

Adding Value and Getting Paid for It

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Introduction

Veterinary practice in rural America has undergone dramatic changes in the past two decades. Our profession has been blessed with the development of a new group of progressive producers that are highly trained specialist in their area of livestock production. Many veterinarians that have served the livestock industry have found an increased number of producers that are highly progressive may occasionally challenge the veterinary recommendations. Some practitioners that served livestock clients have decided that it is not efficient to continue to offer all services to all species and have established primarily small animal clinics, companion animal clinics or specialty clinics. Certainly, livestock production has undergone a similar move toward specialization. Family farming operations that contain dairy, beef cows, swine, and poultry components are nearly extinct, yet as recently as the 1960's those diversified livestock operations were the mainstay of American agriculture. In a free market economy, we believe that all products and services ultimately find their highest value, over time. I believe that this is what has happened to livestock production in the US. This change in farm family demographics has ultimately changed the distribution of practicing veterinarians and to some extent the demographics of veterinary school applicants.

A discussion of supply and demand may ultimately give insight towards explaining the demographics of veterinarians allocated to the livestock sector, but does not fully take into consideration the diversity of services that we as veterinarians have been asked to provide. Through our training and experiences, food animal veterinarians have become some of the most highly trained general biologists in the world. Through our formal education, we have been trained as physiologists, microbiologist, pathologists, surgeons, epidemiologists, immunologists, among other areas of academic endeavor. Through our experiences and continuing education, we strive daily

to become better food safety specialists, environmental control check points, production management consultants, nutritionists, regulatory affairs representatives and meat and milk quality and safety assurance officers. To be totally honest, we, as food animal veterinarians are asked to wear several different hats every day.

Three of the major challenges that we face in food animal veterinary practice are:

1. Providing the high quality veterinary service that our clients demand.
2. Providing the proper allocation of resources (time and energy) to meet the needs.
3. Operating a profitable business.

This article discusses possible methods to create a competitive advantage for your practice by "Adding Value" to traditional veterinary services and suggests mechanisms by which the practice may receive compensation for these non-traditional services.

"Procedure-based" Pricing of Veterinary Services

The metamorphosis of food animal veterinary practitioner has been a rapid transformation from being the "healer of sick animals" to the "manager of the population of animals". Only a few short years ago, we were able to earn a living and build businesses with our surgical skills, diagnostic skills, and a limited therapeutic arsenal. Veterinarians involved in farm practices were the only people that performed castrations and dehorning procedures. We were nearly the only people that possessed syringes for hypodermic injections and relieved cases of dystocia. We were highly sought for our technical skills. As economic pressure on production systems became more intense, veterinarians were recognized as valuable participants in the war against reproductive inefficiency. Pregnancy detection, artificial insemination, and breeding soundness examination of bulls provided some of the most dramatic examples of how veterinary services can have a positive economic

impact on livestock operations.

The good news (financially speaking) for a veterinary practice offering primarily “Procedure-Based Services”, is that most clients have economic appreciation for the procedures conducted. Which is to say, food animal veterinary services are employed when the producer believed that they will realize an economic advantage (in the short term) to hiring the service. A producer would assume that the economic return from dystocia relief would result in a viable calf and cow, or at least a live cow. Castration and dehorning of beef calves are procedures that typically return more than the cost of the procedures. The comparisons are easy to attain by comparing sale prices in the market place.

Compensation for “Procedure-Based Services” are relatively simple to justify, invoice for, and ultimately receive for deposit. Traditionally, the invoice amount for these types of services are calculated by one of two methods:

1. Pricing per unit: for example: \$X/prolapse repair, or \$X/cesarean section, or \$X/calf castrated plus supplies, plus mileage.
2. Pricing per time increment: for example: \$X/hour for processing procedures.

The advantages of Procedure-Based Pricing are as follows:

1. Professional rates are charged and accepted.
2. The amount charged is generally perceived by the clients as fair.
3. Highly defined service accompanies a highly defined charge (clear expectations for both parties).
4. The client has the opportunity to compare prices if they wish. Most will not, however, they may feel comforted to know that they have the option. Also, please consider that if “price-shopping” leads to more competitively priced veterinary products and services, it is ultimately in the best interest of the client. Our challenge is not to be the least cost provider of services, but rather to provide the highest value of services in a cost effective manner.

