

**Overview of the
Merck-Henry Schein National Equine Veterinary Economic Study
Edward L. Blach, DVM, MS, MBA
September 2015**

Merck Animal Health and Henry Schein Animal Health, with support from the American Association of Equine Practitioners (AAEP), conducted a national survey of AAEP member veterinarians with the following objectives:

- To learn about the current economic status of equine veterinary practice and the trends compared to recent years.
- To determine trends in key factors impacting equine practice revenues including number of clients, number of patients, number of patient visits, FTE's, and other related trends.
- To assess the current attitudes and challenges of veterinarians and their clients regarding demand and use of veterinary services and their recent trends.
- To assess the current management practices being used in equine practice in an effort to learn what is needed to help equine practices operate in a more profitable manner.

Background - 2013

Recent trends in equine veterinary medicine were predominantly negative. The recent AVMA Pet Demographic Study revealed a 32% decline in the number of horses in the United States between 2006 and 2012 based upon USDA data. AVMA data also showed a reduction in the annual income of equine veterinarians by 6.7% during that same period. In contrast, companion animal exclusive veterinarians saw an increase in annual income by 22.7% during the same period. Most other trends in the equine segment were similarly troubling. The industry needs help.

To compound these challenging trends, there was a general lack of quality equine veterinary economic data available with which to assess the practice trends, growth opportunities, needs, and risks of the equine veterinary sector. It was our objective to conduct the national veterinary economic study to identify challenges and to develop solutions for improving veterinary practices in the equine segment.

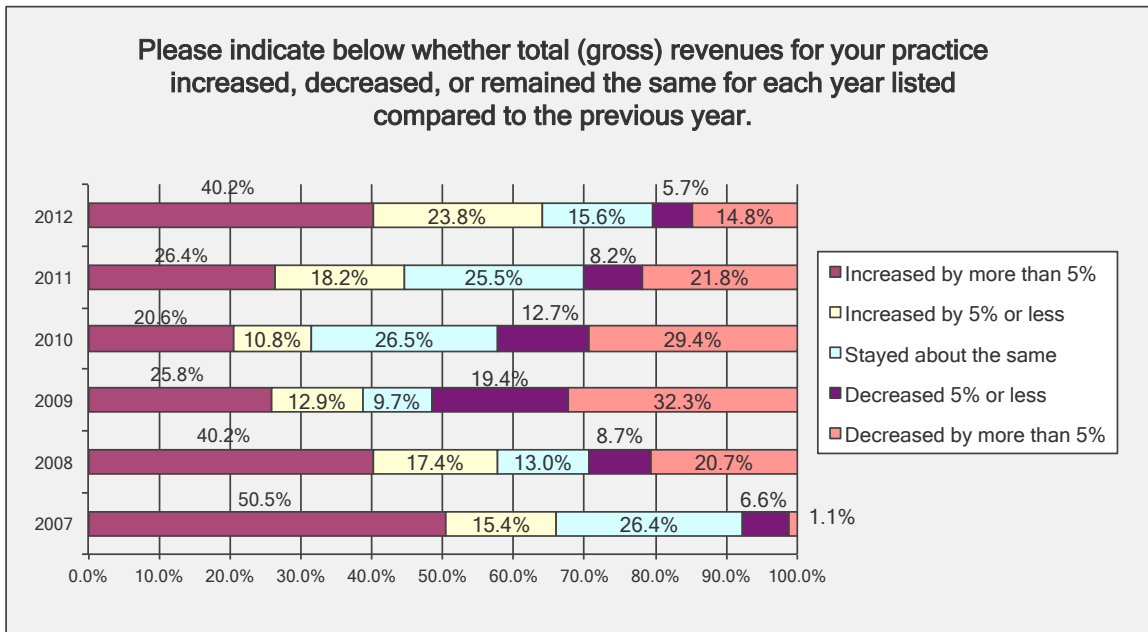
Methodology

The lead researcher was Edward L. Blach, DVM, MS, MBA and he was assisted by Andrew R. Clark, DVM, MBA. Drs. Blach and Clark have a long background in equine practice, market research, and practice management consulting and education. The data for this study was gathered from a sampling of AAEP member veterinarians, and descriptive statistics were used to illustrate the results. Much of this study focused upon trends in the responses for the years 2007, 2008, 2009, 2010, 2011, and 2012. It was our objective to illustrate the situation in equine veterinary practice from just before the Great Recession to the end of 2012.

