



2016 State of the Industry



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2016 State of the
Industry

Overview

Snapshot of the economy

Update on veterinary practice trends

Culture and its impact in the veterinary practice

Economic Data and Trends

Provided through a generous educational grant from
the IDEXX Institute and IDEXX Laboratories, Inc.



Snapshot of the economy (last year)

Stock market



Consumer spending



Employment



Snapshot of the economy (this year)

Stock market



Consumer spending

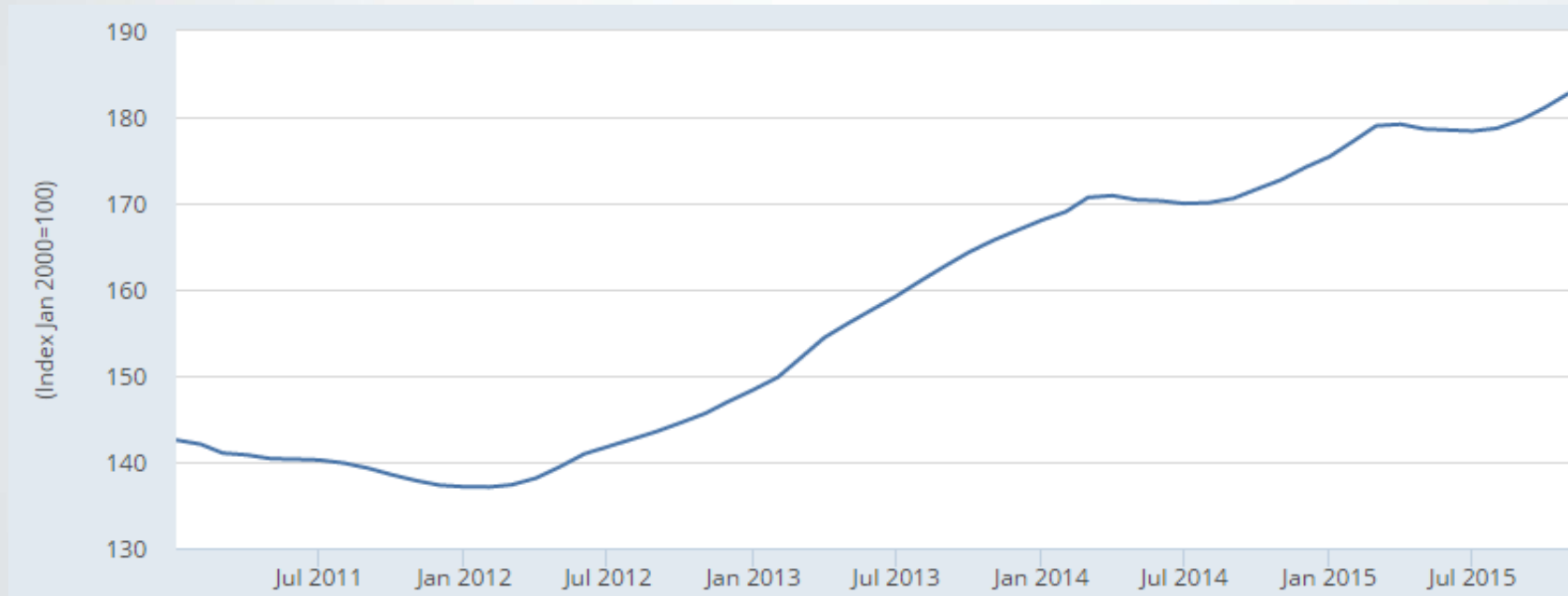


Employment



Economic trends are generally positive

S&P/Case-Shiller 20-City Composite Home Price Index[©]



S&P Dow Jones Indices LLC, *S&P/Case-Shiller 20-City Composite Home Price Index*[©][SPCS20RSA], retrieved from FRED, Federal Reserve Bank of St. Louis <https://research.stlouisfed.org/fred2/series/SPCS20RSA/>, February 2, 2016.

Economic trends are generally positive

Civilian Unemployment Rate



US. Bureau of Labor Statistics, *Civilian Unemployment Rate* [UNRATE], retrieved from FRED, Federal Reserve Bank of St. Louis <https://research.stlouisfed.org/fred2/series/UNRATE/>, February 2, 2016.

