Should we follow USA's lead on benchmarking?

Dear editor,

It was encouraging to read Nick Henderson's response (July 28 issue) to the review by accounting and tax information provider CCH (June 30 issue) about the apparently healthy 37 per cent return on capital employed (ROCE) by UK vets, in which he questioned why such a return should be described as "eye popping". Similarly, Neil Stoddard (July 14 issue) "felt proud that we were at the top of a league table" and that the results suggested that finally "vets were learning how to run their businesses".

I, too, would share their pleasure if there was any significant evidence that the reported CCH conclusions truly reflected the reality of the economic performance of the majority of veterinary practices in the UK. I haven't seen the CCH report, nor have I looked at the Companies House data on which it was based. However, the proportion of independently owned practices that operate as limited liability companies and submit their accounts there is comparatively small. Outside observers should exercise caution before drawing any conclusions about the profits and ROCE generated by such companies without a clear understanding, for example, of the basis on which the remuneration received by practice owners for their employment as managers, clinicians and directors is handled in each case.

The SPVS/BVA annual economic report on UK veterinary practices refers consistently to the "margin per veterinary surgeon" as being a negative figure of some thousands of pounds. My own information, along with that collated by one of the major accountants to the profession in the UK (unpublished, but based totally on data from more than 250 UK small animal practices), suggests a median net margin after all costs in the region of five per cent to 7.5 per cent of turnover. The most disturbing conclusion, however, is that if practices are generating a modest margin (15 per cent to 20 per cent plus) on the sale of products after taking into account an appropriate share of staff and overhead costs, then the margin achieved by the provision of professional services is derisory. That is one of the reasons why we must take the concerns expressed by Shams Mir (July 14 issue) and by "name and address supplied" (July 28 issue) so seriously.

In my view, there should have been a prompt and detailed response by the BVA to the CCH report, outlining some of the key components and conclusions derived from the association's comprehensive database of the financial performance of its members' practices, categorised by region and by client/patient category, and reminding consumers about the incredible value for money that their members offer in a very competitive market.

Why didn't this happen? Simply because the profession doesn't have such data at its fingertips and the BVA, SPVS and the VPMA have all responded in a very lukewarm fashion to any suggestion they might try to collect it. In the United States, the National Commission on Veterinary Economic Issues (NCVEI) has up-to-date, detailed financial data from more than 15,000 practices and offers a national benchmarking programme to give veterinarians an opportunity to evaluate their performance levels and receive information on how to make improvements in their business practices.

Last year, the NCVEI launched a project, called Inviting the Elephant into the Room – a dialogue to co-create a financially healthy veterinary profession and to address a range of issues, including some of those highlighted in the letter from Dr Mir.

Can we expect the BVA to spearhead a similar service for its members in practice in the UK one of these days?

Yours faithfully,

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