

## WHERE THE \$\$ COMES FROM AND WHERE IT GOES IN PRACTICE

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Co-Author, "The E-Myth Veterinarian"



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## VETERINARY MEDICINE IS A BUSINESS

You make money  
You spend money  
And,  
Hopefully, you have some left over at the end

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## MONEY IN



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### Money in....aka

- **Income**
- Revenue
- Payment for services or products, normal business activities

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### MONEY OUT




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### Money out...

- **Expenses**
- Costs (of doing business)
- What it costs you to earn revenue

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What's left?




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What's left...

- Profit
- Net
- Money that is made after all the costs and expenses are paid

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## MONEY IN

How do you make money in a veterinary practice?

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Income Centers	
Out Pt Prof Svcs	19.5%
Vaccinations	5.5%
Hospital Nursing (Treatments?)	3.5%
Diagnostics - Lab	19.5%
Diagnostics - Imaging	4.5%
Surgery w/o anesth	9.0%
Dentistry	3.8%
Anesthesia	3.0%
Nutrition	2.5%
Pharmacy	11.5%
HW/Flea & Tick	7.5%
Boarding	8.8%
Other	1.5%
Total Income	100.0%

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### Money In, Money Out

#### Income

- Doctor-related services
- Pharmacy and Lab
- Products
- Additional services

#### Expenses

- Cost of Goods Sold
- Staffing expenses
- Professional expenses
- Facility expenses
- Administrative expenses

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### INCOME- Doctor Related

- Office calls
- Exam fees
- Consultations
- Rechecks
- Emergency services
- Behavior consults
- Vaccinations

- Outpatient procedures
- Surgery
- Anesthesia
- Dentistry



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## Office Visits, Exams, Consultations




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- Reflects the **time** associated with a doctor examining an animal and consulting with the client on their findings and determining the treatment plan

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## Vaccinations




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### VACCINATION fees...

- Are all over the place
- Very low, surprisingly high
- A true commodity since vaccination clinics are a very competitive reality

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### Outpatient procedures




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### Injections and OP Fees

- Injections are charged based upon an injection fee and then the product cost
- Outpatient Fees
  - Time necessary to perform the task
  - Expense of the equipment if used
  - How onerous the task, e.g. anal glands, TNT
  - Perceived value to the client

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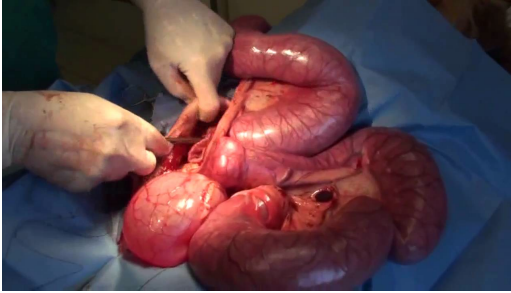
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## Surgery



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## Surgery fees:

- Commodities-Spays, Neuters, Declaws
  - Again, all over the place
  - Very competitive due to spay/neuter clinics and shelters
  - If billed out as a any other surgery, are quite costly
- Non-Commodities- Soft tissue and Orthopedic
  - Usually billed by the minute or by the procedure plus required supply costs
  - Complexity determines cost
- Arthroscopic, laser, etc
  - May all add to the cost

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## Anesthesia



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## Anesthesia

- May include:
  - Pre-anesthetic exam
  - Induction fee
  - Intubation, Oxygen, gas anesthesia
  - Monitoring
  - IV catheter plus fluids
  - Pain management pre and post op
- Usually a baseline fee including induction, etc., PLUS
  - A fee for length of the procedure
- Age or other complications may impact charge

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## Dentistry




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## Dentistry

- Has become commoditized to a degree
- Price usually includes:
  - Anesthesia
  - Cleaning, Polishing, Fluoride
- Additional costs may include
  - Dental radiographs
  - Toothbrush/toothpaste to go home
- Price may vary on severity of dental disease and thus time needed to perform

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### Other Doctor Related Services

- Ultrasound
- Hospitalization
- EKG
- IV fluids
- Endoscopy
- Euthanasia/Cremation



