



# Spay Neuter Business Models

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Found Animals Foundation

September 27, 2013

# A LITTLE BIT ABOUT FOUND ANIMALS. . .

Visit Us at [www.foundanimals.org](http://www.foundanimals.org)

## Found Animals

- is a 501c3 private operating foundation founded by billionaire surgeon, inventor, and serial entrepreneur Dr. Gary Michelson
- works alongside the animal community to find the big ideas that advance the safety of animals in our homes, shelters, and everywhere in between

The screenshot shows the Found Animals website navigation bar with links for Pet Adoption, Pet Care, Pet Spay & Neuter, Pet Identification, Get Involved, Resources, and About Us. The main content area features a large article titled "Disaster Prep Plans for Pets" with a photo of a dog holding a stick and a striped bag, and a photo of a cat near an emergency kit. Below the main article are four smaller promotional boxes: "Foster Kitten Wishlist" with a "CAMP KITTY" graphic, "FoundAnimals microchip registry", "Microchip Registry" with a description of resources, and "Foster Kittens" with a photo of kittens.

# ... AND WHAT WE DO FOR PETS AND PEOPLE

Since 2008, we have:

- subsidized more than **137,500 spay and neuter surgeries** in underserved communities
- helped more than **15,000 shelter animals** find homes through our adoption promotions and Adopt & Shop retail stores
- Provided **chips, scanners, and registrations** to shelters and spay and neuter clinics **nationwide** through our Microchip & Registry Program
- Approved projects from more than **25 institutions**, totaling over **\$11.5 million** in Michelson Grant funds



# TODAY'S AGENDA

- **Business Model Options**
- **Cost Consciousness**
- **Raising Revenues**
- **Future of S/N Clinics**

# THREE DIMENSIONS OF BUSINESS MODEL TO CONSIDER

**Service Model**

**Type of Practice**

**Pricing Model**



**Spectrum of possible business  
model choices on each dimension**

# SERVICE MODEL

## Stationary

- Permanent, fixed location
- Perform very high volume S/N
  - 30+ pets/vet/day
  - 1 vet = 7,000+/year
  - 2 vet = 14,000+/year



## Transport

- Fixed location paired with remote pickup/drop off service
- Combines ultra high volume (and lower cost) of a stationary clinic with ability to reach locations that most need service

## Mobile

- Mobile clinic travels to various locations
- Perform high volume S/N
  - 25+ pets/vet/day
  - 1 vet = 6,000+/year



# TYPE OF PRACTICE

General

Mixed

Specialty S/N



- Generally for-profit
- Provide wide range of services (medical, surg., dental, ortho, oncology, etc.)
- Perform limited number of S/N (100's per year)



- Generally non-profit
- Provide limited range of services beyond S/N (Vax, wellness, dental, etc.)



- Generally non-profit
- Focus exclusively on S/N, perhaps with vaccines
- Perform large numbers of S/N (1,000's per year)



# PRICING MODEL

## Cost Plus

## Cost Recovery “Breakeven”

## Subsidized



- Charge clients your actual cost to provide services, plus an additional margin
- Generates \$\$ beyond the cost of providing services