Drs. Blach and Clark worked closely with Mr. Brett Whitehead of Merck Animal Health and Ms. Jeannie Jeffery of Henry Schein Animal Health and their teams, as well as the AAEP leadership to assemble, implement, and report the results of the study to the industry. It was the desire of Merck Animal Health and Henry Schein Animal Health to obtain the data and make it available to the entire industry for the benefit of the industry.

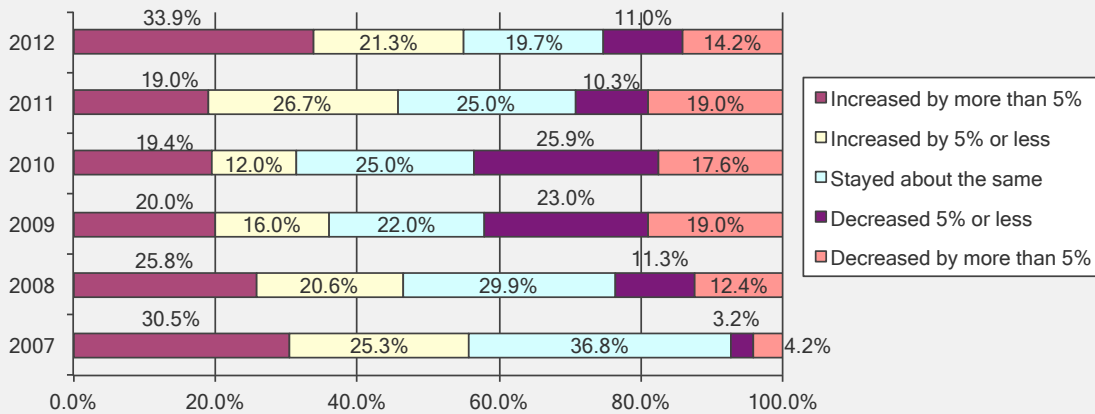
Key Findings

1. The equine economy has experienced significant changes from 2007 to 2012.
2. Though the rebound in the equine veterinary economy appears real, a return to the 2007 Pre-Recession economy is not likely any time soon. Estimates of the decline in number of horses exceed 50% since 2006, so there are fewer horses to serve. Veterinarians must work differently, most likely serving fewer patients with more services, and managing more closely for profitability, because there will be more veterinarians competing for the business of fewer owners and horses.
3. Compared to 2007, there was a trend towards significant reduction in equine veterinary practice revenues, number of invoices or transactions, number of active patients, and number of active clients in each of 2008, 2009, and 2010. There was a rebound or increase in these parameters in 2011 and 2012.



Above: Trends show declining revenues from 2007 to 2010, then increases for 2011 and 2012.

Please indicate below whether the total number of equine patients to which your practice provided services increased, decreased, or remained the same for each year listed compared to the previous year.