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### INCOME-Pharmacy and Lab

- Dispensed medications
- Laboratory income
- Radiology revenue



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### Dispensing Medications and Fees



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## Medications

- Cost to client includes:
  - Actual cost of medication plus mark up
  - RX filling fee, label, counting, inventory, etc.
- Some medications are commoditized
  - Flea and tick
  - Heartworm
  - Pain meds
- Some medications are charged by the bottle
- And on line pharmacies have had a huge impact

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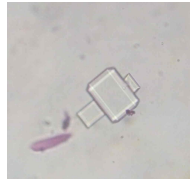
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## Laboratory




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## Laboratory income

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|---|---|
| <ul style="list-style-type: none"> <li>• In house                             <ul style="list-style-type: none"> <li>• Fecal exams</li> <li>• FeLV/HW/Lyme/Etc</li> <li>• Fungal culture</li> <li>• Chemistry and CBC</li> </ul> </li> <li>• Reference Labs                             <ul style="list-style-type: none"> <li>• Just about anything</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• In house Fees                             <ul style="list-style-type: none"> <li>• Cost of reagents, equipment, time, etc., etc,</li> <li>• Vary but usually around 2 -2.5 x cost</li> </ul> </li> <li>• Reference Labs                             <ul style="list-style-type: none"> <li>• Cost to practice times mark up of 2- 2.5</li> </ul> </li> </ul> |
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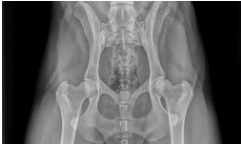
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## Radiology




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## Radiology Income

- Currently, both digital and traditional equipment
- Usually includes two views and then additional charges for more views
- Cost of two views varies
- Includes cost of processing
- May include an interpretation fee or may add on to radiology costs

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## INCOME- product sales

- Foods/Diets
- Shampoos
- OTC products
- Leashes, collars, etc




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## Pet Foods or Prescription Diets



Frequently a  
manufacturers  
suggested price

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## Shampoos or other dermatologics



Cost times mark up of  
usually 2-3 times




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## Other OTC products



Cost times mark  
up, usually 2-3  
times




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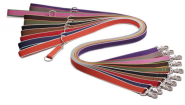
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### Leashes, Collars, Etc



Cost times mark up of  
2-3 times

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### Boarding/Grooming




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### INCOME- other services

- Boarding
  - Usually based upon size of the pet
  - High end boarding may charge just for occupancy
- Grooming
  - Bathing only will be charged differently than
  - Grooming aka haircut
  - Based upon difficulty of the cut

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## A LITTLE MORE ON INCOME

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### Income is impacted by:

- Fee increases
- Transaction numbers
- Compliance
- Longevity of support team
- New equipment
- Demographics
- Economy
- Discounts/missed charges
- Efficiency

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### Service Profit Margins

#### HIGH

- Diagnostic
- Medical services

#### LOW

- Non-medical income areas
- Boarding
- Grooming
- Product sales
- Vaccinations

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Income Centers	
Out Pt Prof Svcs	19.5%
Vaccinations	5.5%
Hospital Nursing (Treatments?)	3.5%
Diagnostics - Lab	19.5%
Diagnostics - Imaging	4.5%
Surgery w/o anesth	9.0%
Dentistry	3.8%
Anesthesia	3.0%
Nutrition	2.5%
Pharmacy	11.5%
HW/Flea & Tick	7.5%
Boarding	8.8%
Other	1.5%
Total Income	100.0%

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The glass is full, now what?




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The glass starts to leak...




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## Money In, Money Out

### Income

- Doctor-related services
- Pharmacy and Lab
- Products
- Additional services

### Expenses

- Cost of Goods Sold
- Staffing expenses
- Professional expenses
- Facility expenses
- Administrative expenses

