

VMG 16

Practice Management in the Veterinary Profession

- The CVPM Designation
- Management Information
- Financial Benchmarking

By

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By

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The CVPM Designation

- Brings a new level of respect for the vocation of veterinary practice management
- Envision how opportunities will abound for those who demonstrate competency in the award.

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Who is a CVPM?

- A Certified Veterinary Practice Manager has:
 - Demonstrated competency orally, in written format, and through experiential and educational credentials to possess the necessary skills to manage financial operational aspects of a veterinary practice

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Hiring a CVPM

- Knowledge is not enough.
- Commitment towards the future betterment is the hallmark of the attraction toward hiring a CVPM.

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CVPMs

- Sought after not only in veterinary practices, but also in allied areas.
 - Groups in the industry (vendors, manufacturers)
 - Large corporate veterinary practice entities

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Excellence in Performance

- Employers are willing to pay more for an individual with the CVPM designation.
- The designation provides one of the many standards or benchmarks to the population.
- After receiving this designation, actualization through competency, dedication, long hours, and hard work must follow.

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Types of Veterinary Practice Managers

- Office Manager
- Practice Manager
- Hospital Administrator
- Certified Veterinary Practice Manager (CVPM)
- Contract Managers

*Information from vetresults.com
Article written by Pam Stevenson, CVPM*

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Office Manager

- Responsible for day-to-day operations
- Ensures steady application of client/patient policies.

*Information from vetresults.com
Article written by Pam Stevenson, CVPM*

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Practice Manager

- Has all responsibilities of Office Manager, as well as decision-making responsibilities over the business part.
- Accountable for staffing, benefits, marketing, accounting, fee structure, and facility management.

*Information from vetresults.com
Article written by Pam Stevenson, CVPM*

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Hospital Administrator

- Has complete and final authority over business operations in accordance with owner's wishes.
- Ensures consistent application of medical procedures.

*Information from vetresults.com
Article written by Pam Stevenson, CVPM*

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Certified Veterinary Practice Manager (CVPM)

- Certified individuals are competent in six main areas:
 - ◆ Human relations
 - ◆ Marketing
 - ◆ Finance
 - ◆ Organization
 - ◆ Ethics
 - ◆ Law
- And have at least 4 years of experience as a practice manager

*Information from vetresults.com
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Contract Managers

- Keep the practice up-to-date and progressive
- Can be used short or long-term.
- Goal is to keep total management expense in the 3.5%-5.0% range

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The Veterinary Hospital Managers Association

- Formed in 1981
- In 1989, they established the CVPM certification “in order to qualify the knowledge and experience necessary to successfully manage the ever-changing business management of today’s veterinary practices.”

Information from: vhma.org

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Certification of CVPM

- Three elements:
 - ◆ A Process which involves filling out an application and passing a written exam.
 - ◆ A Commitment to the pursuit of excellence in veterinary practice management.
 - ◆ A Set of Standards (the VHMA professional Code of Ethics) which must be upheld.

Information from: vhma.org

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Certification of CVPM

Continued...

- Who is Eligible?
 - ◆ Individuals actively involved in Veterinary Practice Management.
 - ◆ Must also meet 4 qualifications:
 - Active employment as a practice manager for at least 3 years within the last 7 years
 - 18 college semester hours in management-related courses
 - 48 hours of continuing education specifically devoted to management
 - 4 letters of recommendation

Information from: vhma.org

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Certification of CVPM

Continued...

- Application
 - ◆ Professional background
 - ◆ Educational background
 - ◆ Achievements
 - ◆ Veterinary management leadership experience
 - ◆ Examination fee required for application to be processed: **\$425** for VHMA members, **\$575** for non-members

Information from: vhma.org

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Certification of CVPM

Continued...

- Written Examination:
 - True/False and Multiple Choice
 - ◆ Human Resources
 - ◆ Law and Ethics
 - ◆ Marketing
 - ◆ Organization of the Practice
 - ◆ Finance

Information from: vhma.org

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Management Information

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Computerized Transformation of Data into Information

- A veterinary practice needs in-house systems through cost-effective computerization off-the-shelf software programs.

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Computerized Transformation of Data into Information

- Veterinary practices are beginning to gain capacity to summarize data and transform it through computerization to become meaningful information.