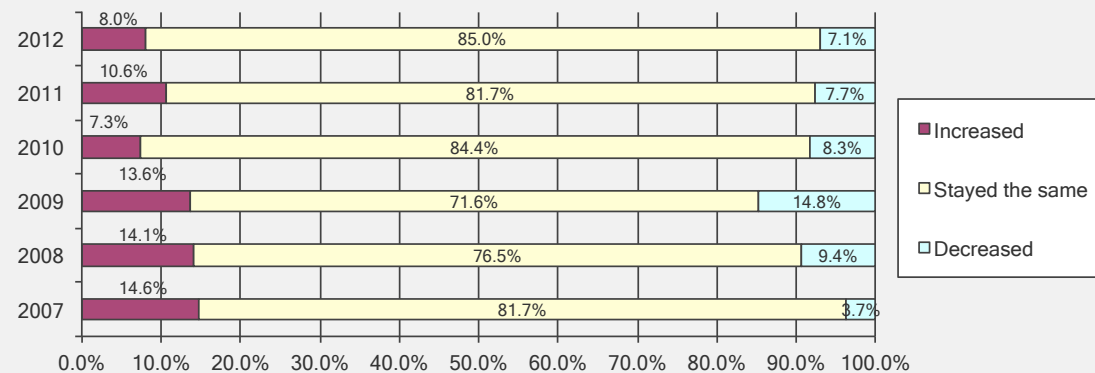


Above: Trends show declining number of equine patients from 2007 to 2010, then some increases in 2011 and 2012.

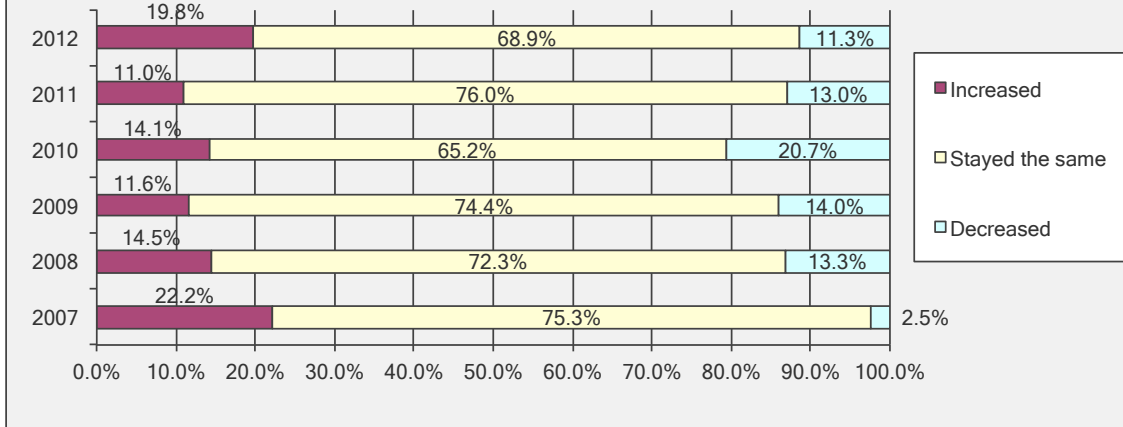
Similar trends were found when looking at number of invoices or transactions and number of active clients.

- In general, given the severity of the downturn in the equine veterinary economy from 2007 to 2010, there was very little change in the number of veterinarians or support staff employed by equine practice owners. (below)

Please indicate below whether the total number of veterinarians employed (including owners) in your practice increased, decreased, or remained the same for each year listed compared to the previous year.



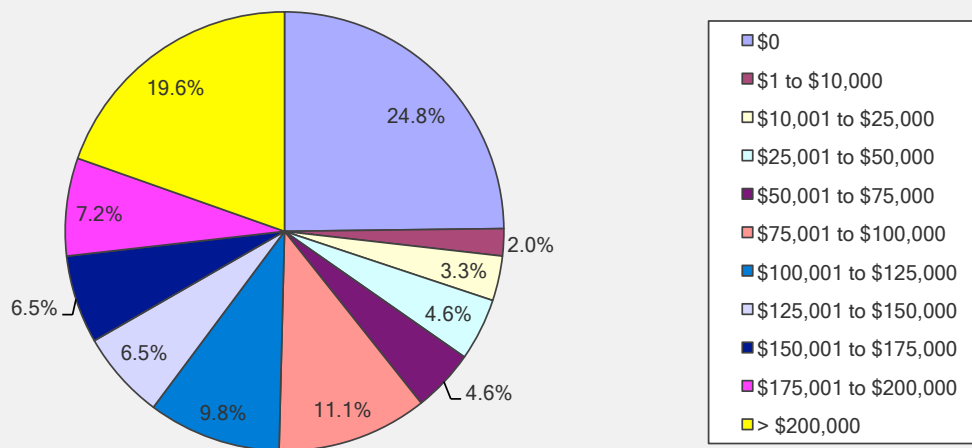
Please indicate below whether the total number of non-veterinary support staff employed in your practice increased, decreased, or remained the same for each year listed compared to the previous year.



