

# SQUASHING ProSal myths

Debunk 9 reasons why ProSal won't work—and learn how this mix of base salary and production percentage can work for your associates.

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## ProSal to the people

Our Web site is your home for everything you need to know to use Mark Opperman's innovative associate compensation plan. Visit [dvm360.com](http://dvm360.com) and search "ProSal."

One of the most common questions I'm asked is how to compensate associate veterinarians properly. Some time ago, I developed a method called ProSal, which combines a guaranteed salary base with a percentage of an associate's production. It's now one of the most common forms of compensation used in veterinary practices, but it's often misunderstood or inappropriately applied. Practice owners say, "We pay our associates based on the ProSal method," but when I dig a little more, it turns out to be some mutant system and not ProSal at all. Let's see if we can clarify how ProSal is supposed to work and squash some of the common myths.

### MYTH: DOCTORS RECEIVE PRODUCTION CREDIT FOR EVERY TRANSACTION CLIENTS INCUR.

First, some definitions. Production is defined as "the fees generated and collected for services or products a doctor is directly involved in delivering." Here's the important distinction: The doctor must be involved in delivering a service or product in order to receive credit for it.

Here's how it works: Let's assume Dr. Smith earns 21 percent of her production with a guaranteed base salary of \$70,000. She'll receive production pay for any services she's directly involved in. So, for example, if she's in the exam room and conducts a comprehensive physical exam, administers vaccinations, performs fecal and heartworm tests, and sells preventive medicines, she'll receive 21 percent of the total revenue from those services and products, because she was directly involved in delivering them.



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However, when the client returns a month later for a refill and doesn't see Dr. Smith during the visit, Dr. Smith won't get a percentage of that sale because she wasn't directly involved in the transaction. To clarify this further, I've developed a worksheet that

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The beauty of ProSal is, associates can't make less than their base; they can only make more and are encouraged to do so.

lists the most common sources of production income and states whether credit goes to the doctor or the hospital. Download this form by visiting [dvm360.com](http://dvm360.com) and searching "crediting doctor production."

To keep production straight, create two provider codes for each doctor in your computer system—for example, "Dr. Smith" and "Dr. Smith: Rx." Use the latter code for refills the doctor doesn't get credit for. This code helps the receptionist and bookkeeper keep accurate production records but still ensures that the doctor's name is on the prescription label.

### MYTH: THE MAGIC NUMBER FOR PRODUCTION IS 21 PERCENT.

The going rate for production percentages is anywhere from 18 percent to 25 percent. In general, the greater the number of benefits you offer your associates, the less their production percentage should be; the fewer the benefits, the greater their percentage. No matter what production rate you pay, a doctor's total compensation—including health insurance, dues, licensing fees, continuing education,

FICA matching, and other costs of employment—should not exceed 25 percent of his or her production.

Your first step is to figure out your associate's current total compensation—in other words, your total cost to employ him or her. To do this, use

a total compensation statement. (Visit [dvm360.com](http://dvm360.com) and search "total compensation statement.") This form lists possible costs associated with employing an associate doctor. Total these costs, then add the associate's current production compensation (W-2 income), and divide by the associate's total production. The resulting number is the associate's total compensation rate, which shouldn't exceed 25 percent. If it does, you're paying the associate out of your pocket and reducing your return on investment.

### MYTH: SPECIALISTS RECEIVE A HIGHER PRODUCTION PERCENTAGE.

Emergency doctors and specialists don't get a higher percentage because they see emergencies or specialty cases; they should be paid more because they charge more for their services.

The 25 percent cap is based on the costs of running a veterinary hospital. If you add up those costs—rent, utilities, telephone, advertising, inventory, support staff costs, and so on—then add in associate's 25 percent total cost of compensation, you'll find that what's left is only about 10 percent to

15 percent of that associate's production. This is the owner's return on investment—you're basically making 10 percent to 15 percent off your associate's production. If you exceed the 25 percent rule, you eat into your profit margin and don't make much, if anything, off the services provided by your associate regardless of whether he or she is a specialist.

### MYTH: YOU CAN'T FIND GOOD BENCHMARKS OF ASSOCIATE BASE SALARIES.

Not true. Check out the Benchmarks Well-Managed Practice Studies from *Veterinary Economics* and Wutchiett Tumblin and Associates, or use an Internet service such as PayScale.com. PayScale.com compiles information from other practices in your area and reports what they're paying team members and veterinarians.