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Computerized Transformation of Data into Information

- An inherent weakness of data accumulation is that all purposes cannot be met with one type of system.
- Management accounting has different needs than financial and tax accounting.

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Computers Make Cost-Based Management Reports Possible In-House

- Establishing cost-based accounting management systems does not eliminate the need to utilize the services of the practicing CPA.

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Computers Make Cost-Based Management Reports Possible In-House

- When selecting a system, a practitioner must be willing to invest the needed upfront time to know the system so well that the management data can be **meaningfully** accumulated in a cost-effective, timely manner.

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Computers Make Cost-Based Management Reports Possible In-House

- Benefits from cost-based accounting:
 - Sensitivity analysis
 - Determination of location profitability
 - Activity-based contribution of DVMs

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Financial Benchmarking in a Veterinary Practice

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Overview

- Hospital Directors and Practice Managers are the obvious targets of benchmarking exercise as the ultimate end-user to diagnose trend and potential solution in veterinary practices.
- It is crucial to accumulate data that is timely, relevant, and accurate.

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Duties of the Hospital Director

- Review the commentary of the Practice Manager
- Assess recommendations made
- Judge appropriateness of the potential actions to improve the situation
- Authorize their implementation
- Oversee the steps to fruitful completion

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Duties of the Practice Manager

- Identify proper data to benchmark
- Establish a system to timely harvest this information in a format that can be easily assessed
- Develop a discussion of the meaningfulness of the differed information from the benchmark
- Weave differences into a logical and plausible action plan and course of recommendation
- Offer an action plan with step-by-step bases for improvement and a means to monitor the result

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Duties of the Practice Manager

Continued...

- Craft a memo written in the long format used by accountants and attorneys
- Attack problem through:
 - Issue
 - Question
 - Discussion
 - Conclusion
 - Recommendation

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Financial Benchmarking

- Benchmarking is the first step. Intelligent Analysis, the second.
- Mere identification of difference and potential causes must be met with a firm plan to implement change.

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•The process is complete when the three bottom lines are improved:

- Financial
- Societal
- Environmental

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•Know the circumstances that a practice might operate to structure a system of benchmarking.

•Compromises may be made because of a lack of resources or wealth.

•Accept the limitation.

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What to Do From Here...

- As a bare minimum, know the cost and expense ratios to gross income.
- Join a veterinary study group that details and dissects benchmarked ratios.
- Maintain personal discipline by methodically crafting your thoughts in the memorandum.
- Don't hesitate to secure the advice of others outside the practice.

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Protecting Your Assets

Internal Control

- The safety features established within an accounting system to safeguard assets and to mitigate liabilities
- Two parts:
 - Control of the Asset
 - Control of the Liability

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Internal Control

Continued...

- Accounts receivable should be scrutinized for extraordinary adjustments
- Cash should be taken to the bank on a daily basis
- A separate person should control and reconcile cash receipts
- Computer-generated reports should always agree with the daily cash receipts count.

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Internal Control

Continued...

- To be safe, review the returns, allowance and discount adjustments on a daily basis to be sure they are proprietary. Valid reasons for client refunds must be documented.
- Consider requesting client signatures on all refunds and adjustment entries.

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Internal Control

Continued...

- All employees should be required to take vacations. If an employee refuses to take a vacation, it may be *prima facie* evidence that they are stealing.
- Watch for payroll figures that may seem unreasonable. Underpaid employees are more likely to steal.
- Watch out if an employee drives an expensive car and wears expensive designer clothing. Follow up.

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Internal Control

Continued...

- Assess an amount as a transfer is going between two different accounts.
- Large deposits in transit should be traced to the subsequent year's cash disbursement system so you can see there is a disbursement and a subsequent receipt going into an alternate source.

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Phantom Accounts

- A practice manager may assign a phantom account for an asset that does not exist.
- Therefore, a practice owner should insist on copies of the last bank statement, fund statement, or monthly reconciliation.
- These are the avenues through which people steal.

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Analytic Review

- A practice owner can spot defalcation by paying attention to financial percentages of expense to gross income. When you see percentages get too high, watch out!
- Also, if material fluctuations are occurring consistently in inventory, as compared to prior years, this could be a problem sign.