Disadvantages to Procedure-Based Pricing also exist for both parties. Some of the disadvantages are:

1. The veterinarian is paid only by the number of procedures performed or hours worked.
2. Price shopping by clients may be to your short term disadvantage and lead to excessive competition and limit the profit margin for the practitioner. In my opinion, this issue has been at the heart of many pricing issues regarding veterinary products. Healthy profit margins on veterinary products served as the launch pad

for the formation of large distribution networks. In many areas of the feedlot market, the distribution companies are the most efficient providers of veterinary products. This has caused a dilemma for practices that had built a livelihood around the sale of veterinary products coupled with regionally low priced veterinary services.

3. Veterinary practices that deal almost exclusively with Procedure-Based Pricing may lack the professional stimulation associated with the practice of medicine, since they are economically motivated only to conduct more procedures per day for which they can charge to a client.
4. Many procedures may be more efficiently conducted by veterinary technicians or members of the production team trained by a veterinary consultant. By applying basic principles of economics, many of the common veterinary procedures are currently being conducted by non-veterinarians.
5. As a highly trained professional, you may not have the opportunity to operate at your highest niche, if your days are focused on the question of “how many procedures can I do today?”

“Package-pricing” of Veterinary Services

As the circle of influence of the veterinarian grows, the methods by which we have traditionally valued our services require additional scrutiny. As veterinarians, we have become involved in many facets of food production. Many of the issues regarding residue avoidance, personnel training, and food safety are of the highest social value, yet we still must remain profitable in order to continue to meet the needs of the profession, our clients, and food production at large.

However noble the quest, we must ultimately arrive at a mechanism of compensation for our efforts. One of the most common mechanism by which this is done, is “Package-Pricing”. One of the most common forms of “Package-Pricing” is by the use of “Consultation Agreements”, which are verbal or written contracts between a client and the veterinarian that define the amount and type of service that will be provided over a period of time for a fixed amount of money.

There are several advantages of Package-Pricing, including:

1. **Promotion:** Offering a Package-Pricing option in your practice can help you spotlight an area of your practice that lets clients know what your specialty areas of interest are and where you feel that you have special skills.
2. **Effective:** Clients are more likely to apply the recommendations of the veterinarian, since the

client is paying for the advice. This effectively increases the opportunity of the veterinarian to facilitate progressive changes in the client's livestock operation.

3. **Easy:** Limited resources are utilized in the billing process.
4. **Flexible:** The veterinarian can gain flexibility in scheduling, since many activities of the Package-Pricing Agreement can be accomplished as time allows.
5. **Efficient:** Multiple Package-Pricing Agreements with similar operations increase the efficiency of this business segment. For example, a heifer development program that may represent 100 hours of research, planning, and preparation, may be applicable to 10 different clients, with only minor alterations. This actually allows the veterinarian to sell the same product multiple times, increase the efficiency, and provide all clients with a better product at a lower price.
6. **Opportunity:** Package-Pricing allows the veterinarian to bring all possible Value Added items to the client.

Package Pricing also has some disadvantages.

1. **Boundary Encroachment:** Boundary Encroachment is the single biggest disadvantage of Package-Pricing. The tendency for clients to assume that all professional services should be done under the auspices of the Package-Pricing Agreement is one to be dealt with early in the relationship. Boundary Encroachment is effectively dealt with by having a clearly defined written listing of the services that will be provided and the cost that will be charged on a monthly (or annual) basis. Your description should also list the rates at which routine procedures (not included in the consulting agreement) will be charged. This will serve as a ready reminder that "Procedure-Based" services are not included. I do not believe in binding consulting agreements *per se*, however, providing definition of your product is imperative.
2. **Time Management:** Successful maintenance of Consulting Agreements are largely dependent upon the veterinarian consistently prioritizing their schedule to ensure that consulting relationships are honored by frequent, scheduled, and timely completion of the items included in the consultation agreement. Committing to a schedule several months into the future is difficult for a practitioner involved in food animal practice. In some situations it may be nearly impossible for a solo practitioner.