Economic trends are generally positive

Personal Consumption Expenditures



US. Bureau of Economic Analysis, *Personal Consumption Expenditures* [PCE], retrieved from FRED, Federal Reserve Bank of St. Louis <https://research.stlouisfed.org/fred2/series/PCE/>, February 2, 2016.

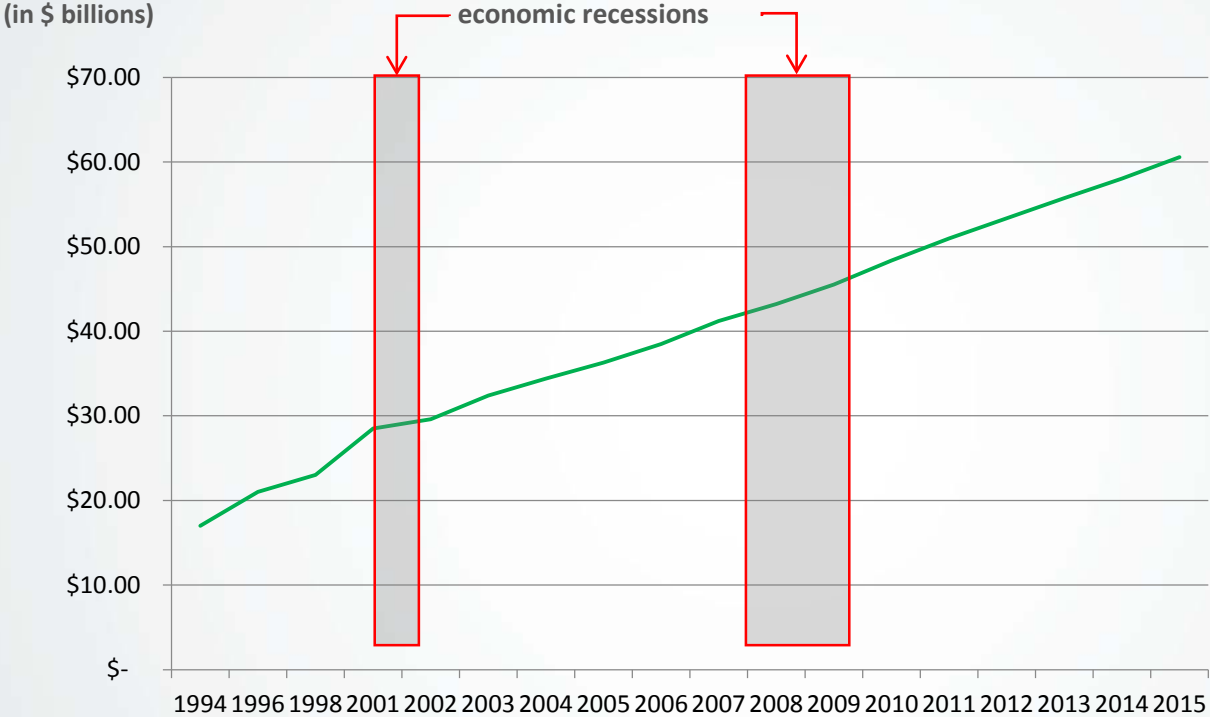
Economic trends are generally positive

S&P 500



S&P Dow Jones Indices LLC, S&P 500® [SP500], retrieved from FRED, Federal Reserve Bank of St. Louis <https://research.stlouisfed.org/fred2/series/SP500/>, February 2, 2016.

