



Show Them the M



Pricing transparency is becoming a hot topic

by Carolyn C. Shadle, PhD, and John L. Meyer, PhD

ONE OF THE HOTTEST TOPICS IN HEALTH CARE right now is pricing transparency. Steven Brill got the conversation started in his April 2013 *TIME Magazine* cover story, titled “Bitter Pill.” In it he revealed that the cost of many health care services is based on a mysterious and confusing set of formulas that leave consumers in the dark.

Veterinarians and their clients often follow human health care trends when it comes to veterinary business, and this begs the question, “How transparent is veterinary pricing?”

To understand the issue, it is necessary to answer four questions:

1. Do clients know the cost of pet ownership, including the long-term cost of pet care?
2. What mechanisms are available to give clients a better understanding of costs?
3. How does price-shopping impact costs and price transparency?
4. Is there a way for clients to plan for long-term costs?

Nan Boss, DVM, who owns Grafton Small Animal Hospital in Grafton, Wis., says that pricing transparency is an important issue because of the conflict that often arises regarding the understanding of pricing, which can arise between clients and staff, between staff and staff, and between staff and doctors.

“We struggle with being accurate with estimates because there are so many variables,” Boss says. “Our front desk staff members are supposed to always note any quote they gave, even if it’s just for a nail trim or expressing anal glands. If it takes three people to get the nail trim done and we charge extra, or the glands are infected and we add doctor time and an antibiotic, suddenly the bill is higher than the client was told it would be, and we have an angry customer.”



Clients are most accepting when they trust their provider, understand the value of the treatment plan, and have confidence that the pricing is fair.

1. Do clients know the costs?

Clients complain about the cost of care and claim not to know or understand where the costs come from. This may be due to several factors, namely:

1. Many underestimate the overall cost of their pets' care.
2. Veterinary health care costs have risen faster than clients realize.
3. Medical care is not as neatly prescribed as a recipe in a cookbook.

Pet owners underestimate costs

"You can get a pet for free at the animal shelter," pet owners grumble. "In fact, the shelter will even pay for the neutering and initial vaccinations." So begins the myth that the care of pets does not cost much.

"The actual bottom line is the happiness you and your pet shared together—even those times when a pet might have soiled an expensive Persian rug or destroyed a priceless Ming Dynasty vase," wrote Alex Lieber in an article titled, "Lifetime Costs of Dog Ownership." Still, he wants pet owners to know the lifetime medical costs ahead of time in order to prepare to keep their pet well and happy.

He estimates that the lifetime care of a dog will range from \$5,850 to \$12,700, depending on the size and estimated life span of the pet.

To help pet owners anticipate costs, the American Society for the Prevention of Cruelty to Animals has published estimated first-year pet care costs, including food, litter, license, toys, equipment, and training, with totals range from \$1,035 to \$1,843.

What about long-term costs? Pet owner Chuck Marsh of San Diego, who by his own admission does not go to the clinic "for every little thing," estimates the cost of his dog to be an average of \$1,000 per year.

Rebecca Rose, founder of CATALYST Veterinary Practice Consultants, has worked in the profession for many years and appreciates what it takes to maintain the optimum health of a pet. When she recently acquired a 4-month-old puppy, she estimated that it would cost her \$20,000–25,000 over the course of the dog's life. She admits that few people understand that, but she is able to project the cost. She said that she plans to choose a veterinary clinic with a wellness plan, giving her a fixed monthly cost, which she can budget for. Then she'll add insurance for emergencies for a known annual cost.

Veterinary health care costs have risen

Over the last 15 years, technology and specialties have expanded, providing the opportunity for advanced diagnostics and care. Sophisticated equipment is available to general practitioners to help them, including ultrasound, surgical lasers, digital radiography, flexible endoscopy, and anesthetic monitoring equipment.

Pet owners do not necessarily understand the costly investment of equipment purchased by their veterinarian, and, furthermore, they may assume that they will

never need such expensive services. This makes it hard for them to appreciate what pet care costs.

Medical solutions are not like cookbook recipes

Unlike a recipe in a cookbook, medical care must be tailored to each patient and cannot be outlined without an exam. This means that the cost of the veterinary service cannot be known until there is a diagnosis.

2. What mechanisms are available to give clients a better understanding of costs?

After the exam, the client should be given a treatment plan, outlining the recommended services and their costs. Some states, including Arizona, even require a written treatment plan that details associated costs.

A chorus of veterinarians echoes this practice as a way to make pricing transparency apparent to clients.

The AAHA-accredited Drake Center for Veterinary Care in Escondido, Calif., has created a video for its website to explain costs to clients. The title slide is “What is the Cost?” In the video, Michelle Drake, DVM, speaks directly to the client, saying that she can understand how difficult it can be for clients who want to know what they are going to incur as far as costs go. She goes on to explain that the only fee the client will incur is \$69 for an exam fee, which will provide an explanation of the pet’s condition and recommendations.