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<b>Cost of Professional Services</b>			
Drugs/Med Supplies	13.3%	13.1%	5.76%
Nutritional Products	4.5%	3.3%	2.54%
Lab/Diagnostic Costs	2.8%	2.8%	8.21%
Flu/Tick/MV Expense	0.4%	0.5%	8.55%
Animal & Waste Disposal	0.3%	0.3%	0.41%
Other	0.3%	0.2%	0.17%
<b>General &amp; Admin Expenses</b>			
Q/M Dollars	25.2%	20.0%	0.02%
Staff Dollars	27.2%	35.5%	18.54%
Management/Admin Dollars	3.0%	3.0%	9.72%
Owner P/R	6.0%	6.0%	2.33%
Payroll Taxes	3.3%	3.1%	11.40%
Insurance, Health	1.1%	1.1%	0.02%
MCA & Inflation	0.4%	0.4%	0.02%
Rent	5.2%	6.8%	8.38%
Office Computer Supp.	1.3%	1.4%	0.11%
Service Contracts	0.7%	0.7%	0.30%
Maintenance & Repair	1.2%	1.2%	0.24%
Telephone	1.4%	1.1%	0.50%
Utilities	0.9%	1.2%	0.62%
Postage	0.7%	0.7%	0.44%
Cost, Education	0.8%	0.8%	0.80%
Advertising	0.9%	1.1%	0.23%
Business Meals	0.3%	0.2%	0.45%
Charity & Discounts	0.5%	0.4%	0.02%
Sales Tax	0.8%	0.8%	0.40%
Property Taxes	1.3%	0.9%	0.02%
Travel Income	0.3%	0.4%	0.10%
Legal/Accounting	0.5%	0.6%	0.02%
Real Estate	0.5%	0.5%	0.02%
Bank Charges & Fees	0.3%	0.3%	0.02%
Insurance, Practice	1.0%	1.1%	0.02%
Interest	0.6%	1.3%	0.02%
Depreciation	0.8%	0.8%	0.02%
Contractors	1.1%	1.5%	0.02%
Other	0.3%	0.2%	0.02%
<b>Total Expenses</b>	<b>88.4%</b>	<b>88.5%</b>	<b>88.02%</b>
<b>Net Profit/Loss</b>	<b>8.6%</b>		

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## Major areas to control expenses

- Cost of goods
- Cost of staff
- Cost of associates
- Facility rent/mortgage

**Well managed will be around 60% of your revenue goes to these four categories.**

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## Cost of Goods Sold




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## Cost of Goods Sold

Sometimes called costs of professional services  
Expenses associated with the generation of revenue

- Pharmacy
- Drugs- e.g. injectables, vax & Medical supplies- gauze, qtips,
- Laboratory—both in and out
- Diet costs
- Non-medical supplies
- Medical waste- xray processor, sharps, etc
- Animal disposal
- Specialists

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## More on COGS

- Doctor Related
- Lab fees
- Radiology and imaging
- Surgery
- Cremation
- Anesthesia
- Hospitalization
- Dentistry
- Drugs
- Medical supplies

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## More on COGS

- Non-Professional/Kennel
  - Grooming
  - OTC Sales
  - Food
  - Registration/license
- Specialists
  - Radiologist
  - Outside surgeon

**TOTAL COGS  
may be 20-  
25% of your  
revenue**

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## Veterinary Staff




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## EXPENSES- Staffing

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| <ul style="list-style-type: none"> <li>• Staff salary</li> <li>• Continuing education</li> <li>• Staff meetings</li> <li>• Insurance-workers comp.</li> <li>• *Employee Benefits</li> <li>• Payroll taxes</li> <li>• Uniforms</li> </ul> | <ul style="list-style-type: none"> <li>• Employee Benefits                             <ul style="list-style-type: none"> <li>• Health, life, disability insurance</li> <li>• Retirement plan</li> <li>• CE</li> </ul> </li> </ul> |
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**Staff Payroll  
maybe 20-25% of  
your revenue**

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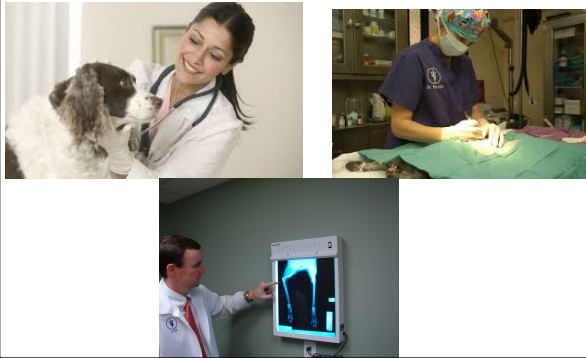
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## Professional Expenses




