

GETTING PAID BY THE HEAD

P. T. Guichon, DVM and G. K. Jim, DVM
Feedlot Health Management Services, Postal Bag Service #5, Okotoks, Alta., Canada T0L 1T0

Food animal veterinarians are being challenged today to provide comprehensive cost-effective programs to increasingly sophisticated clients on intensive livestock operations. The delivery of such service is the greatest challenge facing the veterinary profession. The emphasis today, unlike the past, is on production within the herd rather than on the individual animal. To meet the needs of these producers, veterinarians are recognizing that certain clients are requesting changes in the veterinary/client relationship. Without question, the knowledge and expertise is currently available to provide "high tech" veterinary service to elite producers.

For the past ten to fifteen years, the veterinary profession has embraced and promoted the concept of "herd health". In general, the herd health concept expands the veterinarians' role in an agricultural enterprise from providing traditional "task oriented" services based on the clients' perceived "needs", to providing a service with regularly scheduled visits with the emphasis placed on overall herd production. Factors influencing herd performance can be identified, modified, and the effect of any change in the operation can be evaluated on subsequent herd performance. Herd health services should optimize production in the herd and thereby increase the monetary return to the producer. It is important for the producer to differentiate between the herd health approach and the traditional "fire engine" approach. In the view of many clients, having a veterinarian on the operation is always deemed to be an "expense". It is essential that veterinarians identify clients willing to accept herd health principles. Moreover, it is essential that the veterinary profession provide the framework and the environment to nurture the herd health concept. In selling the concept of herd health, the issue that most proponents overlook is that of veterinary remuneration for services which are not task orientated.

Historically, the veterinarian has been extremely well trained to perform "task orientated" duties. There is no question that veterinarians are technically skilled with respect to surgical techniques and capable of successfully diagnosing and treating diseases at the individual animal level. Specific fees for "task oriented" services are easily determined and this has precipitated the most common method of remuneration for veterinary services known as the "fee for service" system. Unfortunately, charging clients in this way has made it difficult for the veterinary profession to convince clients of the benefits of herd health. More importantly, this method of remuneration makes charging a "professional fee" for advice a difficult proposition. Producers will only pay a limited amount of money for each veterinary task. For example, the cost of a cesarean is weighed against the benefit of a live calf and a

healthy cow. If the cost of veterinary service is viewed to be "too high", the client will elect not to call the veterinarian and will solve the problem in another way. Veterinarians have relied on margins from drug sales to provide part or all of the professional fee for certain tasks performed and advice given. This has led to a significant reliance on drug sales to provide practise income. Most importantly, this sequence of events has left producers wondering whether veterinarians are more interested in selling pharmaceuticals than providing veterinary services. In some instances veterinarians bewilder clients by suggesting that producers should buy pharmaceuticals from the veterinarian regardless of the difference in cost between the "lay" outlet and the clinic. Astute clients have identified the inherent conflict of interest that has plagued the profession; can veterinarians give sound professional advice and also be marketers of pharmaceuticals? Indeed, it can be argued that the profession has no compelling need to solve disease, health, and production problems when reduced drug sales will decrease income. Clients have complained that their "worst day" is the veterinarians "best day". Although veterinarians are the most qualified group to sell pharmaceuticals to the end user, they may lose market share because of a perceived "conflict of interest". If clients suspiciously view veterinarians as operating in a "conflict of interest" when selling drugs, they will seek professional advice elsewhere. In the conventional practise situation, a "cost" is determined for each service and it is left to the producer to determine whether a procedure is "worth it". Therefore, a resistance factor is built into the "fee for service" remuneration approach as each "option" costs the producer more. A herd health program cannot be successful if the producer determines which procedures are necessary. The "fee for service" system simply cannot accommodate the herd health approach to providing veterinary service.

Veterinarians should be paid for their professional advice and decrease reliance on the drug sales. Veterinarians need to establish their profile as the qualified health professional in the livestock industry. If veterinarians continue to charge on systems based on a "fee for service", income will always be related to the economic health of the industry.

In charging a fee based on the number of animals on the operation, the veterinarian will become more intimately involved with the health and production. The veterinarian determines when, how often, and for how long, he or she needs to be on the farm. Quite simply, in this system the responsibility for animal health is transferred to the veterinarian. Although we are the animal health professionals, it is incomprehensible why we have historically let the producer define the role of the veterinarian.

Charging "by the head" allows us to be paid not only for the sick animals treated, but also for the healthy population. Costs for veterinary service are equally

distributed throughout a herd rather than being assessed to the sick animals which are the group least likely to make the producer money. Moreover, payment of veterinary services is ongoing throughout the year so that cash flow is improved.

Charging "by the head" gives the veterinarian an opportunity to investigate areas where insufficient information is available to make rational, cost effective decisions. For example, conducting a feedlot trial to compare the relative effectiveness of various antibiotics against bovine respiratory disease is required to establish a treatment protocol for a feedlot. Other methods of billing do not ensure enough continuity between producer and veterinarian to permit "on-site" evaluations.

Since the majority of veterinary income under the "by the head" system is derived from professional services, pharmaceutical sales can be handled differently. If desired, the veterinarian can be price competitive with OTC outlets. Also, by being intimately involved with the operation, veterinarians are in a better position to supply animal health products to the client.

Under the "by the head" system, remuneration for veterinary services is directly related to the number of animals on the farm. The producer can project the cost of veterinary services for the coming year for inclusion in the operating budget.

How many ways are there for veterinarians to increase income? Excluding increased margins in drug sales, veterinarians can increase income in three ways; first, work more hours in a day, second, increase hourly rates, or third, increase the fee for service charge. Invariably, veterinarians complain that they "work too many hours" so it is unlikely that the first mechanism is possible. The second and third mechanisms will always meet resistance from the livestock industry.

Critics of the "by the head" method of remuneration suggest that many producers will not accept nor do they want this type of arrangement. However if veterinarians are to assume the legitimate role of animal health professional the veterinary/client relationship must change. In the past, veterinarians have provided services that are best suited to the "bottom end" producers. Logically, we should increase our efforts to service the "elite" producers.

In summary, there is a sophisticated clientele that will embrace the concept of paying for veterinary services "by the head". Working "by the head" is an excellent opportunity for motivated, capable, species-specific, and industry specific veterinarians to utilize their extensive training and reap the financial rewards.