3. **"Relationship Intensive":** Successful consulting arrangements are in large part a function of the personalities involved. Livestock operations are managed by people that possess the full range of possible personality types. In order to be an effective consultant within an organization, the veterinarian must understand the management, health and husbandry issues, but must also understand the decision process of the manager. The client and veterinarian must develop a mutual respect for each others attributes and capabilities to have a progressive relationship.

Adding Value - Some Ideas That We Apply in Our Feedlot Practice!

1. **Training:** We have training modules in place and continually update the modules. Some of the training topics include:

- **Necropsy procedures of feedlot cattle:**

This module contains step by step instructions for a necropsy approach with the animal in left lateral recumbancy. The material teaches about anatomy, physiology, and pathology of the most common diseases of feedlot cattle. The module also contains information on personal protective equipment, necropsy instruments, supplies needed and the sample collection techniques necessary to properly provide diagnostic quality material to the laboratory to support the case.

- **Diagnosis of Bovine Respiratory Disease (BRD):**

This module contains information about the three primary bacterial pathogens and four most common viral pathogens involved with BRD. The slide set directs the facilitator through a discussion of the pathophysiologic processes involved with the onset of BRD. The training material concludes with a discussion of antimicrobial and anti-inflammatory therapeutic regimens.

- **Clinical Assessment:** This module is directed at the interpretation of clinical presentation of feedlot cattle. A review of the pathophysiology of BRD is followed by a more in depth discussion of the effect of metabolic acidosis on the immune system. The module also directs the facilitator to a discussion of the subtle differences in the clinical presentation of animals with subacute acidosis and early stage BRD.

- **Hospital Management:** This module is focused on the humane care of animals in the feedlot hospital system. The material dis-

cusses physical requirements of the facilities, bedding, shelter, nutrition and supportive care. The module also discusses the role of the hospital in the spread of enteric diseases in the feedlot and potential impact on food safety.

• **Therapeutic Regimen - Mode of Action:**

This module discusses the mode of action of different drug classes, rationale for antimicrobial therapy, importance of label compliance and the need to follow established withdrawal times.

• **Beef Quality Assurance:** The module that we use for Beef Quality Assurance Training was developed in part by The National Cattlemen's Beef Association with the extensive assistance of Dr. Dee Griffin. The module focuses on proper product administration, quality assurance check points and documentation requirements.

2. **Wet Laboratory Training:** Once annually, we gather feedlot animal health crews and mill crews together at a slaughter plant that slaughters cows and light weight carcasses. We have cooperating feedlots bring 15-20 cattle to the slaughter plant that are chronically infected pneumonia cases, chronic lameness, repeat prolapses and other debilitated cattle. We review that health records for the specific cattle and then observe the slaughter process. The participants are able to view the pathology (or lack of pathology) present in these chronic animals. We also spend the time to teach feedlot personnel about injection site reactions associated with intramuscular injections, anatomical locations for proper injections, and a review of anatomy, pathology, and beef quality issues.
3. **Comparative Morbidity and Mortality Data:** Our feedlot practice generates and distributes a dynamic snapshot of animal health data to the feedlots that we serve each month. Morbidity and mortality data are generated each month in 22 separate categories. The data base managed at our office is based on monthly reports completed by each cooperating feedlot. The data set also compare cost of treatment and cost of processing information. Each month, the data base is used to compare each cooperating feedlot with all others in the data base on each of the parameters. The comparison also shows the historical comparison within a feedlot by providing information from the same time on the previous month and from the same month on the previous year.
4. **Newsletter:** Our feedlot consulting practice

utilizes 5 contributing authors who take turns writing our monthly newsletter entitled *Feedlot Health Notes*. The topic is selected the previous month from a group of ideas submitted by the practitioners or from feedlot managers. Draft copies of the Newsletter are circulated among the consulting practice members for comments and additional inputs prior to completion. It is my experience that a high quality newsletter is worth the time and effort. It offers special benefits in a group practice since it provides a forum to seek the input of all practitioners that may have divergent opinions on case management as it involves a disease complex. I think that you will find clients more receptive to multiple doctor involvement if they perceive that case management has been discussed as a group. Keep old copies of Newsletters. If you have prepared a newsletter worth sending to clients, it will serve as a valuable reference for future cases.

