

Facts & Figures

Revenue, expenses, and returns on resources for private US veterinary practices

- ▶ Median gross practice revenue for 1999 was \$403,771, representing an increase at a compound annualized rate of 5.6% since 1997.
- ▶ Median net practice income for 1999 was \$107,861, representing a decrease at a compound annualized rate of 6.5% since 1997.

The AVMA's 2000 economic survey of US veterinarians included questions on financial aspects of private veterinary practice operation. This permitted analysis of gross practice revenue, net practice income, return on capital, return to labor and management, cash operating expenses, and operating expense and financial ratios. Practices were included in this analysis if they employed at least 1 full-time veterinarian, had been established for > 1 year, were operational \geq 48 weeks in 1999, and reported gross income, expense, asset, and liability data on the survey form.

Mean and median values were reported for selected variables. High values may skew the estimate of the mean above the median, especially for financial data. Therefore, median values for these data provide a better measure of the central tendency of the sample and are more representative of a typical veterinary practice than mean values. See the 2001 edition of the *Economic Report On Veterinarians & Veterinary Practices*¹ for a

full presentation of the results of the AVMA's 2000 economic survey of US veterinarians.

Practice Revenue

Median gross practice revenue for all practice types in 1999 was \$403,771 (Table 1). During the period of 1997 to 1999, median gross practice revenue increased at a compound annualized rate of 5.6%. Median gross practice revenue varied widely by practice type. In 1999, median gross practice revenue ranged from \$150,000 for unspecified practices to \$465,000 for mixed animal practices. In 1997, median gross practice revenue ranged from \$249,942 for unspecified practices to \$513,000 for large animal predominant practices.²

Total practice expenses were computed as the sum of all cash operating expenses and employed (nonowner) veterinarians' earnings. Office rent was included in gross practice expenses only if practice real estate was

Table 1—Mean and median values (\$) for revenue, expenses, and returns on a per-practice basis for US veterinarians in 1997 and 1999

Variable	Large animal exclusive		Large animal predominant		Mixed animal		Small animal exclusive		Small animal predominant		Equine		Unspecified		All private practices*	
	1997	1999	1997	1999	1997	1999	1997	1999	1997	1999	1997	1999	1997	1999	1997	1999
Median values																
Gross practice revenue	278,500	175,704	513,000	427,000	356,798	465,000	368,250	462,536	334,262	364,909	300,000	300,000	249,942	150,000	361,754	403,771
Total practice expenses	131,557	99,640	384,533	267,630	226,840	294,753	224,850	318,267	210,250	262,373	146,741	182,682	205,230	51,112	226,722	269,821
Net practice income†	109,056	76,000	116,900	120,000	106,700	105,420	134,280	116,490	119,494	100,114	99,300	100,000	49,381	64,958	123,353	107,861
Return on capital	2,400	3,600	9,000	8,806	9,607	13,192	10,620	11,220	11,340	14,100	7,800	6,000	6,900	102	10,004	10,125
Return to labor and management	102,726	70,600	98,467	98,600	81,850	81,645	124,350	95,460	106,143	82,967	93,035	86,100	46,081	63,207	112,128	89,704
Mean values																
Gross practice revenue	598,201	472,716	733,643	678,506	509,060	636,253	465,643	599,069	399,897	470,474	468,017	527,418	351,945	270,483	478,355	558,606
Total practice expenses	342,460	288,374	529,342	468,801	344,369	410,640	287,414	442,490	268,228	328,364	297,168	465,770	211,704	102,978	303,584	396,269
Net practice income	255,741	194,791	204,301	203,928	164,691	157,823	178,229	153,498	130,900	126,550	170,849	173,050	140,241	104,470	174,663	154,152
Return on capital	5,691	8,307	13,581	13,818	15,690	18,999	16,355	19,550	14,837	17,898	12,990	14,961	17,320	2,854	15,596	16,960
Return to labor and management	250,049	186,418	190,720	189,923	149,002	138,660	161,874	131,687	115,915	109,930	157,860	156,261	122,921	102,580	159,046	136,026
No. of veterinarians‡	2.34	1.87	2.53	2.55	2.43	2.86	1.82	2.09	1.92	1.91	2.03	2.07	1.83	1.25	2.04	2.08

*Total for all private practices is a weighted mean value based on the estimated percentage of each practice type among all practices. †Total gross expense includes all cash operating expenses including all nonowner (associate veterinarians and ancillary staff) labor costs. ‡No. of veterinarians is reported on a full-time-equivalent basis.

