

The Demise of Vaccinations for Veterinarians

When we as veterinarians talk about the price of vaccinations there is always an element of concern about what our competitors are charging. It is not uncommon for us to talk about how clients 'phone around' and compare prices. As a result of this our fee for vaccinations is largely based on what we perceive our competitors are doing (commonly termed competition based pricing). Unfortunately competition based pricing is predominantly based on 'fear'. As John Locke pointed out "Fear is an uneasiness of the mind, upon the thought of future evil likely to befall us." What we do not often consider is that our competitors are also looking at vaccinations with the same 'fear based' approach. The net result is that veterinarians as a group become overly conservative when changing prices on fees such as vaccinations.

Performance of the C5 Vaccinations

Recently I have taken the time to analyse some of the fees from the MPV Fees Survey and how they have changed over that past 4 years. It was not surprising to find that vaccinations have over the period sustained lower growth than the general veterinary fees. What did surprise me, however, was the level to which our 'fear based' pricing has eroded growth in these basic income items. As Chart 1 shows between 2006-09 the overall industry MPV Fees Index of general veterinary fees increased by 16.9% whilst our C5 Vaccination increased by just 9.1%. In other words this particular fee was not even able to keep pace with CPI at 10.7%.

What about the Cost of Business Operation?

Further compounding this problem the statistics from the Profit & Expenses Survey show that in the 2007-08 financial year, the Cost of Operation of veterinary practices increased by 6.6%. Chart 2: shows that overall MPV Fees Index of veterinary fees rose by 4.7% for the period which failed to meet the increased cost of operation of a veterinary practice. C5 Vaccinations managed a woeful increase of just 2.7% which was not even close to matching inflation let alone the increased costs of operation of veterinary businesses.

Coming Events



This survey has had a complete facelift! Lots of new statistics that will help you determine performance in your practice. Not to be missed!

Distribution date: 20th July 2009
 Closure date: 20th August 2009
 Results sent: 10th September 2009

Chart 1: Cumulative Fees Growth

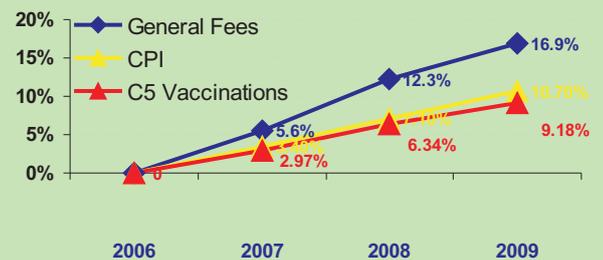
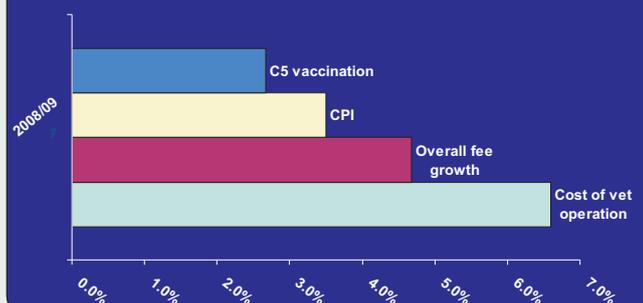
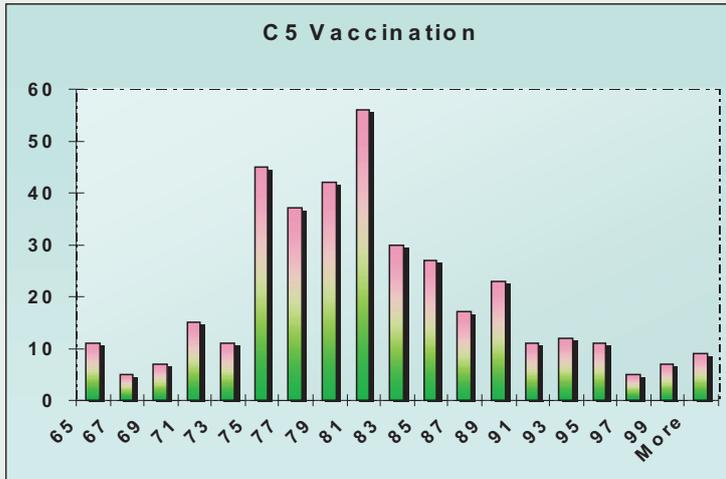


Chart 2: Changes of Vaccination vs Cost of Operation



What should a C5 Vaccination Cost?

The average charge for a C5 Vaccination in March 2009 was \$80.91. Graph 3 shows a typical bell curve spread with the bulk of practices concentrated in the \$77-85 range.



If this is reality then perhaps we should objectively determine what a C5 vaccination ought to theoretically cost if we applied our fees correctly. Table 4 uses actual results from the MPV Fees Survey 2009.

Consultation fee	\$51.08	
Injection fee	\$15.56	
Prescription mark up	\$28.00	Assume 100% mark up and drug cost = \$14.00
Expected C5 Fee	\$94.64	
Actual C5	\$80.91	
Shortfall	-\$13.73	-14.5%

If this calculation is valid, then the veterinary industry as a whole should be charging almost \$14 more than we currently do for a C5 vaccination. Unfortunately this deficiency has not come from a single year of fear based pricing but has come about through many years of cumulative incidents of failure to adjust fees to reflect the cost of operation of veterinary clinics. If this trend continues then in future years vaccination values will decline further relative to the rest of our veterinary fees and John Locke's prophecy about fear will become self-fulfilling "... of future evil likely to befall us."

NB. One could argue that items such as the Consultation Fees, which are also based on competitive pricing, should be considerably higher anyway thus exacerbating the problem further.

How do we solve the problem?

No individual practice is going to solve what is an industry problem. However the industry as a whole is the sum of the veterinary practices individually, including your own. All practices should consider changing their pricing strategy for vaccinations and start to adopt a business oriented approach rather than a 'competition' based approach. History shows that general veterinary fees increase at between 5-6% overall. This being the case we should consider increasing our vaccinations at a similar pace. For an \$80.91 C5 vaccination this means that in 2009 we should be increasing this fee to at least \$85-86. If we do this it will at least increase the vaccinations in line with general veterinary fees but it will not include a 'catch up' factor. Those that are lagging behind the industry already should consider a substantive fee rise for vaccinations so that that you are at least in line with the industry pricing norms. If we don't do this we as an industry must accept that the demise of the vaccination aspect of our businesses will escalate.

"Things done well and with a care, exempt themselves from fear." William Shakespeare

Disclaimer: Please note – this article is written as a general form of advice only and does not apply to any specific practice or situation. Each veterinary practice must make their own analysis of the situation and set pricing of all services as they see fit.

At MPV Consulting we are eagerly awaiting any form of feedback on this newsletter or any other of our services that we offer. Email or phone is fine!



Contact us

Rob White
 MPV Consulting Pty Ltd
 3 Bald Hills Road
 Bald Hills QLD 4036
 Phone: 07 3261 6780
 Fax: 07 3319 6227
 Email:
rob@mpvconsulting.com.au

**MPV Business Index
 Survey available soon
 for April-June BAS
 quarter.**

**Confidentiality is
 absolutely assured on
 all MPV Consulting
 services!**