Mike Cavanaugh, DVM, DABVP (C/F)
Chief Executive Officer
American Animal Hospital Association
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©

Economic trends are generally positive

Civilian Unemployment Rate

Economic trends are generally positive

Personal Consumption Expenditures

Economic trends are generally positive

S&P 500

Consumer pet spending continues

![Graph showing pet expenditure trends from 1994 to 2015, with economic recessions highlighted.](image-url)
## Snapshot of annual practice growth

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active patients</td>
<td>↑ 0.9%</td>
</tr>
<tr>
<td>Patient visits</td>
<td>↑ 1.4%</td>
</tr>
<tr>
<td>Practice revenue</td>
<td>↑ 5.1%</td>
</tr>
</tbody>
</table>
**Snapshot of annual practice growth**

<table>
<thead>
<tr>
<th>Metric</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active patients</td>
<td>↑ 0.9%</td>
<td>↑ 2.6%</td>
</tr>
<tr>
<td>Patient visits</td>
<td>↑ 1.4%</td>
<td>↑ 3.2%</td>
</tr>
<tr>
<td>Practice revenue</td>
<td>↑ 5.1%</td>
<td>↑ 6.4%</td>
</tr>
</tbody>
</table>
Snapshot of annual practice growth

Patient Visits: Year-to-Year % Change

Clinic Revenue: Year-to-Year % Change
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

Decliners < 0%
Growers 0 – 10%
Outgrowers > 10%

Power Outgrowers
3 years in a row!!
Outgrowers over past 4 years
Percent of hospitals

<table>
<thead>
<tr>
<th>Year</th>
<th>Outgrowers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>28%</td>
</tr>
<tr>
<td>2013</td>
<td>25%</td>
</tr>
<tr>
<td>2014</td>
<td>24%</td>
</tr>
<tr>
<td>2015</td>
<td>35%</td>
</tr>
<tr>
<td>Category</td>
<td>Change</td>
</tr>
<tr>
<td>--------------</td>
<td>--------</td>
</tr>
<tr>
<td>Active patients</td>
<td>↑</td>
</tr>
<tr>
<td>Outgrowers</td>
<td>↑↑</td>
</tr>
<tr>
<td>Growers</td>
<td>↑</td>
</tr>
<tr>
<td>Decliners</td>
<td>↓</td>
</tr>
</tbody>
</table>
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

Practitioner 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:

UNIVERSITY OF DENVER
DANIELS COLLEGE OF BUSINESS
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.
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

Relationship with vet: 4.2
Training & career development: 4.1
Teamwork & staffing: 3.9
Employee involvement & goal setting: 3.8
Supervision: 3.8
Leadership skills, contributions: 3.8
Institutional fairness & communication: 3.6
Reward & recognition: 3.6

(n=748-1,406)
What is the relationship between AAHA accreditation and culture?
AAHA-accredited practices show slightly higher culture scores

Non-accredited

AAHA accredited

- Training, career development, leadership skills/employee contributions
- Institutional fairness, employee involvement
- Supervision, teamwork/staffing
AAHA-accredited practices perform better on KPI, business metrics

- ↑ Production per FTE vet
- ↑ New clients
- ↑ Gross income
- ↑ Employee size
- ↑ Active clients
- ↑ Client retention
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

- Production per FTE vet: 3
- # of employees: 3
- Gross income: 3
- # of new clients: 2
- Employee turnover: 1
- Age: 1
- Owners' gender: 1
- FTE vets: 1
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

<table>
<thead>
<tr>
<th>Lower aggregated culture scores among:</th>
<th>Higher aggregated culture scores among:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Associate veterinarians</td>
<td>• Management/administration</td>
</tr>
<tr>
<td>• Licensed technicians</td>
<td></td>
</tr>
<tr>
<td>• Support staff</td>
<td></td>
</tr>
</tbody>
</table>
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 Panel

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