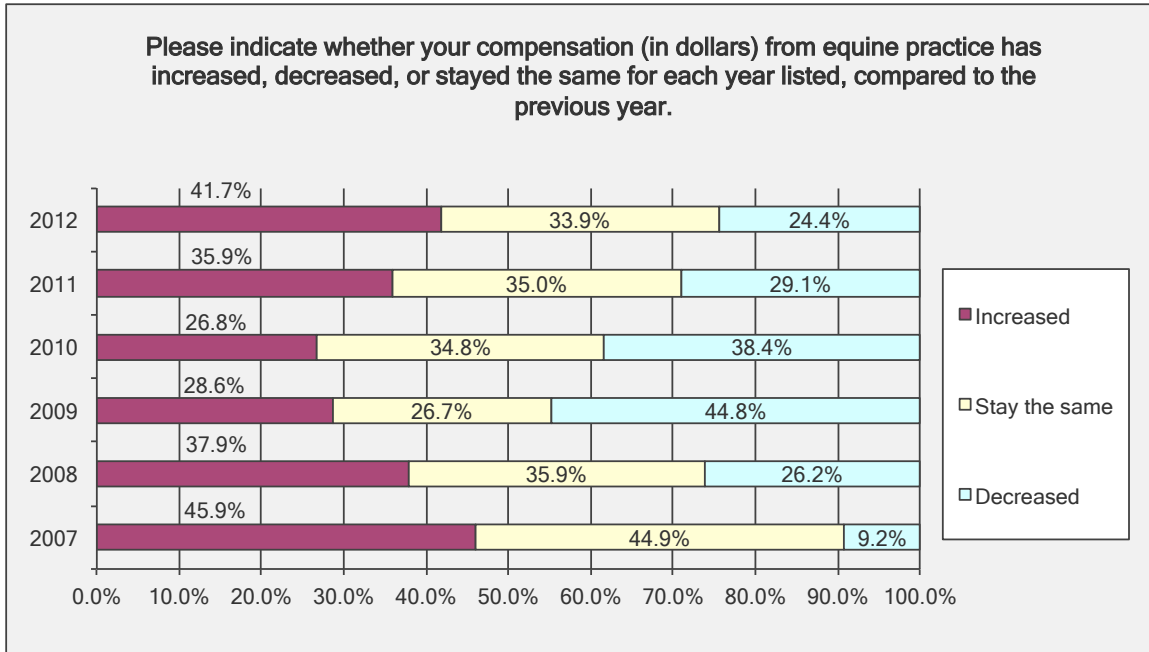
Above: Most equine practices kept employee head count the same throughout from 2007-2012, in spite of the challenging economy.

- Almost twenty percent (19.6%) of veterinary associates held more than \$200,000.00 in student debt. Thirty-three percent (33.3%) of associates had more than \$150,000.00 in student debt. Forty-nine percent (49.6%) of associates had more than \$100,000.00 in student debt.

How much student debt, if any, do you currently hold?