Consumer pet spending continues



US Pet Expenditure data: http://americanpetproducts.org/press_industrytrends.asp

Snapshot of annual practice growth

2014

Active patients

 **0.9%**

Patient visits

 **1.4%**

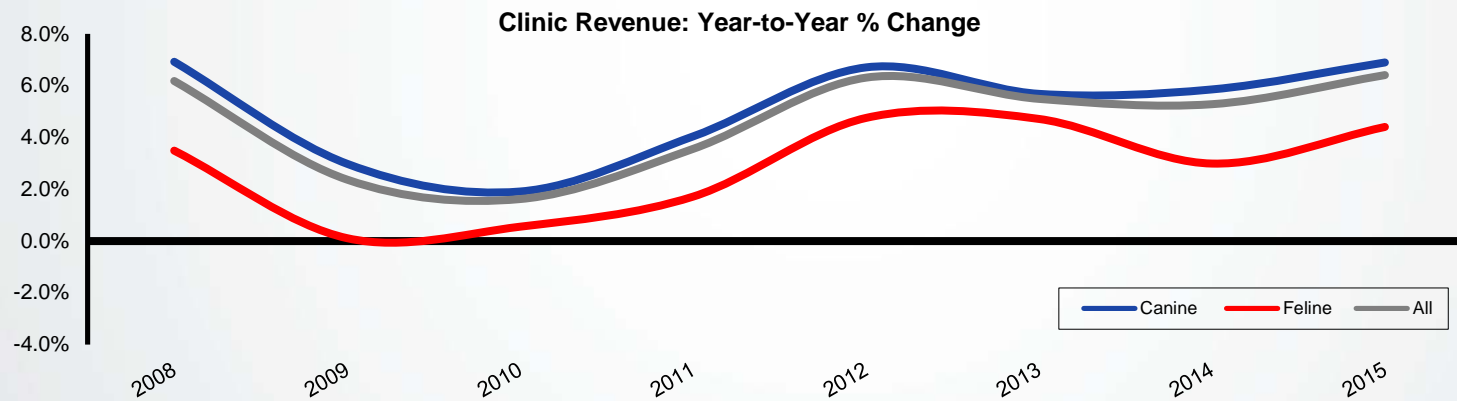
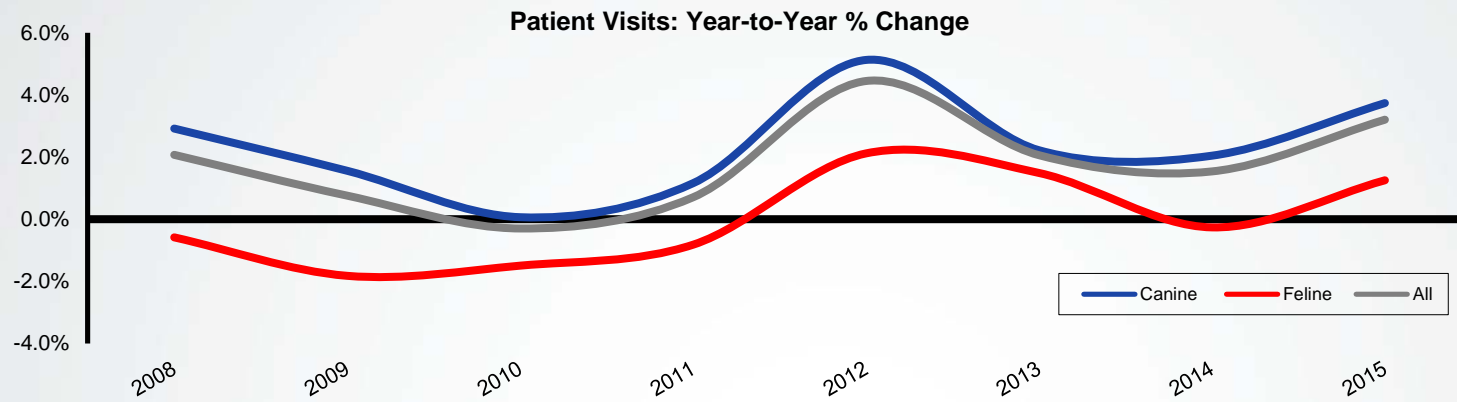
Practice revenue

 **5.1%**

Snapshot of annual practice growth

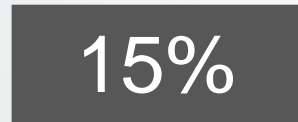
	<u>2014</u>	<u>2015</u>
Active patients	 0.9%	 2.6%
Patient visits	 1.4%	 3.2%
Practice revenue	 5.1%	 6.4%

