

Chapter 1

Description of the Practice of Veterinary Medicine

History

Doctors of Veterinary Medicine are medical professionals, whose primary responsibility is protecting the health and welfare of animals and people. The first College of Veterinary Medicine in the United States was established in 1879 at Iowa State University. Before that time animals were treated by veterinarians trained in Europe or by individuals without formal education. Veterinary medicine has progressed very rapidly in the one-hundred plus years since then. Veterinarians have been at the forefront in control of diseases such as tuberculosis, brucellosis, hog cholera, and Newcastle disease of chickens.

Today veterinarians in private clinical practice are responsible for the health of approximately 52 million dogs, 55 million cats, 11.7 million birds, and more than 7 million other pet animals. They also care for more than 8 million horses, 115 million cattle, 56 million hogs, and 12 million sheep and lambs that make up our nation's \$80 trillion livestock industry. In 1995, there were 27 colleges of veterinary medicine in the United States graduating approximately 2,100 new veterinarians each year.

Demographics of Veterinarians

There are, based on 1998 data from the American Veterinary Medical Association (AVMA), 75,000 veterinarians in the United States. Of those, 62,016 (83 percent) are members of the AVMA.

The 62,016 are further broken down by the following categories:

- 4,453 Large Animal Practice (Horse, Cattle, Sheep, Goats, Swine, etc.)
- 13,752 Mixed Practice (Large Animal and Pet Animal)
- 28,620 Small Animal Practice (Dogs, Cats, and other pets)
- 46,825 (76 percent of AVMA members are providing direct service to animals in a practice setting)

The remainders are in academia, research, state and federal government employment (including military), and public health

and industry. It is estimated that the average veterinary practice in the United States has 2 veterinarians involved in the practice. Using that figure, there are approximately 23,413 private veterinary practices in the United States providing medical care and professional services to animals on behalf of their owners.

Education

Veterinarians require a minimum of 3 years pre-veterinary education followed by a 4-year veterinary curriculum resulting in a doctor of veterinary medicine degree. The curriculum is extensive and includes both preclinical sciences and clinical sciences involving all known species of animals as well as the public health aspects of animal care and disease.

Veterinarians are not required to complete an internship before beginning practice. However, many internship and residency programs exist and an increasing number of new graduates are taking advantage of them. Before graduate veterinarians can engage in private clinical practice, they must acquire a license issued by the state. A license is granted only to veterinarians who pass state-required examinations.

What Veterinarians Do

Veterinarians diagnose and control animal diseases, treat sick and injured animals, prevent the transmission of animal diseases to people, advise owners of proper care of pets and livestock, and ensure a safe food supply for people by maintaining the health of food producing animals.

Veterinarians examine their animal patients, vaccinate them against diseases, treat illnesses, perform radiological and laboratory examinations, act as a pharmacy, perform surgery, and advise the animal owners on ways to keep pets and livestock well nourished and healthy.

They may see their patients in a veterinary hospital or they may care for their patients on farms, ranches, feedlots, or other facilities. There are a very limited number of veterinary hospitals that are publicly supported. Veterinarians, in most cases, either own the building and equipment used to provide medical services for their patients outright, or rent it from a related entity.

Veterinarians, especially those who care for the "large" food producing animals and horses, must maintain large inventories of animal drugs and supplies to provide these services since

commercial pharmacies rarely have the required quantity of biologicals and pharmaceuticals for animals. In these ways, veterinarians share the unique roles of medical service provider, pharmacist, and business owner.

Definition

The industry includes all individuals or entities in the industry engaged in the practice of veterinary medicine through ownership or management of practices, organizations, facilities, or equipment which provide medical services to animals. Practitioners' activities may be reported on Form 1040 (wages or Schedule C practice), Form 1065, Form 1120, or Form 1120S. Owners of facilities and veterinary organizations generally will report as partnerships or corporate entities. The veterinary medical practice industry includes, but is not limited to:

- > Sole Practitioners
- > Veterinary Clinics
- > Veterinary Hospitals
- > Diagnostic Imaging Services
- > In-Vitro Fertilization Clinics
- > Veterinary Organizations
- > Regulatory Agencies
- > Educational Institutions

***Veterinarians by
Type of Practice***

Veterinarian practices can also be differentiated by the type of animals treated. This section discusses three major categories:

- A. Large Animal (exclusive and predominant)
- B. Small Animal
- C. Mixed Animal

A. Large Animal

One of the characteristics that distinguishes a large animal veterinary practice or a mixed animal practice from a small animal veterinary practice is the fact that most large animal care is provided at the client's premises rather than at the site of the veterinary practice. However, not all large animal care is delivered in the field. Most large animal practices have some type of in-house surgery or facility for treating animals on the premises when necessary. These in-house facilities will vary in the type of equipment, etc. from the very simple (for example, a couple of

stalls) to the state of the art specially constructed surgeries which have been designed to accommodate the physiology of the animal being treated.

Large animal veterinary care provided at the client's premises may alter the nature of the practice and its records in several ways. It is common for the veterinarian to treat from one to several hundred animals during one visit. To expedite service in the field, large animal veterinarians have vehicles that are equipped to transport medications, drugs, supplies, and equipment. They may conduct something as simple as pregnancy tests or vaccinations on several hundred dairy cattle during one visit or as complex as treating a particular disease outbreak on several hundred beef cattle or hogs. The nature of animal agriculture is such that the close quarters in which cattle are maintained in feedlots, or dairy or hog facilities require controlling disease immediately as a matter of preventing financial disaster to the farmer.