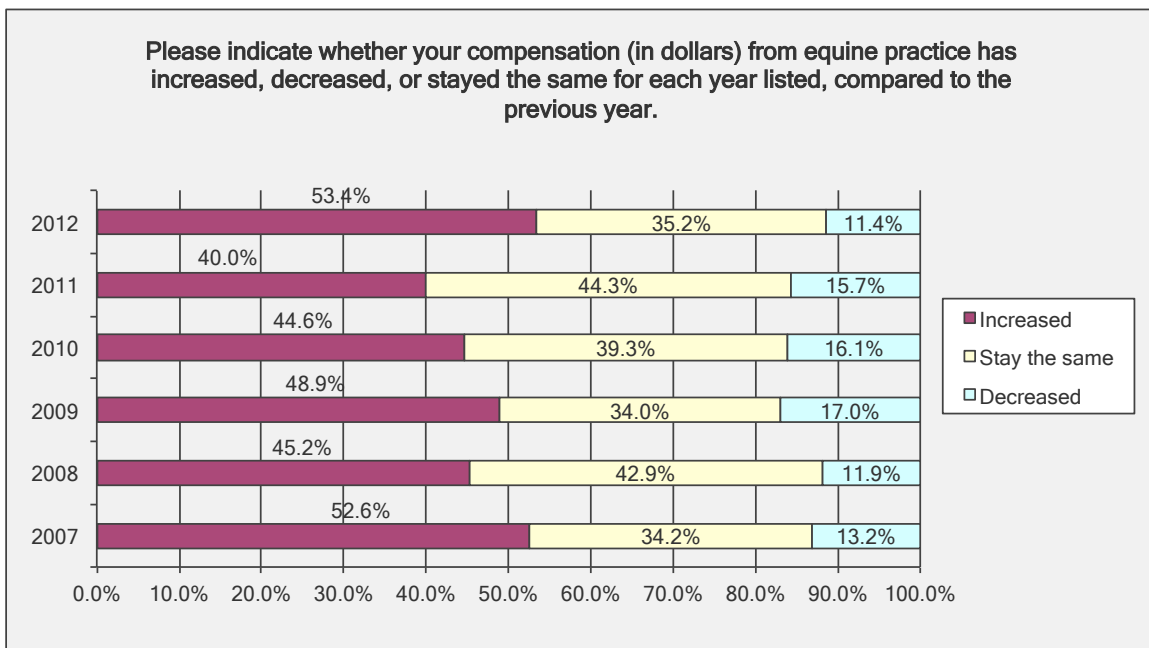


6. There was a significant trend of reduced compensation for practice owners from 2007 to 2010, with subsequent increases in 2011 and 2012. (below)

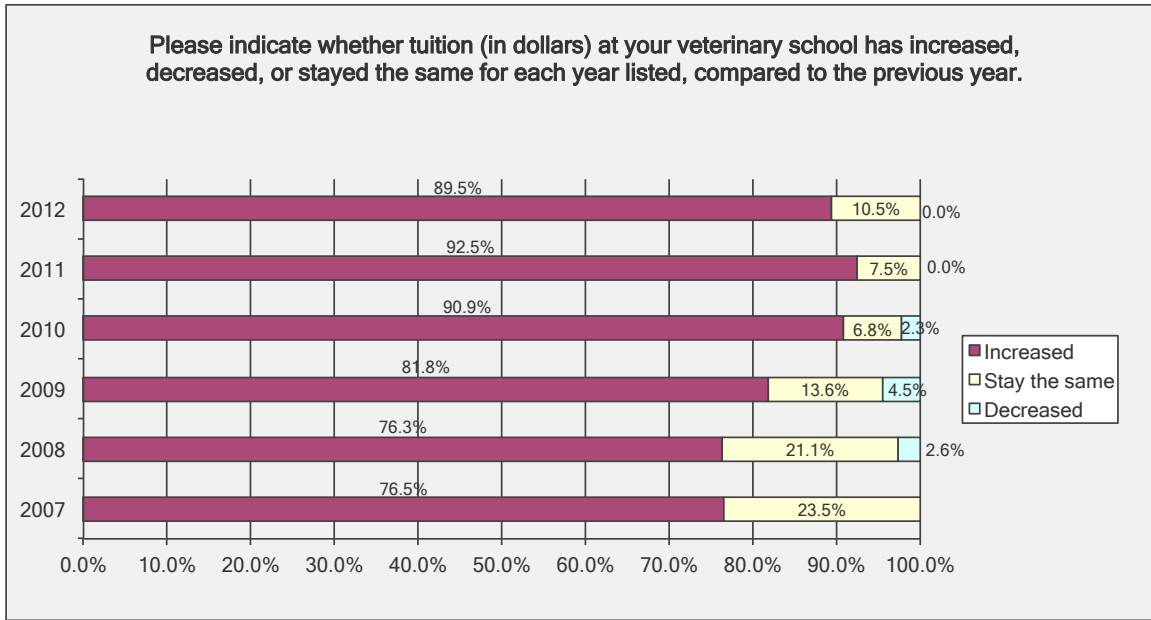


Above: Compensation amongst practice owners showed trends of significant decline, which paralleled other economic parameters.