Snapshot of annual practice growth

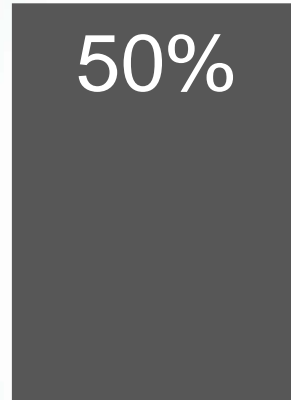


Revenue growth 2014-2015

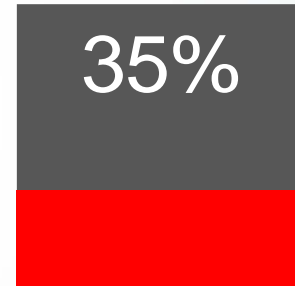
Percent of hospitals



Decliners
< 0%



Growers
0 – 10%



Outgrowers
> 10%

**Consistent
Outgrowers**
2 years in a row!

Revenue growth 2014-2015

Percent of hospitals

15%

Decliners

< 0%

50%

Growers

0 – 10%

35%

Outgrowers

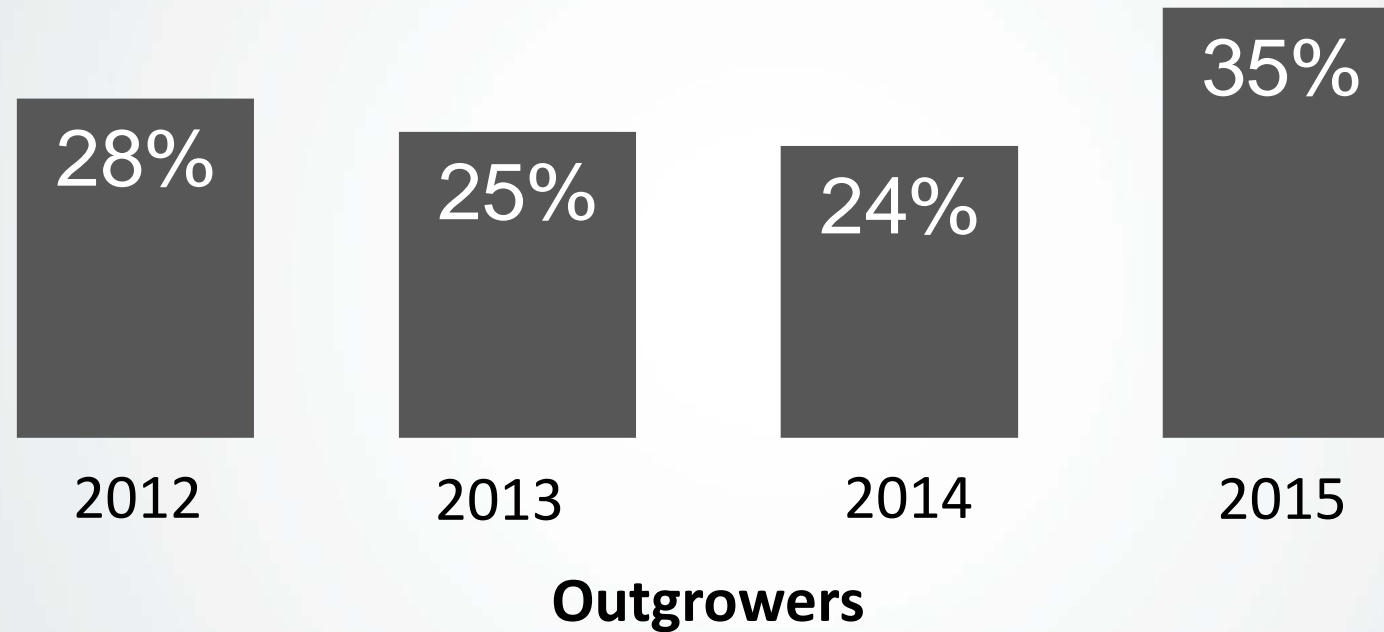
> 10%

**Power
Outgrowers**
3 years in a row!!



Outgrowers over past 4 years

Percent of hospitals



Outgrowers driving up active patients

Active patients



2.6%

Outgrowers



8.7%

Growers



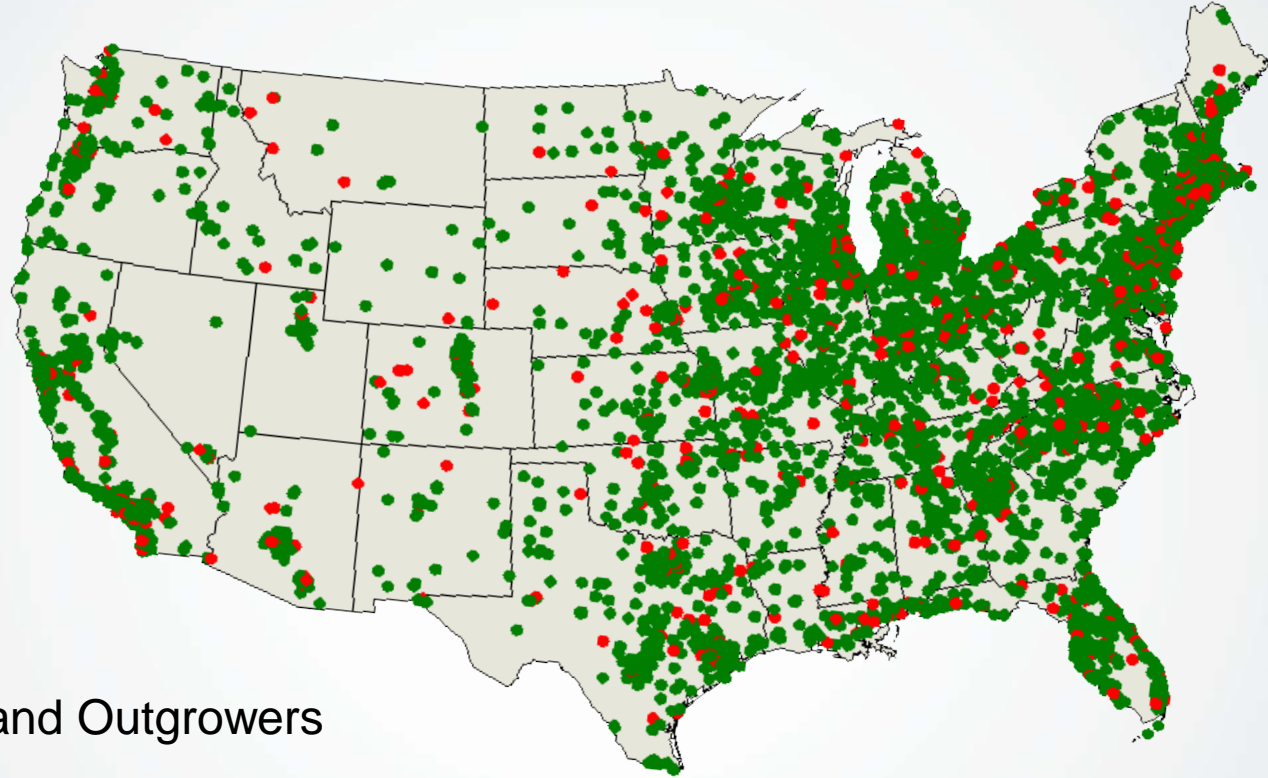
0.9%

Decliners



-7.1%

Location does not determine growth



● Growers and Outgrowers

● Decliners

Outgrowers strengthen the bonds



Methods used by Consistent Outgrowers to strengthen the bonds (from 2014 State of the Industry)

Pet and owner bond

- Treat the pet owner as a partner in the care of their pet
- See themselves as having a critical role in strengthening this bond

Practice and client bond

- Share something to show value
- Forward book the next visit
- Hold community events
- Follow-up with client
- Offer care payment plans

Practice and patient bond

- Provide a stress free environment
- Review complete diagnostic history
- Trend diagnostic results

Veterinarian and staff bond

- Set goals and measure progress
- Conduct daily rounds and meetings
- Invest in practice technology
- Commit team to higher standards

**How to strengthen the bonds within a
veterinary practice?**

Culture

Employee engagement

**How can culture impact the performance of
veterinary practices?**

AAHA Culture Survey

Understanding the Impact of Organizational Culture in Veterinary Practices

Conducted by:



Objectives

- Understand the qualities of organizational culture in veterinary practices
- Evaluate the overall and specific sub-cultures in veterinary practices
- Determine how culture affects veterinary practice metrics

8 cultural dimensions and definitions

1. Training and career development: The degree to which the practice shows an ongoing commitment to the training and career development of all employees and provides continuing education and learning opportunities to all employees.
2. Rewards and recognition: The degree to which the practice creates reward systems that reflect important practice goals and rewards excellence.
3. Institutional fairness and communication: The degree to which the practice protects the rights of all employees to a fair and respectful workplace and shares information necessary for employees to achieve goals.
4. Employee involvement: The degree to which the practice values the contributions and ideas of employees, solicits ideas and suggestions, and delegates decision making authority.