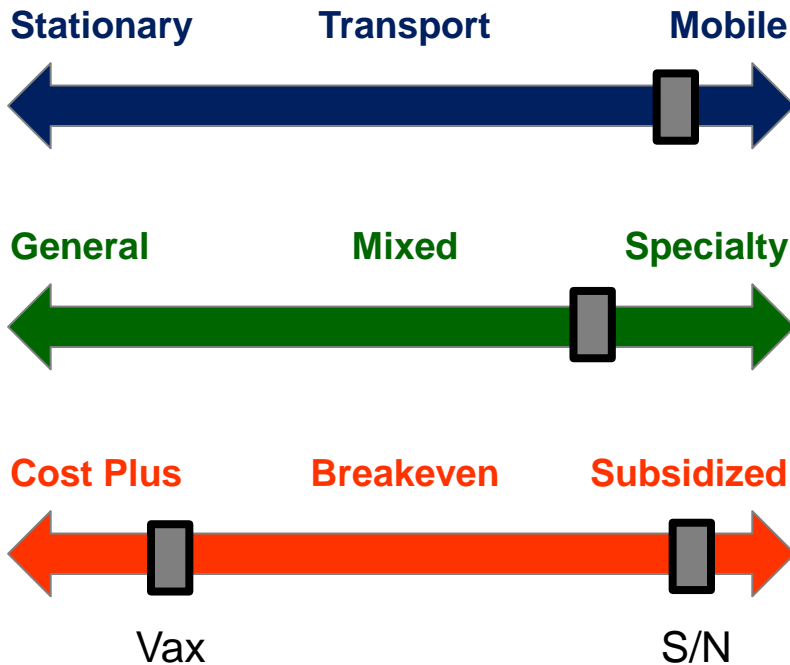
- Charge clients your actual costs to provide services
- Ensures that you can cover costs of providing services

- Charge clients less than your actual costs to provide services
- Requires that you have other funds available to cover costs

**Most businesses use a combination of these pricing models for different products and services**

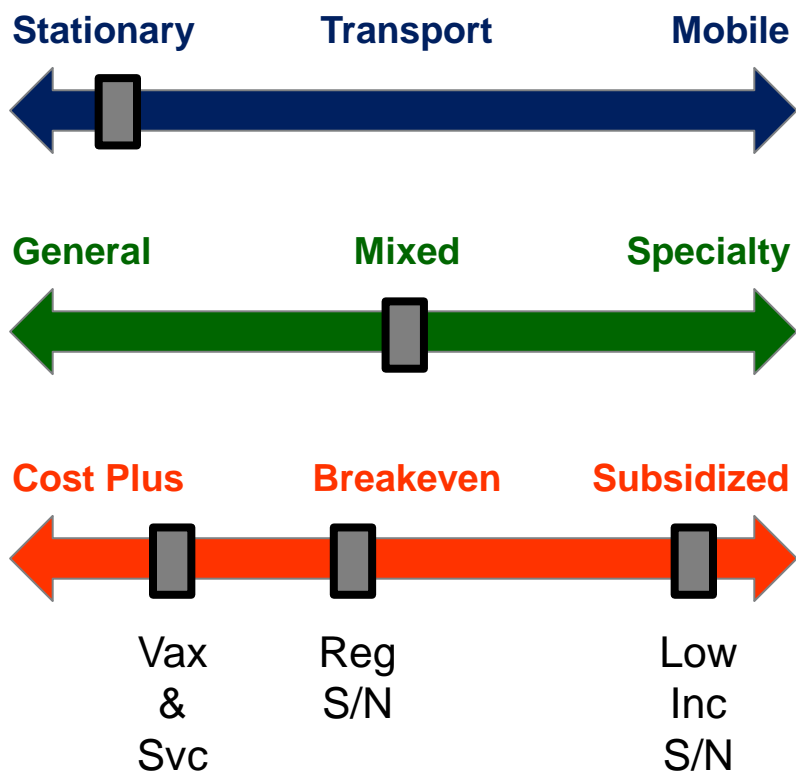


# EXAMPLE #1 – SPAY4LA



- Non-profit mobile clinic, close to 7,000 surgeries in 2013
- Primarily focused on S/N, also offers vaccines, microchips, nail trims
- Surgeries are targeted to low income areas of South Los Angeles and heavily subsidized, most clients get surgery free
- Vaccines, microchips and nail trims are priced affordably but above the cost of providing service
  - \$10 rabies, \$15 combo, \$10 chip
- Margin made on vax/chips is used to help offset cost of subsidizing surgery, but still heavily reliant on grants/donations