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## EXPENSES- Professional

- Assoc. compensation
  - Owner compensation
  - Dues, licenses
  - CE- travel, tuition, etc
  - Employee benefits
  - Taxes- payroll
  - Uniforms
  - Insurance- malpractice, workers comp
  - Relief Vets
- Professional Payroll may be 20-25% of your revenue***

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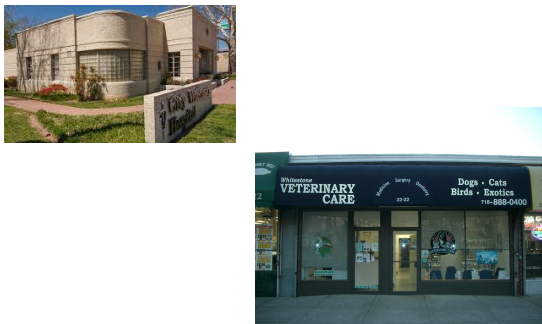
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## Veterinary Facility Expenses




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## EXPENSES-Facility

- Rent
- Repairs and Mainten.
- Telephone system
- Utilities
- Real estate taxes
- Insurance- building
- Depreciation
- Interest
- Equipment leases
- Internet

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## Administrative costs




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## EXPENSES- Administrative

- Merchant service fees
- Computer expenses
- Office supplies
- Dues and licenses
- Insurance- business
- Taxes- business
- Amortization
- Bad debt
- Bookkeeper, etc.
- Telephone service
- Postage
- Printing
- Bank charges
- Legal fees
- Gifts/contributions
- Meals/ entertainment

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### EXPENSES- Marketing

- Website
- Yellow pages
- Advertising
- Facebook
- Google adwords
- Etc.

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### MORE ON EXPENSES

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### Veterinary Income?

#### Associate

- Salary/production
- Benefits
  - Insurance
  - CE
  - Time off
  - Other Benes

#### Owner

- Salary or Production
- Benefits (noted)
- Management Fee
- Rent/Mortgage
- ROI
- Equity
- Tax deductions

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### WHAT DOES IT MEAN IF YOUR EXPENSES ARE GREATER THAN 100% OF YOUR INCOME?

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### WHAT DO YOU DO WITH WHAT'S LEFT OVER?

- Pay down business loans
- Remodel
- Add equipment
- Take it home
- Put it in the bank

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## YOU HAVE TO MEASURE IT...TO MANAGE IT!!!

Income Statement is a tabular  
representation of your  
practices finances

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## INCOME STATEMENT

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Hospital Nursing (Treatments?)	3.5%
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Diagnostics - Imaging	4.5%
Surgery w/o anesthes	9.0%
Dentistry	3.8%
Anesthesia	3.0%
Nutrition	2.5%
Pharmacy	11.5%
HW/Flea & Tick	7.5%
Boarding	8.8%
Other	1.5%
Total Income	100.0%

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2014 - Liquidation Expenses		
Appraised Realties	13.3%	51.1%
Nutritional Products	4.5%	3.3%
Lab/Diagnostics Costs	7.0%	2.2%
Post-Tick/WV Expenses	0.4%	0.3%
Animal Waste Disposal	0.3%	0.3%
General & Admin Expenses	0.3%	0.3%
DVM Dollars	95.0%	20.0%
Staff Dollars	21.0%	56.5%
Management/Admin Dollars	3.0%	2.7%
Owner ROI	6.0%	2.3%
Payroll Taxes	3.3%	1.1%
Insurance - Health	1.1%	0.0%
NOA & Uniforms	0.4%	0.0%
Bart	0.3%	0.0%
Office/Computer Shop	1.3%	1.4%
Service Contracts	0.7%	0.7%
Maintenance & Repair	1.1%	1.3%
Telephone	1.4%	1.1%
Utilities	0.0%	1.2%
Postage	0.7%	0.7%
Cost Education	0.0%	0.0%
Advertising	0.0%	1.1%
Business Meals	0.0%	0.5%
Cash & Discounts	0.0%	0.4%
Sales Tax	0.0%	0.6%
Property Taxes	1.1%	0.0%
Dental Expenses	0.3%	0.3%
Legal/Accounting	0.5%	0.0%
Bank Debt	0.0%	0.0%
Bank Charges & Fees	0.3%	0.0%
Insurance, Practice	0.0%	1.1%
Interest	0.0%	1.3%
Depreciation	0.0%	0.0%
Consultants	1.1%	1.0%
Other	0.3%	0.7%
<b>Total Expenses</b>	<b>89.4%</b>	<b>69.4%</b>
<b>Net Profit/Loss</b>	<b>0.0%</b>	