8 cultural dimensions and definitions (cont'd.)

5. Teamwork and staffing: The degree to which the practice encourages teamwork and cooperation, and coordinates efforts across departments.
6. Supervision: Supervisors and managers in the practice communicate a clear understanding of goals, priorities and performance, and provide constructive feedback.
7. Leadership skills: Practice management promotes a commitment to high performance and quality.
8. Relationships with veterinarians: The degree to which veterinarians maintain collegial relations with staff and respect staff contributions to care.

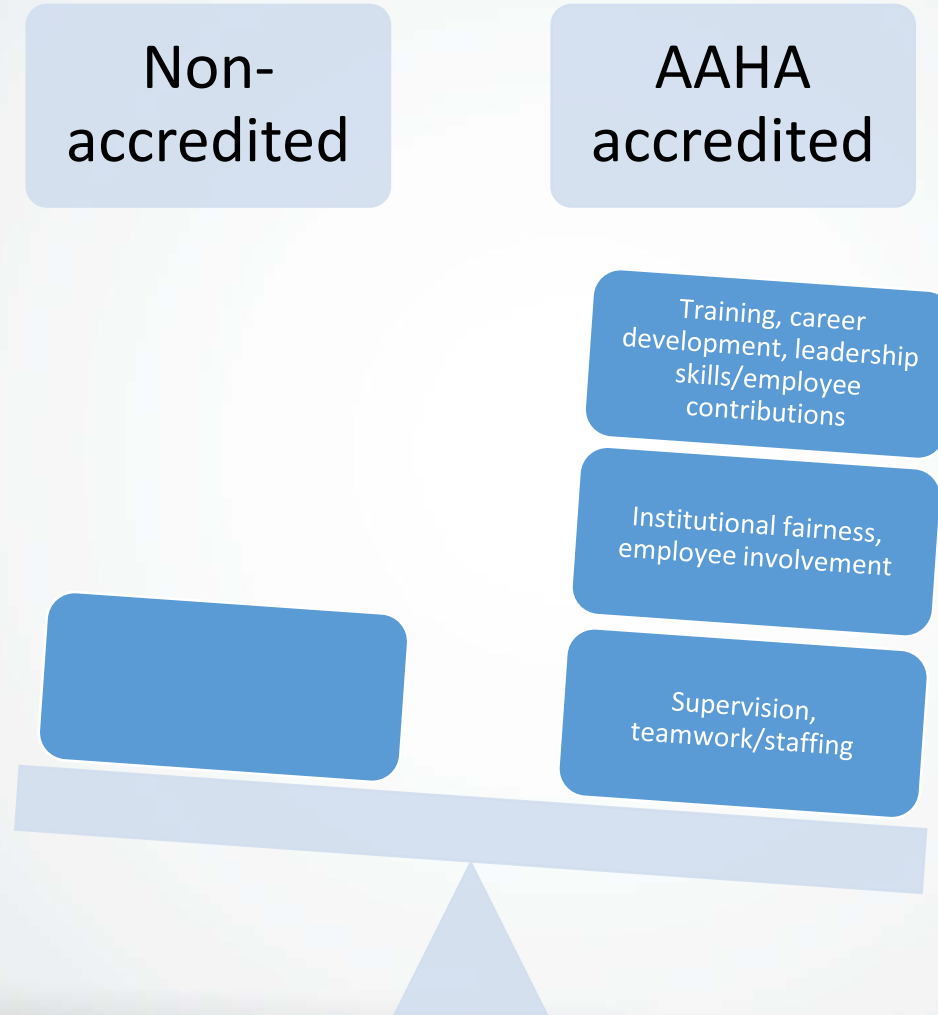
Rating of cultural dimensions by total sample

