Employer-Employee Relationships

Some Tips from a Lawyer's Perspective - By Gregory J. Greiner

The employer-employee relationship is one of the most common legal relationships in our society. "Employment Law" can create pitfalls for the unwary. The following tips are given for the purpose of raising awareness and helping employers identify potential legal concerns.

1. **Familiarize yourself with the applicable statutes** - Most applicable statutes are provincial statutes and the government offices now provide summaries of the legislation and guidelines which are easily accessed through the internet.
2. **Employment Standards Legislation** - As an employer, if you do nothing else, familiarize yourself with the key provisions of the employment standards act. These provisions outline the minimum obligations of employers for such things as overtime pay, pregnancy leave and severance.
3. **Don't Forget the Common Law** - In addition to the employment law statutes, in all Canadian provinces (Quebec excepted) the **common law** also applies. The common law is a set of principles established by earlier court decisions and it can be different than the statute law. For example the common law

Employer-Employee Relationships ... Con't

usually requires longer periods of termination notice.

4. **Advertisements and Application Forms** - Be careful how job advertisements are worded. Its wording could become part of the employment contract. It is also important to be mindful that human rights legislation prohibits discrimination in employment on a number of grounds, including race, colour, age, sex, etc.
5. **Put it in Writing** - Most contracts of employment are made verbally. Though verbal, those contracts are enforceable. It is recommended that for key personnel, formal employment contracts be used.
6. **Employee or Independent Contractors** - Sometimes one party to a "working" relationship wants the worker to be considered an independent contractor. Employers need to be aware that simply calling a person an independent contractor does not necessarily make them one and that there can be adverse consequences to the employer if this is done when the circumstances are not appropriate.
7. **Matters following termination** - A non-competition agreement would restrict an employee from competing with the employer's business following termination. To be enforceable, the non-competition agreement must be reasonable in its terms. Non-solicitation agreements prohibit an employee from soliciting existing customers following termination but do not otherwise prohibit competition. These agreements, while less restrictive, are, in some cases, more readily enforceable.
8. **Just Cause** - The requirements for notice or damages in lieu of notice will not have to be met if an employer can establish that an employee was terminated for just cause. However, employers should be aware that they must be able to prove the reasons for termination and that proving just cause can be difficult.

Employers should make themselves aware of these potential issues and, if necessary, seek timely advice from their consultants and/or legal advisors.

Greg is a partner at Greiner, Bethell & Company, now GBC Law, in Burnaby. The above was a summary of an article by Greg on employment law which can be [read in its entirety at www.gbclaw.ca](http://www.gbclaw.ca)



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SATISFACTION GUARANTEED!

FAQ's

Q: *What's your opinion on client discounts?*

A: For as long as I have been involved in the veterinary industry, client discounts have been a standing operating philosophy by most veterinarians. From my experience, veterinarians normally give discounts when they think the bill is high, the client has multiple pets or the client is a senior. In practices generating in the six hundred to seven fifty revenue range, annual discounts average twenty thousand dollars! Most veterinarians however don't keep a record of how much they discount, which is a shame, given the amount of money involved.

I believe the veterinary clinic should have a very clear discount policy. Make the policy known to all clients and confirm the circumstances under which they will be applied. Left to the discretion to individuals, discounts become inconsistent in application and amount, which can lead to potentially impaired client relationships.

The next time you offer a client discount; ask yourself if the discount is the reason why the client asked you to take care of their pet's health.

CLINICS FOR SALE AND OTHER SERVICES

For a complete listing and comprehensive information packages of our clinics for sale and services we provide, please contact our office:

Tel: 604-939-2323

Fax: 604-939-2326

Email: info@vetadvise.com

RECOUPING CAPITAL

By Cheryl Anderson, National Leasing

Regardless of whether the economy is booming or in a recession, operating a successful practice demands flexibility and the ability to take advantage of opportunities as they arise. Opportunities require capital that may not be available if you have recently purchased equipment.

Many creative practice owners and/or managers are taking advantage of an innovative form of financing known as "sale/leaseback" to provide them with immediate working capital.

How does it work? You sell your equipment to the Leasing Company and they, in turn, lease it back to you for a fixed payment over a fixed period of time.

What are the advantages to my company? In addition to providing ready access to working capital, sale / leaseback transactions, and leases in general, are popular for a number of reasons:

Potential income tax benefits – Like most leases, a sale leaseback offers tax advantages compared to traditional bank financing. Over the course of the lease you may be able to write off 100% of the payment, rather than the declining depreciation.

Improved Financial Statements – By moving equipment "off balance-sheet", you can access new capital without creating new debt on your company's balance sheet. This immediate boost in cash, without offsetting debt, can improve the overall financial health of a business.

Tailored Payments – Like all leases, payments can be tailored to meet your cash flow, including fixed, stepped or seasonal schedules.

Continued Use – There is no interruption to your business. The equipment stays on your property and you continue using it to generate revenue. A buyback option at the end of the lease provides a hedge, allowing you to access the cash you need now, with the option of reclaiming ownership of the equipment when long-term needs are more clearly established.

Keep your Equipment Current – Change is constant. Lease financing means you have easy access to the newest equipment with minimal impact to your general operating budget.

When thinking about equipment acquisitions, either new or used, consider leasing over tying up capital or extending operating lines. It makes good business sense.

Cheryl Anderson has been a Lease consultant for National Leasing for over 8 years, specializing in the Healthcare market.

National Leasing, a 100% Canadian owned company, has been providing financial solutions to businesses across Canada for over 35 years. A recognized leader in equipment financing, National Leasing has built an envied reputation for innovative lease financing solutions, backed by professional service. For further information contact:

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www.nationalleasing.com/products/healthcare.php



**NATIONAL
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Seminars / Workshops "In the Can"

Over the past several years, I have dedicated my professional experience in the veterinary industry to develop a number of seminars / workshops specific to the veterinary industry. Should your group like to hold an evening's discussion on management issues related to your business, let us know and we would be glad to assist you. Here are some of the seminars that we have developed and/or presented to the veterinary community:

Financial Crisis, Fact or Rumor

Effective Veterinary Practice Management

Part of the Team

Effective Employee and Associate Management

How to Sell and/or Purchase a Veterinary Practice

Career Options within the Future Veterinary Industry

A Workshop for Veterinary Receptionists (Moving Toward Client Relation Officers)

Veterinary Industry in Transition

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