Different Levels of "Value Added Services"

In the most simplistic view, "Value Added" implies, "Extra", "Free", or "More than Anticipated". With that in mind, Value-Added Veterinary Services could be defined as practices, procedures, training, or data management provided beyond the scope of traditional veterinary services. The types "Value Added" services can be grouped by levels of complexity and potential value to the end user.

1. **Level 1:** Adding value at the first level involves a reassessment of the traditional way of doing business and focuses on "Doing the Common Things, Uncommonly Well". The main goals of this stage of service are really to be expected in any well organized veterinary practice.
 - Excellent client communication
 - Returning clients phone call on the same day - Always
 - Nearly full time phone access
 - Newsletters that have value
2. **Level 2:** This level of time and resource commitment is greater than those of just doing a very good job of traditional practice. Examples of the next level include:
 - Educational meetings conducted for training the clients. We have the responsibility to "Carry the Torch" of education for our clients. In many respects we have assumed some of the responsibilities of the County Extension Agents. Educational topics may include:
 - Animal husbandry
 - Humane care

- Hospital management
 - Regulatory updates on residue avoidance, environmental issues
 - Production practices
 - Laboratory support of our veterinary practice is an area that may increase the quality of service and increase the revenue of the practice. Opportunities to provide excellent service and practice high quality medicine exist in the areas of microbiology, histology and parasitology.
3. **Level 3:** The third level of adding value is a function of bringing the most innovative technical applications to our producers. Examples of this third level of adding value include:
- Data management of production and animal health data. Many clinics are responsible for (and compensated for) management of the production database. This represents an efficient method for the veterinarian to see the entire operation and work with the producer to make management decisions that can impact the production efficiency. Examples of systems that are currently used by veterinarians to help manage producer databases are Turn-Key, Hi-Plains, Lextron and Micro-Chemical Systems for feedlot management, DHIA Record systems for dairies and PigChamp for swine veterinarians. Data base management represents one of the most powerful tools available to us. The most important issues related to data base management are:
 - Accurate data entry
 - Contemporary entry (daily)
 - Complete
 - Adaptable output format (sorted on many different variables)
 - Timely review of the data set with predetermined comparisons of interest.
 - Using ultrasound assessment of loin eye area (LEA), back fat and marbling scores to aid seedstock producers in sire selection.
 - Using ultrasound carcass assessment using back fat and marbling to predict the appropriate number of days until slaughter.

These data are used to sort a group of cattle into two or three dates. The first group contains those extremely large framed cattle that would produce a carcass greater than 950# if fed to choice grade in addition to the cattle that will grade choice. By selling cattle when they are fat, the producer saves money because adding excess fat is less efficient than adding lean beef. The second group of cattle sold are the most uniform group sold. The last group typically contains the largest variation in quality grade.

- Training clients to use on-line services and assisting that development process by providing a newsletter or diagnostic results on the E-mail can help them get accustomed to the electronic system in a very non-challenging environment. We must always keep in mind that as our clients go, so do we. It is in our best interests to ensure that they are most well informed, most highly trained and most progressive producers that they can possible be.

Conclusion

People involved with the practice of veterinary medicine have been in the business of adding value to traditional veterinary procedures since the beginning of the profession. As today's veterinarians, we also remain in a constant battle to understand the technological advancements made around the globe and to recognize opportunities to adapt the emerging technologies for the benefit of our clients involved with food production. We must find new methods to charge for these services in order to stay in the business of helping produce safe and wholesome food. The nature of our services has changed dramatically in the past two decades, however, I anticipate that the rate of change will increase, not lessen. With the new challenges that face the veterinarians involved in food production, we will need to find new ways to add value to our services so that our clients can continue to improve in the efficiency, accountability and quality assurances required for food production.