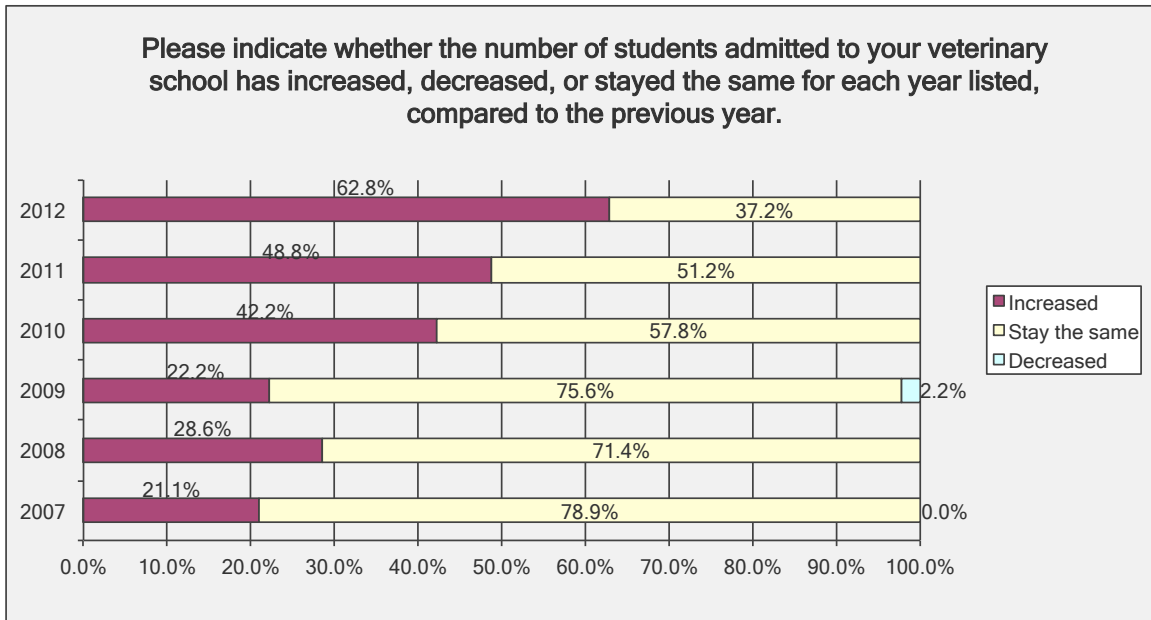
7. There were very few veterinary associates whose compensation didn't either increase or remain the same from 2007 through 2012. (below)