Chuck Keiser, DVM, who owns a number of practices, points out that this procedure provides transparency because, as he says, “there are no surprises.” But, he stresses that the person communicating the treatment plan must emphasize the value of the service. “If the clients don’t have a correct perception of the value, they won’t think anything is affordable.”

Donna Recupido, BS, CVPM, hospital administrator at Veterinary Specialty Care in Mt. Pleasant, S.C., agrees. She cautions clinics not to quote costs prior to the exam visit.

“The problem is, without fail, you quote a new healthy puppy exam for \$50 and ‘voila,’ the puppy comes in and is sick,” she says “Or, you say Strongid treats roundworms and averages \$XX and, ‘voila,’ it is occidia. Even when you quote a surgery for an ovariohysterectomy, the risk is that the pet comes in without updated vaccines or in

heat. All of these things change that price and give the client the feeling that there was a bait-and-switch move. The reality is quoting for anything you have never seen and have no history on is risky.”

She recommends giving clients the price for the exam and stopping there. Assure the clients that they will receive detailed treatment plans after the doctor has had a chance to read the history and do the initial exam.

“There is no way even a beginning estimate can be given over the phone,” says Heidi Lobprise, DVM, DAVC, who offers specialized dentistry services at the AAHA-accredited Main Street Veterinary Hospital in Flower Mound, Texas. She wants to see her patient and educate the owner about the need for dentistry with anesthesia. She says, “I let them know that, with a board-certified veterinary dentist, they will get the best care possible and strong experience with higher anesthetic risk patients [and] with advanced skills and equipment, including radiography. The patient’s surgical time will likely be less than at other clinics.”

Adding to the chorus is Bo Williamson, DVM, who has a keen interest in veterinary business. As he points out, you can’t just say, “A spay is \$____. That’s wasted information. Clients need to have an understanding that the cost is worthwhile.” He advises immediately establishing rapport, using the caller’s name and the pet’s name, and gathering information about the pet and its household. Since most clients don’t know the difference between a commodity and unique service, he says, they must come to appreciate the practice’s service.

Establishing a relationship and communicating value are key

As eager as some clients are to know how much the service will cost, veterinary practices also know that some of their clients are indifferent to cost. Pet owner John Todd of San Diego explains, “If the vet says we should do something, we do it. We like our vet. We’re pleased, and we don’t talk about prices. For emergencies, we have insurance.”

What’s clear is that rapport has been established. Built on a general appreciation of the veterinary industry as ethical and caring, clients are most accepting when they trust their provider, understand the value of the treatment plan, and have confidence that the pricing is fair.

Communicating value to clients is considered the most essential element when approaching the issue of cost. To further that notion, Partners for Healthy Pets (*partnersforhealthypets.org*) was inaugurated in 2010. Its goal is to communicate the value of regular visits. With the backing of AAHA, AVMA, the American Veterinary Medical Foundation, and more than 90 organizations across all levels of the veterinary profession, it provides a wide range of resources for veterinarians to improve client engagement.

One of those is a new series of communication videos created for Partners for Healthy Pets by Karen E. Felsted, CPA, MS, DVM, CVPM, CVA, and Karyn Gavzer, MBA,



It's important to help shoppers understand what is included in the service they are pricing.

CVPM, to help veterinarians and team members establish rapport with their clients. The videos help veterinary staff talk more easily about forward booking, payment alternatives, and the need to have a financial plan for future pet care.

3. How does price-shopping impact costs and price transparency?

Knowing that clients are shopping, many practices will give shoppers a ballpark cost or a range, to reduce the anxiety of the unknown. They must, however, avoid the temptation to “low-ball” the estimate or, when clients cringe, to start reducing the services. Joel Parker calls this “fee sympathy syndrome.”

It's important to help shoppers understand what is included in the service they are pricing. For something as basic as spaying or neutering, price shoppers may not understand that the price includes a preanesthesia exam, monitoring, and a dedicated nurse. It is important to take the time to discuss the service before giving a price and to make sure the client understands that each animal is getting a sterile pack, IV fluid, and preanesthetic blood work.

A shopper may be quoted a cheaper price elsewhere, only to find later that there is an extra cost for monitoring the patient. One veterinarian recalled a shopper who went to a spay clinic where the pet acquired an infection. The client came back to her veterinarian saying, “I've learned my lesson. Don't use the cheapest alternative!”

Apryl Steele, DVM, and owner of AAHA-accredited Tender Touch Animal Hospital in Denver, Colo., says, “For me, it is not about being the cheapest, but rather about providing the best value. When a price shopper calls, my customer service representatives (CSRs) are trained to explain the value of what they are quoting prior to giving the price. We often find that the prospective clients comment that we are more expensive than elsewhere, but later they are back and schedule an appointment because we have educated them on what to ask when they call for prices. I believe pitfalls occur when you are not transparent, not when you are transparent.” Transparency means not only providing a price but also what is included in that price.

Shoppers search for less expensive products

Shopping is particularly prevalent with regard to

veterinary products. Often the shopping is simply to give clients an understanding of what things cost, because their veterinarian may not post prices on their website or at the clinic.