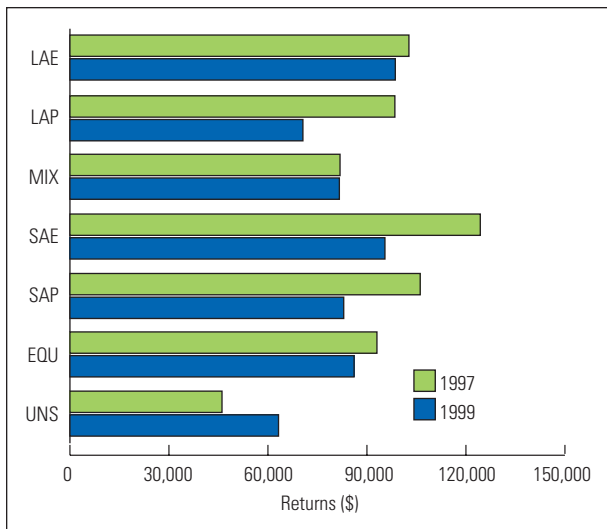


Figure 1—Median return to labor and management (\$) for US veterinary practices in 1997 and 1999. LAE = Large animal exclusive. LAP = Large animal predominant. MIX = Mixed animal. SAE = Small animal exclusive. SAP = Small animal predominant. EQU = Equine. UNS = Unspecified.

leased from someone other than a veterinarian involved in the practice. Median total practice expenses were \$269,821 in 1999, compared with \$226,722 in 1997. Median total practice expenses increased at a compound annualized rate of 9.1% during the 1997 to 1999 period. Median total practice expenses ranged from \$51,112 for unspecified practices to \$318,267 for small animal exclusive practices. In 1997, median practice expenses ranged from \$131,557 for large animal exclusive practices to \$384,533 for large animal predominant practices.

Net Practice Income

Net practice income was calculated as gross practice revenue minus total practice expenses. For all practices, 1999 median net practice income was \$107,861, compared with \$123,353 in 1997. Median net practice income ranged from \$64,958 for unspecified practices to \$120,000 for large animal predominant practices in 1999. Median net practice income ranged from \$49,381 for unspecified practices to \$134,280 for small animal exclusive practices in 1997. Median net practice income for all practices was 27% of median gross practice revenue in 1999, compared with 34% in 1997. In 1999, median net practice income as a percentage of median gross practice revenue ranged from 23% for mixed animal practices to 43% for large animal exclusive and unspecified practices.

Net practice income includes return on capital invested and return to labor and management. Return on capital invested was estimated as 12% of owners' equity in long-term practice assets. Equity was defined as the difference between the fair market value of fixed practice assets (eg, the value of real property, vehicles, and equipment) and long-term debt (mortgages and notes payable for > 1 year). Median return on capital per practice was \$10,125 in 1999, compared with \$10,004

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Table 2—Mean and median returns (\$) on a per-owner basis for US veterinarians in 1997 and 1999

Variable	Large animal exclusive		Large animal predominant		Mixed animal		Small animal exclusive		Small animal predominant		Equine		Unspecified		All private practices*	
	1997	1999	1997	1999	1997	1999	1997	1999	1997	1999	1997	1999	1997	1999	1997	1999
Median values																
Net practice income	88,277	81,273	85,800	90,000	78,517	73,000	114,101	97,000	95,500	85,812	98,259	89,500	37,786	66,916	102,559	91,005
Return to labor and management†	85,047	71,248	80,273	72,900	68,173	62,503	105,872	83,100	81,018	73,788	93,000	79,640	31,036	66,814	93,815	78,720
Owner's salary‡	55,800	60,000	60,000	60,000	60,000	60,000	67,200	74,496	60,000	60,000	63,000	72,000	INS	84,000	61,344	71,408
Residual profit§	20,567	5,978	10,441	13,495	9,200	4,750	21,000	719	15,948	7,116	25,659	15,100	INS	-3,200	18,070	3,143
No. of owners	1.00	1.00	2.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.07	1.01
Mean values																
Net practice income	124,934	122,529	80,572	92,837	92,018	94,281	142,605	126,636	96,936	100,866	117,185	122,813	130,066	80,721	128,404	116,510
Return to labor and management	121,014	116,571	72,969	84,675	80,479	80,942	128,678	108,461	84,339	86,837	106,127	109,103	114,896	78,961	115,487	101,808
Owner's salary	71,064	69,837	73,516	66,428	61,177	75,945	84,255	93,503	69,793	68,457	77,869	93,397	INS	95,989	75,205	87,279
Residual profit	49,603	32,835	3,890	23,681	21,753	7,210	39,058	24,253	12,855	17,741	38,519	23,412	INS	-7,778	30,689	20,511
No. of owners	1.73	1.49	2.16	1.95	1.67	2.12	1.26	1.36	1.34	1.37	1.32	1.37	1.17	1.14	1.38	1.45

