

## CONTRACT VETERINARY SERVICES ARE THE FINANCIAL ANSWER

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Equally challenging as establishing a production medicine practice, is establishing a fee structure satisfactory to all parties. A system working well for me is a monthly retainer fee. Each dairy is charged a monthly fee calculated from the number of cows on that month's DHI summary. The fee is charged on a regressive scale, creating larger per cow fees for small herds than for large dairies. This scale is limited by minimum and maximum fees.

Services offered for this monthly fee include:

1. Analysis of production records.
2. Nutritional consultation. (ration balancing, cropping strategy, forage allocation, inventory control, and feed bunk management)
3. Replacement rearing program.
4. Building and stall design, ventilation design.
5. Udder health program. (milking equipment evaluation, bulk tank culturing, milker training)
6. Analysis of financial records, forward planning, bank presentations.
7. Designing reproductive programs, but not recalling cows.
8. One farm visit each month, including visual inspection of all cattle on the premises, and selective body scoring.
9. Written monthly reports.

For these services, my clients pay \$2.50/cow for the first 50 cows, \$2.00/cow for the next 100 cows, \$1.50/cow after 150 cows. A minimum fee of \$200 is charged to small herds, and a maximum of \$800 is charged to large herds. In addition, herds more than 30 miles from our office are charged travel time.

Herd size varies from 45 cows to 900 cows. Typically I work for 15 regular herds each month, totaling 4000 cows. In a typical month, I will also work for 2-3 additional herds. These herds may be clients that only use my services periodically, or herds that have asked for a 1-2 visit analysis of their farm business. These herds are charged a daily rate.

My fee structure has a contract format to the degree that a preset package of services is provided in return for a standard retainer fee. I do not use a binding contract that obligates the producer to stay with the program for an extended period of time. I don't ask clients to remain on my program for one day longer than they are satisfied with the results.

The most significant advantage to this billing system is improved communication. I'm concerned that clients charged an hourly fee are more reluctant to call to share their concerns. The most common reason for production medicine programs failing is poor communication.

Clients paying a monthly fee have a commitment to making the program work. They know that a bill is going to come each month regardless of progress. Their options are to make the program a sound investment in their future, or to bail out. Those that stay with the program are enthusiastic, and dedicated to success. When charging by the hour, we find ourselves having a more minimal impact on several herds that only half-heartedly commit to the program.

Other advantages of monthly retainer fees include a somewhat fixed income that can be expected from consulting, and the ability to plan the month in advance.

The chief disadvantage to this charging system is the tendency of some clients to abuse my time. If they're having a slow day, they might give me a call to see if they can dream up a new project for me to work on. There is a constant trade-off between encouraging communication, and being taken advantage of.

This system also puts constant stress on the practitioner. Clients expect me to produce a major show of work each month. There is never a feeling of having completed a goal. After sending the monthly report, there is always more that could be done for that client each month. These expectations become a heavy burden, and put severe restrictions on my ability to leave town and relax.

Providing this magnitude of services for small dairies is not very profitable within this fee structure. Practitioners working for clients generally milking less than 100 cows should consider a more restricted offering of services.

#### Summary

Using a monthly retainer based on herd size has worked well for me in production medicine practice. With rare exception, 100% of my practice time is billed in this manner. Monthly retainer arrangements encourage improved communication between producers and myself, and foster a strong commitment from the producer to make the program successful.