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Feeling Good About Fees: Client-centric Pricing

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Introduction

With an understanding of the client's perception of value, we can create client-centric pricing that the staff feels good about, too. Here we look at the factors that affect value, how to present estimates, and what to say in tough situations. We also address discounting and alternative payment options.

After this session, you will be able to:

- Identify how your own feelings about money impact the way you talk to clients
- Redefine money in terms of perception of value
- Present estimates more effectively
- Handle touchy client-interaction situations with specific scripts and conversation starters

How did we get to where we are right now?

Pricing has been product-centric in that we have focused on the actual cost of services, the time we take to provide the service, and anything that can be quantified. We've considered our own feelings of guilt and inadequacy and stayed internally focused.

The internal focus can create consumer surplus. Everyone offers the same thing at the same price, teaching the customer that all of the products are worth the same thing. Value creation is getting into the heads of the client and finding out what they value. Extraction is the actual payment for services that leaves them satisfied.

Factors that affect value perception are product, status, loyalty, convenience, urgency, and quality. Price is a communication device between the client and the practice that reflects constantly changing market variables. Prices should reflect the answer to the question, "What is the client willing to pay for this service at this time"? If you guess too high, you risk the relationship. A 1% increase in prices can create an increase to the bottom line of 3%-12% annually.

The animal is never "free." Most people grossly underestimate the cost of taking care of a pet. In a May 2006 study, Dr. James Wilson found that the average lifetime cost of a medium-sized dog is \$10,400, and cats cost slightly more at \$10,600. For true pet lovers, the expense more than doubled. It is not uncommon for a pet owner to spend between \$50,000 and \$100,000 on a pet during its life, and 40% of that will be for healthcare.

What's the best way to present an estimate to a client?

We call this process presenting estimates, but we should call it a Health-Care Plan (HCP). Most employees would prefer to do almost anything else than present the HCP. Karen Felsted, DVM, CPA, wrote an article for *Firstline Live* that offers some helpful tips on how to present a Health-Care Plan.

Focus on the value you offer. Describe the service you're offering, along with its benefits and how it reduces risk. Consider the difference between, "This blood work will cost \$112," and "First, we need to analyze some of Fluffy's blood to diagnose her problem and make sure we select the right anesthesia for the surgery." Is it necessary to state the cost when the client can see it on the HCP?

Offer details that are thorough and easy to digest. If you say, "This surgery will cost about \$2,000. Is that OK with you?", clients will think that sounds expensive and won't know what they are getting.

Understand your procedures. The AAHA/CareCredit/Pfizer Compliance Study showed us that the main reason clients are not compliant with their pet's care is that we do not follow up with the doctor's recommendations. Why? Consider the difference between, "The treatment plan includes a bile-acids test, and that will be \$177," and "A bile-acids test will determine how well Fluffy's liver is functioning."

Encourage clients to ask questions. They are intimidated and overwhelmed. They are more likely to ask a staff member a pricing question than they are the doctor.

Don't get defensive. Clients will comment on cost. It is not necessarily a complaint about prices; rather, it is an initial questioning of value. Welcome the chance to explain, and if you can't, welcome the chance to train! Examples of good responses are, "Yes, that is a lot of money, but Fluffy is a sick kitty," and "Is there something specific on the HCP that you were concerned about?"

Be empathetic. You are a counselor, too! Allow the client time to get over the sticker shock of paying for health care. Provide them with contact name and information so that they can ask questions after they have gone home.

Don't use guilt trips. We don't appreciate it when a client guilt us into reducing our costs, so we should be respectful of their budgets. Always prepare a "second-best" alternative to the optimal plan.

Develop scripts for the practice team. Remember that it's too late to get it right when the HCP is presented in a stressful environment. Practice makes perfect, and you don't want to practice on the client. Allow the staff to help develop the script, and tie it to the practice mission statement. Practice the scripts in staff meetings.

Here are some examples:

Tough Script #1

Client: “You charge more than ABC Animal Clinic!”

Team member: “I don’t know what they charge for the same procedure, but I would want to be sure we are comparing apples to apples. An example is that our HCP includes pain management and pre-anesthetic testing.”

Tough Script #2

Client: “Why does this cost so much?”

Team member: “I understand that this seems expensive, but your pet is very sick. We want to identify what is wrong and give her the best treatment, and we think these tests are necessary to discover what’s wrong with Fluffy.”

Tough Script #3

Client: “I pay more for my pet’s veterinary care than I do for my own health care!”

Team member: “I completely understand why it seems that way, but insurance often keeps us from ever seeing the true cost of health care because you pay only a co-pay for the services. In reality, veterinary care is a fraction of the cost of human health care. Let’s look at Fluffy’s estimate and compare it to a human procedure.”

Tough Script #4

Client: “I can’t afford this. Is there anything you can do?”

Team member: First assess the client’s intentions and see if it is a financial problem or a financial inconvenience. Are they asking for more information? “Let me talk to the doctor and see if we can come up with a treatment option that is less expensive.”

When is it right to discount?

Veterinarians are more likely to do it than staff. There is always more of it happening than you are aware of. There is a direct correlation between lack of training and heavy discounting. Your competition is already trying to undercut you. Don’t let your team do it, too!

Here are a few scenarios where discounting might happen. How do you handle each one in your practice?

Scenario 1

A client complains about the cost of a \$10 nail trim, so to avoid a confrontation, the receptionist removes the charge from the bill. \$10 in profit requires \$50 in revenue.

Scenario 2

Friends and family repeatedly receive under-the-table-discounts because staff believes the fees are too high. Talk about the reality of the economics to your staff (many come to work at a practice because of the reduced health-care cost for their pets).

Scenario 3

When a popular and frequent visitor to the practice picks up over-the-counter products, the staff “forgets” to add all of them to the bill. In other businesses, this is called theft.

Scenario 4

Pity discounts go to the elderly and poorly dressed because they “obviously” cannot afford to pay full price. If this type of client is where your heart is, why would you work at a full-service, wellness-oriented veterinary practice?

Scenario 5

A team member overhears a doctor quoting an artificially low price and begins following that example.

How can you deal with discounting? Create protocols, and use a screening tool that requires authorization. Educate your team members and clients. Give tours to clients so that they can see what you do “in the back.” Share costs and financials with your team. Provide leadership: If the “top” is discount happy, what will the staff do? Regular pricing audits help to uncover discounting that isn’t approved and give some accountability to those who are giving the discounts.

Practice organized giving, and have your team drive the effort. Give in a smart way. First define the terms. There’s a difference between mercy care and giving away the practice. There should be a planned budget for giving. And think more broadly. Do you have to give away services? In addition, you could conduct a culture audit to see if your efforts are linked to your mission. Train the staff, and track discounts. Give discounts judiciously.

Will they use the alternative payment option?

Yes! They really do help. A recent Study done by Lynne Fondon, DVM, and John Volk of Brakke Consulting, Inc. looked at CareCredit card holders and found that the availability of alternative payment has a direct impact on the pet’s health care. 79% of respondents said that they were more likely to follow the veterinarian’s recommendations knowing they had access to this service.

76% of respondents would have opted for lesser treatment without the alternative option. More than 50% would have asked for a “veterinarian payment plan.” Over half of the initial CareCredit transactions were for more than \$1,000.

Action Plan

This week, I will:

The outcome for me is:

The outcome for the organization is:

This month, I will:

The outcome for me is:

The outcome for the organization is: