

Fee structure models in dairy practice

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Abstract

Veterinary services, including production medicine consulting, have traditionally been delivered on an hourly fee basis. This method of compensation for both the veterinarian and producer often fails to demonstrate the full value of the service provided. It also does not allow true alignment of the consultant with the livestock enterprise. Implementation of a comprehensive consultation model that relies on data-based decision making, along with a charging mechanism that allows the veterinarian to be compensated based on value, fosters a win-win relationship between both entities.

Résumé

Les services vétérinaires, y compris la consultation médicale pour la production, ont traditionnellement été offerts sur la base de frais horaires. À la fois pour le vétérinaire et pour le producteur, cette méthode de rémunération ne tient souvent pas compte de toute la valeur des services offerts. Elle ne permet pas non plus l'harmonisation véritable du consultant avec l'entreprise propriétaire du bétail. La mise en œuvre d'un modèle de consultation exhaustif qui repose sur des prises de décisions s'appuyant sur des données, ainsi que sur un mécanisme de facturation permettant au vétérinaire d'être rémunéré en fonction de la valeur, favorise l'existence d'une relation fructueuse entre les deux parties.

Introduction

Traditionally, veterinarians and veterinary consultants have charged on the basis of an hourly rate or piecemeal for various services. This long-standing model has been effective in many situations. However, as production medicine consultants deliver comprehensive recommendations that can have a significant economic impact, the veterinarian will not likely be compensated to a level commensurate to the value of this service.

There are multiple examples of this discrepancy between the fee charged and the value received. In many instances the consultant can develop, implement, and monitor specific programs with minimal time investment to only discover that the value gained from these recommendations is many multiples greater than the charge. Common examples include consultation in the areas of reproduction, nutrition/feeding, milk quality, and employee management.

A retainer-based charging mechanism can provide a method of compensation that is more equitable to the veterinarian for the value delivered to the farm enterprise. This method also aligns the consultant to the farm operation so that the farm's best day is also the veterinarian's best day from a compensation standpoint. This method allows us to move away from the perception that the client's worse day on the farm or ranch is the veterinarian's best day from an income standpoint.

Within the dairy model, greater alignment of the consultant with the farm can be achieved by linking this retainer-based system to milk production as opposed to a per-head basis. If production declines for some reason, it is in the consultant's immediate best interest to investigate and improve production. Of course, pros and cons with both per-head and production-based systems need to be considered.

One important aspect of this model is the need to consistently deliver value to the client's operation. Examples of strategies that may increase the likelihood of success include using a comprehensive team approach, monitoring specific areas of the operation on a routine basis and rapidly responding to any negative changes, identifying bottlenecks and profit opportunities, and evaluating new technologies.

The team approach is rather innovative within the traditional dairy practice model, where there generally is a main herd veterinarian who is responsible for all aspects of routine professional services and production medicine consulting. The comprehensive team attempts to remove client ownership by one veterinarian and fosters the relationship with multiple consultants within a group to provide the expertise needed to solve problems and implement change.

A key to any consultant's success is the ability to have recommendations implemented that consistently translate into economic value. Success in a full-alignment model is more likely if recommendations and decisions are based on data. Decision alternatives can be evaluated by using both economic and biological information to model the potential outcomes (bio-economic modeling). Failures in decision making will certainly occur when unreliable information is used or when statistics are either misinterpreted or not used at all.

Conclusion

Delivery of both traditional veterinary and production medicine consulting services under a model

that charges on the basis of milk production will serve to align the veterinary consultant team with the dairy enterprise. The use of a team approach on the dairy is

an important aspect of value delivery. Recommendations and decisions that are based on bio-economic modeling will help ensure the success of the model.