# EXAMPLE #2 – SPAY NEUTER PROJECT OF LOS ANGELES



- Chain of three non-profit stationary clinics, around 28,000 surgeries in 2013
- Focused on S/N, also offer vaccines, microchips, and basic veterinary services
- Multiple pricing tiers for S/N surgery – low income clients qualify for subsidized, others pay breakeven or cost plus
- Vaccines, and basic vet services offered at affordable cost plus prices
- Surgical revenues cover 70+% of costs, margins from vaccines and basic vet services make clinics nearly break even on earned revenue, reducing reliance on fundraising

# SNP LA S/N PRICE LIST

[www.snpla.org](http://www.snpla.org)

<b>Spay &amp; Neuter</b>	<i>Regular Pricing</i>	<i>Qualified Income Pricing* Household income under \$40k</i>
<b>Cat Neuter</b> (Includes pain meds to go home)	<b>\$45.00</b>	<b>\$35.00</b>
<b>Cat Spay</b> (Includes pain meds to go home)	<b>\$60.00</b>	<b>\$35.00</b>
<b>Dog Neuter under 30 lbs</b> (includes pain meds to go home & e-collar)	<b>\$110.00</b>	<b>\$75.00</b>
<b>Dog Spay under 30 lbs</b> (includes pain meds to go home)	<b>\$120.00</b>	<b>\$85.00</b>
<b>Dog Neuter over 30 lbs</b> (includes pain meds to go home)	<b>\$135.00</b>	<b>\$75.00</b>
<b>Dog Spay over 30 lbs</b> (includes pain meds to go home & e-collar)	<b>\$155.00</b>	<b>\$85.00</b>
<b>Rescue Cat</b>	<b>\$40.00</b>	<b>\$40.00</b>
<b>Rescue Dog</b>	<b>\$110.00</b>	<b>\$110.00</b>
<b>Community Cat**</b>	<b>\$25.00</b>	<b>\$25.00</b>

# VET SERVICES OFFERED BY SNP LA

[www.snpla.org](http://www.snpla.org)

- Vaccinations
- FeLV and FIV testing for cats
- Nail trims
- De-worming
- Dental cleaning and extractions
- Wound care for cuts, scrapes, bites and other injuries
- Low prices on flea treatment and prescription medications
- Anal gland expression and fecal testing (including parvovirus testing)
- Eye conditions such as “Dry Eye,” red eyes, or corneal scratches
- Blood tests (including phenobarbital levels, thyroid panels, annual and senior wellness panels, glucose curves/diabetes management)
- Sampling of masses with a needle biopsy and microscopic study
- Ear mites and ear infections
- Skin infections and allergies
- Other skin conditions including hot spots and mange
- Abscesses, mass removals, and other soft tissue surgeries such as hernia repairs, bladder surgery, aural (ear) hematomas
- End of life counseling and euthanasia

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# WHAT COSTS DO PROVIDERS HAVE?

## Clinic Staff

- Veterinarian(s)
- Clinic Manager
- Vet Techs
- Receptionist
- Appointment Booking
- Payroll taxes
- Worker's comp insurance
- Benefit costs

## Operations

- Rent
- Utilities
- Equipment
- Supplies
- Maintenance
- Fuel
- Medication
- Laundry
- Waste disposal

## Administration

- Marketing and Fundraising staff
- Advertising
- Travel
- Postage
- Office Supplies
- Liability insurance
- Licenses
- Bank Fees

# THREE KEY COST CONCEPTS FOR S/N CLINICS

**Impact of  
Operational Choices**

**Fixed vs Variable  
Costs**

**Capacity &  
Utilization**

# OPERATIONAL CHOICES IMPACT COST STRUCTURE

## Staffing

- Is your medical team vet+3 or vet+4?
- Do you have reception and appointment booking staff?
- Do you use students and volunteers to supplement your paid staff?
- Do you schedule to avoid overtime?

## Supplies

- Do you let your vets pick their own brands of suture and gloves?
- What brands do you use for vaccines and flea treatment?
- Do you know your cost per animal for surgical supplies?
- How many sheets are in your intake form?