*Total for all private practices is a weighted mean value based on the estimated percentage of each practice type among all private practices. †Return to labor and management per owner was calculated by dividing the total practice return to labor and management by the number of full-time equivalent practice owners. ‡Owner's salary is the annualized value of owner's monthly salary or draw and is assumed to represent the owner's compensation for labor services. §Residual profit is the difference between return to labor and management and owner's salary, representing the owner's return to management and entrepreneurial initiative.
INS = Insufficient number of responses.

in 1997. Median return on capital ranged from \$102 for unspecified practices to \$14,100 for small animal predominant practices. In 1997, median return on capital ranged from \$2,400 for large animal exclusive practices to \$11,340 for small animal predominant practices.

Return to labor and management (ie, human capital) is the residual of the calculation net practice income minus return on capital. Return to labor and management represents monies available to compensate practice owners for their labor, management, and entrepreneurial initiative. Median return to labor and management for 1999 was \$89,704, compared with \$112,128 in 1997. Median return to labor and management ranged from \$63,207 for unspecified practices to \$98,600 for large animal predominant practices. In 1997, median return to labor and management ranged from \$46,081 for unspecified practices to \$124,350 for small animal exclusive practices. Median return to labor and management was 31% of median gross practice revenue in 1997 and 22% in 1999 (Fig 1).

Practice Owner's Income

Net practice income per owner was computed by dividing net practice income by the number of full-time-equivalent owners working in the practice. Mean number of owners for all practice types was 1.45/practice, ranging from 1.14 for unspecified practices to 2.12 for mixed animal practices. Median number of owners per practice was 1.0 for each practice type.

Median net income per practice owner in 1999 was \$91,500, compared with \$102,559 in 1997 (Table 2). Median net income per owner ranged from \$66,916 for unspecified practices to \$97,000 for small animal exclusive practices. In 1997, median net practice income per owner ranged from \$37,786 for unspecified practices to \$114,101 for small animal exclusive practice owners.

Median return to labor and management per practice owner was \$78,720 in 1999, compared with \$93,815 in 1997 (Table 2). Median return to labor and management per owner ranged from \$62,503 for mixed animal practices to \$83,100 for small animal exclusive practices. In 1997, median return to labor and management per owner ranged from \$31,036 for unspecified practices to \$105,872 for small exclusive practices.

Subtracting the owner's salary from return to labor and management per owner yields the return to management per veterinarian-owner or residual profit. Residual profit represents anticipated entrepreneurial profit in excess of expected return on capital and labor. Median residual profit per practice owner for all practice types was \$3,143 in 1999, compared with \$18,070 in 1997. Residual profit per owner ranged from -\$3,200 for unspecified practices to \$15,100 for equine practices in 1999. Median residual profit per owner as a percentage of median gross practice revenue ranged from 0.15% for small animal exclusive practices to 5.0% for equine practices. In 1997, residual profit per owner ranged from \$9,200 for mixed animal practices to \$25,659 for equine practices. Median residual profit per owner as a percentage of median gross practice revenue ranged from 2.0% for large animal predominant practices to 8.5% for equine practices.

References

1. American Veterinary Medical Association. *Economic report on veterinarians & veterinary practices*. Schaumburg, Ill: American Veterinary Medical Association, 2001.
2. Wise JK, Adams C-L. Revenue, expense, and returns on resources for US veterinary practices, 1995 and 1997. *J Am Vet Med Assoc* 1999;214:1778-1780.

From the AVMA Membership and Field Services Division: J. Karl Wise, PhD, Director; Martin L. Gonzalez, MS, Research Analyst.