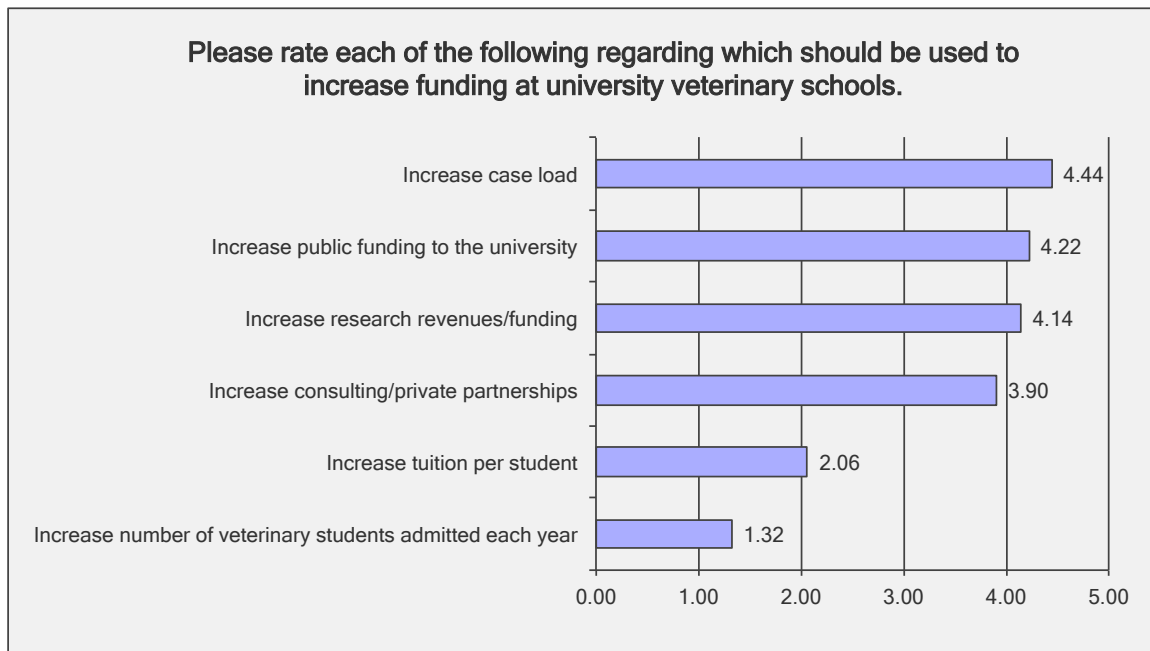


8. Academic veterinarians reported overwhelmingly that tuition at their institutions increased every year. (below)



9. Academic veterinarians also reported a trend towards increased numbers of students admitted to their veterinary programs each year from 2007 to 2012, even though they didn't believe that was the best way to improve funding for academic institutions. (below)





Above: Academic veterinarians provided their recommendations for how to increase funding at university veterinary schools. Notice at the bottom, there was little agreement in increasing the number of students admitted each year.

Impact of these Findings

It is important for the industry to see economic trend data such as those in this study so that they get a better perspective for what is real in the equine veterinary economy. Many veterinarians have responded after seeing these data that “it is helpful for me to see this industry-wide data because I have more confidence that the economic rebound I’m seeing in my own practice is real and that it is occurring across the industry. This gives me confidence to invest in my practice for growth, rather than not hiring and not buying equipment to support that growth.”

What Other Results Will Be Released?

Additional results from this study will be released monthly for the next six months. Future results will include a discussion of the differing priorities of practice owners and veterinary associates and how these differences can help both parties accomplish their objectives. Also, there will be extensive discussion regarding the business practices of equine veterinary practices, relative to the economic results seen from 2007-2012. All results will be made available in their entirety at: www.ismypracticehealthy.com. By joining this community with what is now a free account, you can download all results in the Documents Library.

About www.ismypracticehealthy.com: This site is owned by Drs. Blach and Clark and is intended to provide a community for people interested in veterinary practice management to learn about practice management, find data that relates to best practices in veterinary practice management, and to be able to enter a long-term

discussion intended to help veterinarians improve the profitability and value of their practices. By doing so, they are ensuring the success of their practice, which ensures that the animals being cared for receive quality care and the employees and their families are afforded more stable employment opportunities. Membership in the site is currently free.

About Edward L. Blach, DVM, MS, MBA

Edward L. Blach is a veterinarian with diverse business credentials and background. He earned both DVM and MS degrees from Colorado State University prior to entering private practice on the Central Coast of California from 1987 to 1991. Dr. Blach earned his MBA degree from The Anderson School at UCLA and then started a consulting business focused on providing market research and consulting services to the animal health industry. The company continues to serve the industry by providing customized market research, marketing consulting, business development, and practice management services. Dr. Blach is also co-founder of Vet24seven, a technology company that specializes in consumer engagement by veterinarians. In addition, Dr. Blach is a co-inventor of the FLAIR® Equine Nasal Strip designed to improve lung health by reducing lung stress and bleeding. Dr. Blach is the former CEO of Hagyard Equine Medical Institute in Lexington, KY. He is an active outdoorsman and sports fan, is married to wife, Darci, and has six children.