Melissa Detrick, BS, practice director of Honey Brook Animal Hospital in the Philadelphia area, says, “We can’t compete with the pharmacies. If a practice is relying on dispensing for a considerable portion of income, my belief is they need to re-evaluate their priorities.... We are not pharmacies. I don’t worry about lost income. We are here to diagnose, treat, and prescribe. Dispensing is a convenience for the client and icing on the cake for us.”

But when it comes to transparency, veterinarians are often eager to share their thoughts about the lack of ethics for which some online pharmacies have been caught and sued. They also are quick to point out that the practice has to raise fees on services to pay the bills one way or the other. So, in the end, the client really doesn’t save money.

Knowing that clients are shopping among online providers, the La Jolla Veterinary Hospital has partnered with a distributor to create its own online pharmacy. This source, which its client can reach through their pet portal, enables its clients to purchase pharmaceuticals from a provider that the practice endorses. The prices are clearly available on their site.

4. Is there a way for clients to plan for long-term costs?

Price shopping is what clients do to minimize their costs, but it also enables them to know how much things cost. The anxiety of the unknown is worrisome for anyone, but especially for pet owners who may not have anticipated the lifelong cost of their pet’s health care.



“When a price shopper calls, my customer service representatives (CSRs) are trained to explain the value of what they are quoting prior to giving the price.”

—APRYL STEELE, DVM

Disneyland has it figured out. Families want to visit the theme park often, but can’t come up with the money all at once, so Disney offers them a subscription. This enables them to pay a fixed amount each month in return for the privilege of visiting often—and spending money at the park, of course.

The strategy is to keep the customer coming back. In the veterinary business this pricing strategy will result in better care for pets as well as more predictable expenses for clients and, in the end, increased revenue for the clinic.

Banfield Pet Hospital (in collaboration with PetSmart, now owned by MARS) revolutionized the way patients pay for their pet care when they introduced this method of payment in the 1990s. With a focus on preventive care, they developed a monthly payment model and called it a “wellness plan.”

The idea caught on, albeit slowly. Today, many practice owners are realizing that they missed an opportunity and are looking at wellness plans as a way to provide clients with some clarity and predictability.



The strategy is to keep the customer coming back.

The idea is emerging in different ways. For example, VetXpress, with two clinics in Virginia, offers free vaccines for life to encourage clients to visit regularly.

Another important tool in the wellness arsenal is the AAHA-recommended Pet Wellness Report (PWR) from Zoetis. The PWR is modeled after health risk assessments, which are prevalent in human medicine, and is designed to be the basis for conversations between veterinarians and clients regarding what conditions pets are potentially at risk for and how best to treat the pet. You can learn more about the PWR here: petwellnessreport.com.

Wellness plans provide clarity and predictability

Veterinarians are eager to know the effectiveness of wellness programs. Toward that end, Amy E. S. Stone, DVM, PhD, and Geoffrey S. Landau, BS, have completed a study titled, “Comparative Spending of Wellness Plan Patients vs. Non-Wellness Plan Patients in Adult Dogs and Cats.” Although all of the members had not completed a full membership year at the time of the study, the researchers found that already the wellness-plan clients spent an average of \$1,399.20 as compared to the average of \$868.10 spent by the non-wellness-plan clients. They concluded, “Wellness plans for our adult small animal clients allow hospitals to practice better preventive medicine and increase the average revenue generated on a per patient basis.”

John Volk of Brakke Consulting has also done research that will appear in the *Journal of the American Veterinary Medical Association (JAVMA)*. He says that his finding is that “wellness plans are a good deal for veterinary practices. Data from National Veterinary Associates (NVA) and several independent practices demonstrate that clients with wellness plans visit more often and spend 50–60 percent more on medical services per year than non-wellness-plan clients.”

Still, to date, only 5–10 percent of practices offer a wellness plan. To eliminate the mystery and give practices the know-how they need to get started, AAHA board member Wendy Hauser, DVM, of Peak Veterinary Consulting, and Debra Boone, BS, CCS, CVPM, of 2ManageVets, created a book titled *The Veterinarian's Guide to Healthy Pet Plans*.

Partners for Healthy Pets (partnersforhealthypets.org) also has many resources for practices interested in preventive care plans. The PHP website includes information on how to craft and implement preventive care plans, and staff training materials. Several veterinary companies, including veterinary insurance companies, are also offering preventive healthcare plans.

The window is open for clients

While some clients complain about costs and find medical diagnoses and treatment to be confusing, it must be said that the veterinary profession has developed a number of tools to bring pricing transparency to clients. Treatment plans, taking time to relate to clients and provide education for clients, product source alternatives, and wellness plans—these all contribute to greater clarity for pet owners. ❖



Carolyn C. Shadle, PhD, earned her PhD degree from the State University of New York at Buffalo in interpersonal and organizational communication. She now writes and provides training through ICS, Inc. (icsworkplacecommunication.com).



John L. Meyer, PhD, earned his PhD degree from the University of Minnesota in communication studies. Through ICS, Inc., he writes and provides training in interpersonal communication as well as speech arts.