### MYTH: PROSAL WILL NOT FIT MY EXISTING PAYROLL SYSTEM.

ProSal can fit into most payroll systems. With ProSal, associate veterinarians get a check twice a month, not every other week. You can still use biweekly payroll periods; just pay associates on the first and last payroll of each month.

The first payroll of each month, the associate earns 1/24 of her guaranteed base. So if an associate earns a guaranteed base of \$70,000, she'll get \$2,916 (1/24 of \$70,000), less payroll taxes, on the first payroll of the month. The second check of the month is a production check. To determine the amount of



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this payment, you'll need to know the associate's production from the previous month. If she brought in \$28,000 and is paid 22 percent of her production, that means she's earned \$6,160. We've already paid her \$2,916 at the beginning of the month, so we subtract that amount, leaving \$3,244 for her second check, less payroll taxes. Here's a recap:

> **Check 1: \$2,916 (1/24 of guaranteed base salary)**

> **Check 2: \$3,244 (\$28,000 x 0.22 = \$6,160 - \$2,916 = \$3,244)**

That second check is a "float" check that depends on the previous month's production—it might be \$0 or it might be \$10,000. This is an important point; I've discovered that some practices pay the guaranteed amount (\$2,916 in this example) every payroll regardless of the previous month's production. If you do this, you'll probably find

that, at the end of the year, you've paid the associate more than the agreed-on percentage of production. The second check serves to true up the associate to her previous month's production. It also rewards her for a job well done or serves as a red flag if she's underperforming. (See "Help your underperforming associates," below).

If an associate doesn't receive her guaranteed base by the end of the year, the practice owes her the difference. The beauty of ProSal is that associates can't make any less than their guaranteed base; they can only make more and are encouraged to do so.

### MYTH: ASSOCIATES ON PROSAL DON'T RECEIVE PAID VACATION.

This is the most common misconception I hear about ProSal. Technically, associates don't get paid during time they take off. But they are paid more throughout the rest of the year from production income to make up for it.

For instance, if a veterinary practice hires an associate on a regular salary of \$70,000 with a two-week vacation built in, you'd say the practice was paying for vacation, right? So if an associate is paid under ProSal and is guaranteed a base of \$70,000 but paid based on a percentage of production, how can you say the associate isn't being paid for vacation? If an associate were paid on production only, with no base salary, then I would agree that the vacation is unpaid. But as long as there's a guaranteed base, vacation time is covered. Vacation is counted as part of the guaranteed base.

### MYTH: PRODUCTION-BASED PAY PROMPTS PADDING OF THE BILL.

I've heard people say that ProSal encourages doctors to overcharge, upsell, or "steal" high-dollar cases.

Those types of behaviors indicate personality flaws in an individual, and ProSal just makes these flaws more obvious. It's the very rare veterinarian who overcharges or gouges clients—in fact, I have a hard time getting most veterinarians to charge enough for their services.

### MYTH: PROSAL DOESN'T WORK FOR RECENT GRADUATES.

When I teach at veterinary schools around the country, I strongly suggest to students that they request and accept ProSal, even during their first year of employment. Sure, they might feel more comfortable with a straight salary—less pressure in the first year—but I argue that a straight salary gives them no opportunity to earn more and no incentive to produce more. On ProSal, associates can't make any less than their guaranteed base, but they're also provided with an incentive to increase their production and thereby increase their earnings. It's a win-win situation for the associate and the practice.

Forget the myths that ProSal won't work for you. If you like the sound of it, there's no reason you can't use it to reward and motivate your own associates. It's a great way to provide veterinarians with a fair method of compensation while motivating them to offer a full-service approach and charge for all services rendered. That's exactly what you want from any associate working for you, and that's what ProSal does.



Mark Opperman, CVPM, is Veterinary Economics' Hospital Management Editor and the owner of VMC Inc., a veterinary consulting firm based in Evergreen, Colo.

He'll show you how to deal with employees behaving badly at CVC Baltimore April 11. Visit [thevcv.com](http://thevcv.com) to register.

#### How to ...

### Help your underperforming associates

If an associate doesn't receive a second paycheck that's equal to or greater than the first check, he or she is underperforming—which means it's time for more training. Owners and mentors should step in right away to coach the associate. Check his or her bedside manner, marketing and communication skills, and approach. What is the associate's average charge per transaction? Don't wait until the end of the year for the associate to find out that he or she hasn't met the guaranteed base. Step in and help him or her succeed.