

# Healthy Pets = Healthy Profits

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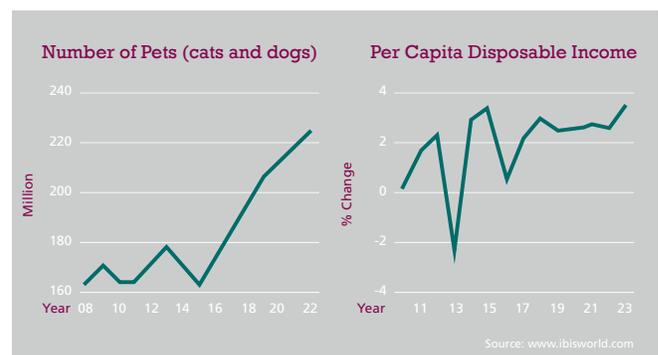


The prospects of growth are often met with a great deal of anxiety and the source of that fear is largely attributed to lack of insurance, which ultimately affects not only how we take care of ourselves but our pets as well. Statements such as “We don’t have insurance to cover that procedure/treatment” are not uncommon. This can be frustrating and result in not being able to provide the quality of care needed, both affecting the morale of the office and animal hospital revenues. Having said that, it makes sense not wanting to expand or renovate your animal hospital, but what if I told you that *now* is possibly the time to invest? Here are a few points that could help support the growth narrative:

- According to the American Pet Products Association’s (APPA) most recent National Pet Owners Survey, 65 percent of U.S. households own a pet.
- Demand for pets, especially cats and dogs, is expected to rise over the next five years and this is driven by

three demographic sectors: single-person households, millennials, and the aging population.

- Greater than 10 percent of pet owners are new pet owners and the majority of which are millennials, who are more apt to spend on taking care of their pets.



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## Emerging trend

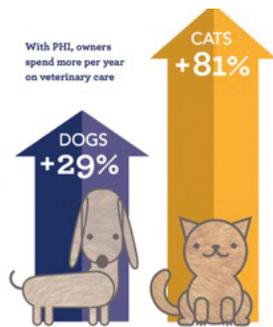
With the increasing number of households owning at least one or more pets, we are witnessing an emerging trend in veterinary services and employer-sponsored pet health benefits. Highlighted by a recent New York Times article, approximately 5,000 companies currently offer pet health insurance and this trend is rapidly growing. The growth is in direct response to increasing concerns regarding exponentially rising pet-related healthcare costs. As per the APPA, of the \$70 billion spent on pets this year, a quarter (\$17.5 billion) of it was associated to veterinary services. In the U.S, per capita disposable income is expected to grow an annualized 2.7 percent over the next four years and unemployment rates are expected to stay low, suggesting an increase in the ability for pet owners to purchase employer-sponsored pet insurance.

## Implications

In the U.S, only a small fraction of pet owners choose to subscribe to pet insurance. It is imperative to highlight that only an estimated 1–2 percent of the nation’s nearly 90 million pet dogs and 94 million pet cats are currently insured. The North American Pet Health Insurance Association (NAPHIA) emphasizes the reality that pet owners with pet health insurance spend 29 percent more on dogs and 81 percent more on cats for veterinary care! The NAPHIA survey also identified three pertinent areas in which pet health insurance directly translates to an increase in practice revenues:

1. Increase in compliance on recommendations
2. Increase in the purchase of veterinary services
3. Increase in pet health expenditures

One of the toughest things to know is when to take the next step, open a second clinic, expand or renovate; how does one quantify their existing success in hopes of translating into the “next step?” If we incorporate the implication of such growth (29% Canine, 81% Feline) in spending patterns and insurance, one could argue collection levels would increase immensely.



Practice 1	Canine (60%)	Feline (40%)	Total
Current	\$480,000	\$320,000	\$800,000
Projected	\$619,200	\$579,200	\$1,198,400

Practice 2	Canine (60%)	Feline (40%)	Total
Current	\$600,000	\$400,000	\$1,000,000
Projected	\$774,000	\$724,000	\$1,498,000

Practice 3	Canine (60%)	Feline (40%)	Total
Current	\$720,000	\$480,000	\$1,200,000
Projected	\$989,352	\$868,800	\$1,858,152

## Conclusion

A question I am frequently asked: Is this the best time to use the equity in my practice? When interest rates are low, you should consider applying for a loan to help fund improvements for your practice. Talk with your CPA, accountant or tax adviser; there may be significant tax advantages to making improvements to your practice now instead of waiting.

Your practice could very well be one of the largest investments you control and, if managed properly, can significantly improve your return on investment and help you secure a dignified retirement. There could possibly be some current economic conditional advantages to assist with improving, debt consolidation and expansion. The funds you spend today may yield significant returns in the future.

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