Rating of cultural dimensions--1=disagree strongly, 5=agree strongly

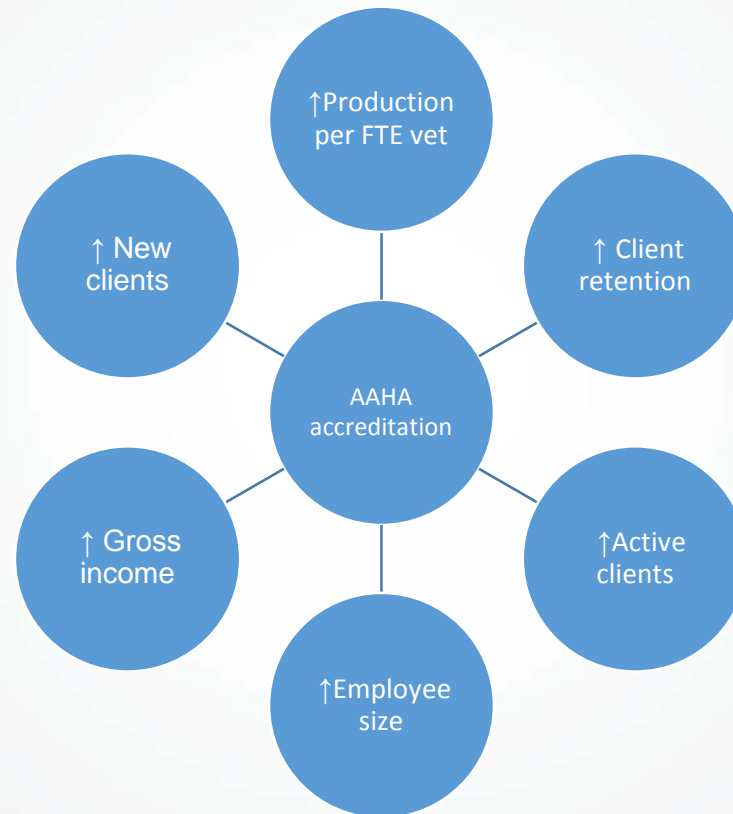


What is the relationship between AAHA accreditation and culture?

AAHA-accredited practices show slightly higher culture scores



AAHA-accredited practices perform better on KPI, business metrics



Which specific aspects of culture have stronger relationships with practice metrics?