Because the veterinary care is delivered at the client's premises, it is common for the veterinarian not to receive payment at the time the services are rendered. A "trip sheet" or "trip ticket" will probably be prepared showing the client's name, the date the procedure was performed, the drugs dispensed or administered, the number of animals treated for each procedure or administration and the mileage charged. Upon return to his/her office, the veterinarian will give the document to a staff member who will use it to prepare an invoice. The timing of sending invoices will vary from daily to once or twice monthly. As a result, large and mixed-animal practices tend to maintain an active and ongoing accounts receivable. The particulars of whether or not the veterinarian accepts payment at the time of the service, the frequency of sending invoices, and the existence of an accounts receivable should all be specifically documented during the initial interview.

As in most retail/wholesale businesses, veterinarians may offer different fee structures to their customers. High-volume customers may be charged less for medications and drugs than the occasional customer. If this is the case, the practice will generally utilize an indicator on its client list denoting the status as a low, middle, or high volume client. The key for this coding should be obtained during the initial interview.

Another significant feature of this type of practice is the large inventory of medicines that must be maintained to respond quickly

to disease outbreaks or requests for vaccination. Determine what types of inventory records are maintained and how often a physical inventory is taken.

Be aware that many large animal veterinarians often keep cattle, horses, or swine on their own farms. Determine at the initial interview how personal use items are accounted for by the veterinarian.

Large animal practices are also subject to seasonal fluctuations in the workload due to the differing demands of the animals treated. For instance, a practice devoted mainly to the treatment of cattle tends to be busiest during the spring and again during the last three months of the year. A practice specializing in the care of horses will have its busiest season during the spring. Seasonal fluctuations in business should be fully explored and documented during the initial interview and reconciled to the taxpayer's records. (See Chapter 2 for a complete discussion on selection of a taxable year.)

B. Small Animal

Small animal practices vary from large animal practices in several ways. Most of their customers come to the practice premises to be treated and payment is expected at the time the treatment or service is rendered. However, due to the ever increasing cost of treatments, more and more veterinarians are allowing payment schedules. In addition, there are now several national pet insurance companies. These companies allow the customer to select any veterinarian nationwide and then will make a payment to the veterinarian or the insured based on a schedule of allowances less a small deductible. For this reason even small animal practices may maintain an accounts receivable. How and when payment is expected should be discussed during the initial interview.

Since small animals are treated one at a time, not in herds, generally the need to maintain large inventories of drugs and supplies will also be diminished. A recent trend in small animal practices has been to combine several small animal practices under one common ownership creating a larger economic unit with which to obtain pricing discounts on purchases of drugs and supplies. These larger organizations often maintain central purchasing and inventory facilities and will maintain larger

inventories as a result. Therefore, it will be necessary to determine how purchases are made and how much is kept on-hand during the initial interview.

C. Mixed Animal

Mixed animal practices will combine elements of both large and small animal practices and will require an in-depth interview to determine which elements of each are used in the practice.

Industry Terminology

Much of the terminology used is unique to the industry. However, it is similar to the terminology used in the health care industry. A glossary of terms is included in Appendix A. It is recommended that examiners familiarize themselves with the terms unique to this industry prior to the initial interview in order to facilitate the examination.

***Industry
Organizations***

See Exhibit 1-1.

***Incomes of U.S.
Veterinarians***

A professional journal titled *Veterinary Economics* annually conducts a statistically valid survey of veterinarians to compile information about practice revenue by type of practice, personal income by type of practice, and different expense categories as a percentage of revenue by type of practice. The survey results are published annually in the fall (September and November) with one issue devoted to the expense side and another issue devoted to the revenue side. These surveys may be a useful source of information and are found at libraries of Colleges of Veterinary Medicine. In addition, the taxpayer/veterinarian may also subscribe to this journal.

Additional information can be obtained by contacting the American Veterinary Medical Association or other professional associations listed in Exhibit 1-1.

Exhibit 1-1

Industry Organizations

1. Agricultural Research Service www.ars.usda.gov
2. American Animal Hospital Association www.healthypet.com
3. American Association for Accreditation of Laboratory Animal Care (*now know as*
Association for Assessment and Accreditation of Laboratory Animal Care International
(AAALAC International) www.aaalac.org
4. American Society for the Prevention of Cruelty to Animals www.asPCA.org
5. American Veterinary Medical Association www.avma.org
6. Animal and Plant Health Inspection Service www.aphis.usda.gov
7. Association of American Veterinary Medical Colleges www.aavmc.org
8. Centers for Disease Control and Prevention www.cdc.gov
9. Environmental Protection Agency www.epa.gov
10. Food and Drug Administration www.fda.gov
11. Food Safety and Inspection Service www.fsis.usda.gov
12. National Animal Health Monitoring System www.aphis.usda.gov/vs/ceah/cahm
13. National Institutes of Health www.nih.gov
14. National Research Council www.nas.edu/nrc
15. National Science Foundation www.nsf.gov
16. National Veterinary Services Laboratories (Web site not found)
17. North American Veterinary Technician Association www.avma.org/navta/default.htm
18. Technology Assessment, The Congress www.wws.princeton.edu/~ota/
19. Pan American Health Organization www.paho.org
20. U. S. Public Health Service www.phs.os.dhhs.gov/phs/phs.html