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Be on the Lookout

- Voided Checks- every principal should be signing off on all bank statement reconciliations!
- Forgery- every principal should contact their banker and inform them of the authorized signatories
- Evaluations- be alert of any employee to whom you give an unfavorable evaluation. Your cash may be an entrée to getting even.

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Hiring Practices

- Follow up on references and try to determine if they have stolen in a prior practice.
- If you do spot a defalcation, you must prosecute to the fullest extent of the law.

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Existence of Duplicate Books

- Do everything possible to find out if there are duplicate records being sent to your CPA.
- Initial every disbursement sheet you send to your CPA to let him know that you have at least looked at those disbursement sheets.
- Every DVM should be given the opportunity for an internal control review by their accountant. Take full use of this opportunity!!!

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Multi-Faceted Forms of Theft

- Employee stealing clientele
- Photocopying client and patient records and accessing computers to copy data files
- Inefficient staff- wasting time
- Office supplies- reams of paper, boxes of pens, etc.
- Equipment

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What to Do About It

- Always be diligent in establishing and enforcing good internal controls.
- In past years, there was a certain morality that existed in the workforce that is now evaporating. Now, practitioners are forced to act as policemen.

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How to Protect Against Theft Loss

- Fidelity insurance- transfers part of the risk of the loss and prosecutes in the event of embezzlement.

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What to Do in the Case of Theft

- Contact OEM, CPA, Inc.
- Contact your attorney
- Contact your insurance carrier
- Possibly talk to your personal banker. Bankers have vast experience.

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Controlling Liabilities

- Always monitor your listing of accounts payable.
- Make sure the vendor's balances are reasonable.
- Make sure correspondence for the practice from accountants, attorneys, insurance agents, etc. be addressed to you.
- Open your own bank statement occasionally. Watch for different colored inks.

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Controlling Risk

- In designing a system for internal control, as a practitioner, you must determine the acceptable level of risk.
- The level of risk will determine the amount of control needed.
- The level of risk is contingent upon a practitioner's willingness to spend the resource dollars to prevent the risk.

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Controlling Risk

Continued...

- As management, YOU are responsible for internal control.
- One of the best ways to control it is to restrict access to corporate assets.
- Limit only those who have a business purpose to utilize those assets.
- Corporate assets include cash, receivables, inventory, and fixed assets.

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Things to Look For

- Vague, nondescript, and general descriptions in expense categories
- Misclassifications

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Getting the CPA Involved

- An analysis of internal controls and an assessment of the inherent risk for a practice demands an investment of resource dollars by the clinician with the practice's CPA.
- The accountant and the practitioner should map out a plan for determining internal control.
- Monitoring the plan and reviewing it every so often are critical to its effectiveness.

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Collusion

- In the case of collusions, when two people join to defraud or steal, internal control simply cannot be effective.
- Both people have control of the asset as well as the record and can adjust the record to reflect the loss of the asset as a normal occurrence in business.

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Other Sources of Internal Control

- The spouse may be mistrusting of certain individuals. The spouse has a much clearer vision of the true worth of employees, since he or she does not work with the employees on a daily basis.

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The Importance of Mail Control

- If a person is stealing from a practitioner, he or she will have the first shot at going through the mail and doctoring the required documents to the attention of the practitioner.
- When the accountant or attorney is writing to the practitioner attempting to alert him or her of a possible concern, the thief can easily intercept.

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- 44% of all employee thefts occur at the cash register.
- Therefore, attention to cash receipts is critical!
- "No Sale" or "Adjustment" memos in the computer system should be taken note of. Employees may be opening up the register without putting money in and possibly taking it out without authority.

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The Risk of Accusation

- When a practitioner accuses someone of a misdoing, that same person could make a reverse accusation for a non-provable offense, such as age, racial discrimination, or sexual harassment

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- Also, be aware of the workings of the payroll system. Additional hours are added or alternative rates are utilized either by the individual writing the check or an individual phoning in the results to a payroll service.

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Remember...

- Be more resourceful and creative than the person who could be stealing from you.
- Diligence is essential.
- Documentation and compliance with established systems is imperative!!!
- Always look for opportunities to improve and strengthen your system of internal control.

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- Remember that the risk you assume you could be far more costly than the cost of reducing that risk.
- Consult with your CPA periodically on the systems of internal control.
- Mutual discussion between your practice and its accounting firm is strongly encouraged!
- Anticipate losses before they occur.

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