



**VETERINARY VOICE:
Tips of the Trade**

Practice Management- The Path of a Dollar in Your Practice

<p>What is flow?</p>	<p>Practice finances may seem like a hidden spring with a secret drain. Employees and owners may not know all sources of the dollars that flow into or out of a practice. Many assume most of the incoming dollars flow into the pockets of the practice owners. Add strange terms like fixed and variable expenses, cost of goods sold, profits, return on investment, or amortization and understanding finances can make cardiology seem simple. It is easier to understand finances if you think of it as watching the flow so you manage the dollars in your practice better.</p>
<p>Why is improving flow important?</p>	<p>Everyone must clearly understand that to succeed, more dollars must flow into the practice than leave the practice to cover expenses. Each employee needs to maximize the amount of money left from the dollar the client pays to the practice. Employees are more valuable to the practice when their actions increase the remainder.</p>
<p>Won't we lose compassion if we pay attention to money?</p>	<p>If your sole focus is money, compassion will take second place. Ignoring money and flow will only create other problems. We need food, water and oxygen to live, but are these items the reason for living? Not for most. A business needs profits (excess flow) to live, but it should not be the reason for the business. Focusing on care and balancing flow creates success.</p>
<p>How can we increase flow?</p>	<p>There are two ways to increase flow: increase the amount of dollars flowing into your practice or decrease the amount of money flowing out. Successful practices address both areas. Typically, hospitals do a better job reducing expenses, but there are more dollars to be gained by increasing the incoming flow. Expand your services offered, improve the value you communicate, increase compliance (clients saying yes) and raise fees if you are not keeping up with your costs and inflation.</p>
<p>Where does the money flow out?</p>	<p>Up to 25¢ of the dollar that the client paid to your practice flows out for salaries, benefits, and taxes for everyone but the veterinarians. Employing veterinarians will take at least 10¢. Hiring and retaining employee's costs 35¢. The next largest exit from the practice is to cover costs for drugs and supplies. Plan on at least 15.5¢ from each dollar to meet this expense. After this, your practice will spend at least 8¢ to pay for the use of the facilities. Other items like office supplies and administrative costs will take up another 8¢. Food and other ancillary services uses up 4¢ of the client's dollar for this expenditure. 3¢ will go to cover the cost for your laboratory supplies. Processing credit cards takes at least 1¢. Up to 5¢ cover other costs. Add it up and you have spent almost 80¢! Then the government takes their 40% leaving 12¢ to reinvest or return to owners. Actual amounts vary, but fewer cents reach the owner than many think. Plan carefully to increase the flow in and decrease the flow out to improve practice health.</p>
<p>Questions? Hospital Administrator: Jan Woods</p>	<p>Jan Woods' health care career has spanned over thirty years in both human and veterinary medicine. She was previously the Vice President of Operations and Development for Care Net Health Systems based in Nashville, TN and Communicare/NBC HealthCare, based in Fort Lauderdale, FL. Jan is currently the Hospital Administrator, and one of six co-owners of Veterinary Specialty Center of Tucson. Jan is President of the Veterinary Specialty Practice Alliance, an organization that is comprised of veterinary specialty hospitals, nationwide. She is one of the cofounders and the current facilitator of The Southern Arizona Veterinary Managers Group.</p>