

Getting Paid by the Head

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The veterinary profession, particularly veterinarians who earn their living from any species where economics rather than emotion dictates their income, are facing challenging times. We have an opportunity unlike any time in the recent past to change the way we do business and meet the needs of an increasingly sophisticated client and the complex health problems which occur on more and more intensive livestock operations. For the past ten to fifteen years, the veterinary profession has embraced and promoted the concept of "herd health," and told innumerable students to go out and sell the concept. I'm sure many people in this audience have felt the frustration associated with taking this idea and putting it into practice. If we truly believe this is the approach to take, then it is essential that the veterinary profession identify clients who will accept these principles and provide the enthusiasm and the technical expertise to make this occur. One of the most common problems encountered in selling herd health has been in being paid appropriately for services which are not all of the task-oriented type.

Historically, the veterinarian has been extremely well trained to perform task-orientated duties. There is no question that we are technically skilled and capable of successfully completing specific operations such as caesarians, prolapses and waterbellies. We have subsequently set specific fees for these services. The problem exists that this method has not lent itself to veterinarians charging for professional advice. Because there is a limit to the amount a producer will pay for each task we do, we have relied on margins in drug sales to provide us the professional fee for any advice we give. In fact, we have justified high margins on our drugs for this reason. In doing this, we have become dependant on drug sales to provide a large amount of income for the practice. This in turn has led us into spending a tremendous amount of time competing with the "lay" or OTC drug outlets for market share. More importantly, it has created division between veterinarians and ethical pharmaceutical companies. Because veterinarians have had difficulty competing in this market, they have assumed that they are not receiving their products at the same price as the lay outlet.

As well, the veterinarian has classified all clients as being equal in terms of the quality of veterinary service we provide. And, therefore, we end up being demand driven. On a fee for service basis, if a particular client wants more

services, we give that individual more but charge accordingly. We take on the method that everyone uses for purchasing a new car. If you want an automobile with all the options, you will pay more. There is a built-in "resistance factor" then, which makes the producer question everything we do based on dollars and cents. We have to justify to that individual why we should, for example, perform regular mastitis checks in his dairy herd. And therein lies the problem. We leave the decision of whether the procedure is "worth it" to the producer. It is recognized by both parties that if the procedure is accepted as being cost effective, it will initially cost the producer more. This system is incompatible with successfully carrying out any herd health program, for we expound on the fact that the producer will ultimately make more money if he accepts our principle that looking after the whole herd is better. We on the other hand give him several options in the amount of herd health he can have, or, in other terms, say that for half the amount we can provide half a herd health program. Or, another way of saying it—a whole program costs "X" dollars but the parts each cost a certain amount. If we believe in the concept of looking after the whole herd, then we cannot believe this method of selling will ever work. We have all likely been in the situation where a crisis has developed on some operation and we have been hired to solve that crisis. It is impossible to know what the exact cost might be in solving the problem, and at that time, cost is not generally discussed. However, we forge ahead and do everything that we feel is necessary. Expenditures for phone calls, our time on the phone, laboratory costs, and our professional services are difficult to bill to the client, regardless if it is on a fee for service, a contract, by the hour, or by any other method of charging. We invariably rely on hiding the charges in some form of drug or vaccine sales. The client's worst day is our best.

The veterinarian needs to know and understand the fundamental elements which make the industry work. The question always arises whether a veterinarian can do both consulting and general practice. I believe that veterinarians who want to service a clientele on a herd health approach need to focus all their attention on that particular industry. This does not mean that dairy specialists or feedlot specialists cannot be associated with a mixed practice. However, they need to have the freedom to focus on the industry they are attempting to serve. I often wonder

how specialists can make health decisions on intensive livestock systems if they are not intimately involved with the industry. There are veterinarians who keep saying that there is nothing we can do for the feedlot industry in Alberta as long as we continue to sell our calves through the auction markets. This may not be the best way to handle these animals in terms of health, but it is certainly the best way to ensure fairness of price to the parties involved. If some better system of selling becomes available, the industry will obviously adopt it. We as veterinarians need to understand the industry in that sense and not accept that there is nothing we can do. There is nothing to be gained in taking a defeatist attitude. We are employed to manage the resources and the systems as they exist today. We need a hands-on approach to health, and this entails being involved with the operation on more than a monthly or semi-annual basis.

We need to establish a method of doing business where we are paid for our professional advice, and assume that we do not need—nor will we ever get—all the drug sales in the practice area. Veterinarians need to concentrate on what they have been trained to do, and that is to establish their role as health professionals in the livestock industry. This is the area of our expertise, and it is imperative that we sell this to the livestock industry. By continuing to charge on any system which can be reduced to a fee for service basis, our incomes will always be tied to the economic health of the industry, we will maintain a status slightly higher than that of a good drug salesman, and most importantly, we will lose a large and progressive group of clients who are the sector most likely to accept and benefit from a new approach to veterinary medicine.

In charging a fee based on the number of animals on the operation, the veterinarian solves several problems that have plagued the profession for some time. I'm going to approach this essentially from the selfish view of the veterinarian. First, by charging in this manner, the veterinarian becomes more intimately involved with the health and production problems of the producer. The veterinarian determines when, how often, and for how long, he or she needs to be on the farm. We are the health professionals, and it is incomprehensible that we have historically let the producer decide when he has a problem that requires veterinary attention. This is circumvented when we are paid by the head, for the producer is expecting the veterinarian to tell him about all possible factors which may be affecting his production efficiency. Essentially, he is paying for the veterinarian's professional advice.

Secondly, by this method, we are not only paid for the sick animals that we treat, but for the healthy as well. We

do not limit ourselves to extracting all our costs out of the sick animals. Payment of veterinary services is also ongoing throughout the year. This is an essential element, for it keeps continuity in the system even though major problems might only occur at certain times of the year.

Thirdly, charging by the head gives us the opportunity to pursue areas which need to be answered if we are to fulfill our role as health specialists. These answers are of critical importance if we want to ensure our existence on the operation. An example of this is the comparison and evaluation of two antibiotics for the treatment of bovine respiratory disease in the feedlot. By most other methods of charging the client, it would be difficult to establish enough continuity with the operation to consider an undertaking such as this. The information gained from such a trial, however, is critical in establishing a treatment protocol for a feedlot.

Fourthly, since the majority of our income under this system is derived from professional services, we can look at the pharmaceutical sales in a different light. No longer do we need to compete with the OTC outlets on price for the drug sales. By being more intimately involved with the operation on a professional basis, we are in a much better position to supply all veterinary products to the client if we want.

Finally, this approach appeals to the client. Once convinced of the approach, the producer can then project the cost of his veterinary services for the coming year and incorporate them into his cost of operation. We as a profession need to prove to producers that we are an integral part of any intensive livestock operation and that we have more to offer than just performing "task orientated" duties. The veterinary profession needs highly motivated, capable, species specific, and possibly industry specific individuals to fill this need.

At the beginning of this discussion, I suggested that the veterinary profession is facing challenging times. The challenge is not only in changing our method of charging the client but in determining the client's needs and then filling that need. We have in the past supplied services equally to both the best and the worst producers. This has to change, for we cannot advance the bottom end producers without intimately involving ourselves with the progressive ones who will essentially provide us with the information we require to make progress with the bottom end producers. We have a clientele waiting to see how we adapt to changes in their industries and how we are going to provide services and information that will be ultimately beneficial to both groups. This is the real challenge facing the profession today.