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Cost of Professional Services	
Drugs/Med Supplies	13.3%
Nutritional Products	4.5%
Lab/Diagnostics Costs	2.6%
Flea/Tick/HW Expense	0.4%
Animal & Waste Disposal	0.3%
Other	0.3%

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General & Admin Expenses	
DVM Dollars	19.5%
Staff Dollars	21.0%
Management/Admin Dollars	3.0%
Owner ROI	6.0%
Payroll Taxes	3.3%
Insurance, Health	1.1%
NQA & Uniforms	0.4%
Rent	5.5%
Office/Computer Supp	1.3%
Service Contracts	0.7%
Maintenance & Repair	1.1%
Telephone	1.4%
Utilities	0.5%
Postage	0.7%
Cont. Education	0.8%
Advertising	0.9%
Business Meals	0.3%
Charity & Discounts	0.5%
Sales Tax	0.6%
Property Taxes	1.3%
Dues/Licenses	0.3%
Legal/Accounting	0.5%
Bad Debt	0.5%
Bank Charges & Fees	0.3%
Insurance, Practice	3.0%
Interest	0.5%
Depreciation	0.8%
Consultants	1.1%
Other	0.3%

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Other	0.30	0.02	0.00
Professional Admin Expenses			
- Admin Expenses	10.00	2.00	0.00
- Staff Salaries	2.00	30.00	14.00
- Management/Admin Salaries	1.00	3.00	2.75
- Owner P&L	0.00	0.00	0.00
- Payroll Taxes	0.00	3.15	11.10
- Insurance, Health	1.15	1.15	0.00
- ACA & Medicare	0.40	0.40	0.00
- Rent	0.00	0.00	0.00
- Office/Computer Supp.	1.00	1.00	0.15
- Service Contracts	0.75	0.75	0.30
- Maintenance & Repair	1.15	1.15	0.30
- Telephone	1.25	1.25	0.50
- Utilities	0.00	1.20	0.00
- Postage	0.75	0.75	0.60
- Travel Education	0.00	0.00	0.00
- Advertising	0.00	1.15	0.00
- Business Meals	0.00	0.00	0.00
- Charity & Donations	0.00	0.00	0.00
- Sales Tax	0.00	0.00	0.00
- Property Taxes	1.00	0.00	0.00
- Travel Expenses	0.00	0.00	0.00
- Legal/Accounting	0.00	0.00	0.00
- Bad Debt	0.00	0.00	0.00
- Bank Charges & Fees	0.00	0.00	0.00
- Insurance, Practice	0.00	1.15	0.00
- Interest	0.00	0.00	0.00
- Depreciation	0.00	0.00	0.00
- Consultants	0.00	0.00	0.00
- Other	0.00	0.00	0.00
Net Income	25.00	25.00	25.00
Net Profit Loss	0.00	0.00	0.00

PROFIT

## Summary

- Income is highly dependent upon the type of practice vision, mission, philosophy and values
- Always do what's best for the pet
- Expenses are highly dependent upon the effective and efficient utilization of people and products
- Best people produce the best outcomes
- Best prices produce the greatest profitability

## What's left in the glass?



## THE BIGGEST AND MOST IMPORTANT NUMBER IN A VETERINARY PRACTICE

PROFITABILITY  
NET

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## BY THE WAY...

This discussion is very  
practical for you  
personally...where is you  
money coming from? Where  
is it going?

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## Questions



- Peter Weinstein, DVM, MBA
- Executive Director, SCVMA
- [peterweinsteindvmmba@gmail.com](mailto:peterweinsteindvmmba@gmail.com)

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