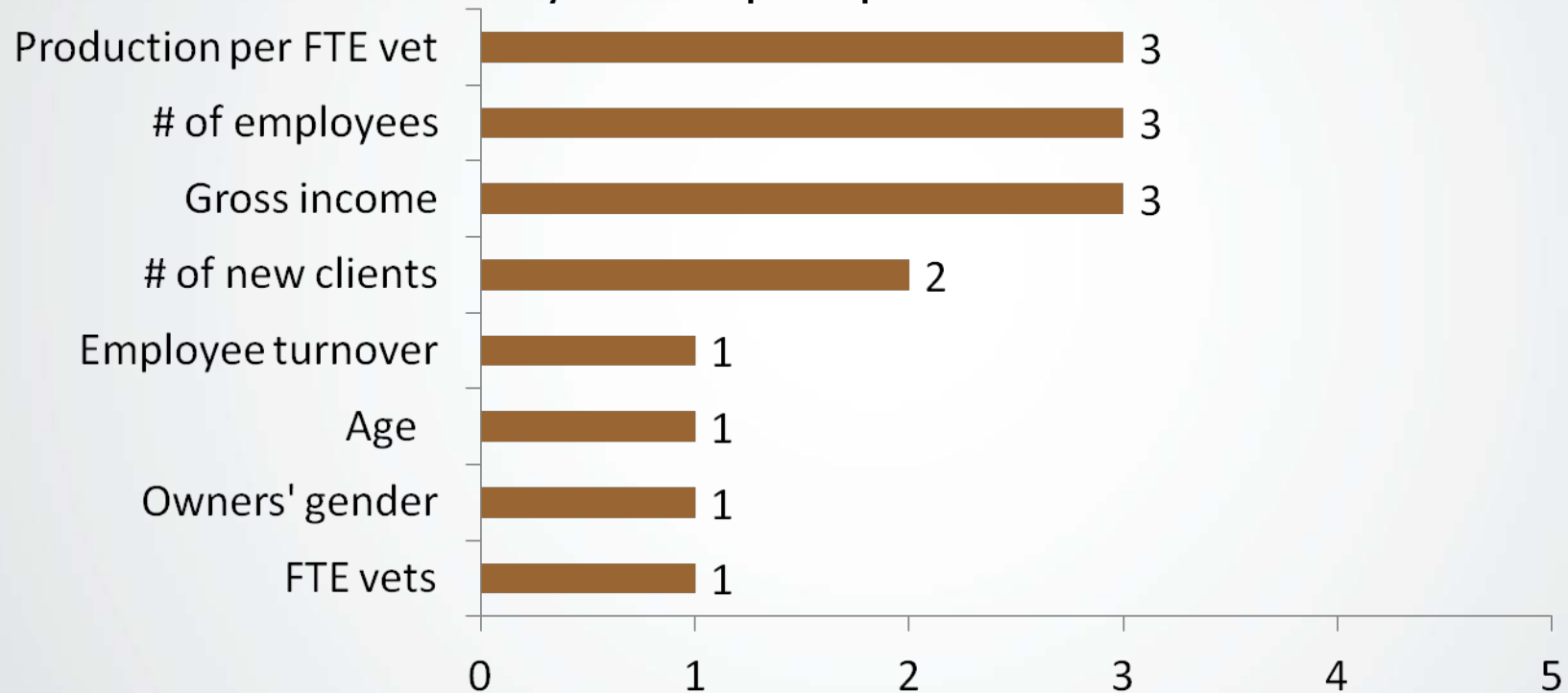
3 findings of note

- Relationships with veterinarians
- Teamwork and staffing
- Leadership skills

Which veterinary practice metrics are more affected by employee culture?

8 metrics influenced by cultural perceptions

Metrics most influenced by cultural perceptions



3 findings of note

- Higher production per FTE veterinarian
- Practices with fewer employees
- Practices with lower gross incomes

What is the relationship between job function and culture?

Relationships between job function and culture

Lower aggregated culture scores among:

- Associate veterinarians
- Licensed technicians
- Support staff

Higher aggregated culture scores among:

- Management/administration

Detailed relationships with job function

- Management/administration employees held more positive perceptions of 6 cultural dimensions
- Associate veterinarians held less positive perceptions of 5 cultural dimensions

Implications

Implications: Cultural

- Some softness exists for many aspects of culture
 - Perceptions toward relationship with veterinarians, training & career development are strong
 - Remaining 6 dimensions can be improved, especially institutional fairness & communication, reward & recognition
- Employees' perceptions toward the culture of veterinary practices are largely homogeneous
 - There are some, but not many, differences by type of veterinary practice

Implications: Job function

- Associate veterinarians gave somewhat lower scores to many aspects of culture, while employees holding positions in management/administration had more positive perceptions

Implications: Culture and practice metrics

- 3 metrics seem to be affected more by perceptions of culture
 - Some differences exist for production per FTE vet, # of employees and gross income
 - Also affected are # of new clients & employee turnover
 - These can be used as markers to identify practices that may be higher performing
 - Higher production per FTE vet is associated with higher cultural scores on leadership/contribution, employee involvement and supervision
 - Fewer employees and lower gross income are associated with higher cultural scores on leadership skills, teamwork/staffing and relationships with veterinarians

Implications: Culture and practice metrics (cont'd.)

- 3 aspects of culture tend to influence veterinary practice metrics:
 - Leadership
 - Teamwork and staffing
 - Relationships with veterinarians

Implications: AAHA accreditation

- There is a positive relationship between AAHA accreditation and culture on veterinary practice metrics
 - AAHA-accredited practices score higher on 6 of 8 culture aspects
 - Accredited practices also are better performing on production per FTE vet, client retention, number of active clients, gross income, and # of new clients

Limitations

- Participation rate was low (~7%)
 - Practices with 'toxic' cultures may not have participated
- Low overlap between owners and employees from the same practice that participated
 - Sample sizes for KPI metrics were lower
 - Fewer statistically significant relationships
- Large proportion (88%) of respondents were AAHA-accredited members
- Practice owners need a separate survey



2016 State of the Industry

2016 State of the Industry Panel

Dr. Dan Brod

Deer Creek Animal Hospital
CAPNA

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Wellington Veterinary Hospital

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EMBA**

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University of Denver

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4th Gear Consulting

Dr. Mark McConnell

The Emergency Veterinary Hospital



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