# FIXED COSTS

## Definition

- A cost that does not change with an increase or decrease in the amount of goods or services produced.
- Fixed costs are expenses that have to be paid by a company, independent of any business activity.

## Why it Matters

- An example of a fixed cost would be a clinic's lease on a building. If a clinic has to pay \$6,000 each month for the lease but does not do any surgeries during the month, the lease payment is still due in full.
- In economics, a business can achieve economies of scale when it produces enough goods to spread fixed costs. For example, the \$6,000 lease spread out over 300 surgeries means that each surgery carries with it \$20 in fixed costs. If the clinic does 600 surgeries the fixed cost per pet drops to \$10.

Adapted from <http://www.investopedia.com/terms/f/fixecost.asp>

# VARIABLE COSTS

## Definition

- An expense that varies with production output.
- Variable costs are those costs that vary depending on a company's production volume; they rise as production increases and fall as production decreases.

## Why it Matters

- Variable costs can include direct material costs or direct labor costs necessary to complete a certain product or service.
- For example, clinics use materials such as sutures and anesthesia to complete a surgery. As the clinic does more surgeries, the costs for suture and anesthetics will increase. Conversely, when fewer surgeries are performed these costs will decrease.

Adapted from <http://www.investopedia.com/terms/f/fixecost.asp>

## FIXED VS VARIABLE COST EXAMPLE

<u>Cost</u>	<u>Type</u>	<u>Driver</u>	<u>Amount</u>
Rent	Fixed	Lease	\$,6,000/mo
Medical staff	Variable	Surgery Days	\$1,870/day
Surgical supplies	Variable	Pets Served	\$17/animal

<u>Cost</u>	<u>Per Month</u>	<u>Per Pet</u>
Rent	\$ 6,000	\$ 8.57
Medical Staff (20 days)	\$ 37,400	\$ 53.43
<u>Surgical Supplies (700 pets)</u>	<u>\$ 11,900</u>	<u>\$ 17.00</u>
Total	\$ 55,300	\$ 79.00

# CAPACITY & UTILIZATION

## Capacity

- The maximum number of surgeries your clinic can reasonably perform in a day/week/month
- If your staff and facility can accommodate 35 surgeries per day, that is your daily capacity.
- If you are open 5 days per week your weekly capacity is  $5 \times 35 = 175$

## Utilization

- How much of your capacity is actually being used each day/week/month
- If you perform 25 surgeries in a day your utilization is  $25/35$  or 71%
- If you averaged 25 surgeries every day for a week your utilization is  $25 \times 5 = 125/175$  or 71%. Capacity for 50 surgeries that week was not utilized.

# MAXIMIZE CAPACITY UTILIZATION TO MINIMIZE COST PER PET

Cost	25 Animal Day	35 Animal Day
Rent	\$ 300	\$ 300
Medical Staff	\$ 1,870	\$ 1,870
Surgical Supplies (\$17/pet)	\$ 429	\$ 600
<b>TOTAL</b>	<b>\$ 2,598</b>	<b>\$ 2,770</b>
		<b>7%</b>
<b>Cost Per Animal</b>	<b>\$ 103.93</b>	<b>\$ 79.14</b>
		<b>-24%</b>

Cost	Per Pet (25)	Per Pet (35)
Rent	\$ 12.00	\$ 8.57
Medical Staff	\$ 74.78	\$ 53.42
Surgical Supplies (\$17/pet)	\$ 17.15	\$ 17.15
<b>TOTAL</b>	<b>\$ 103.93</b>	<b>\$ 79.14</b>

# TOP TIPS FOR KEEPING COSTS UNDER CONTROL

1

**Understand which of your costs are fixed and variable and budget accordingly**

2

**Maximize your capacity wherever possible, do not add new capacity until your existing is fully utilized**

3

**Find a medical director who understands how to provide high quality care within a budget and involve them in the budget process**

4

**Carefully manage overtime – it adds up in a hurry!**

5

**Have a “rainy day” fund for unexpected costs**

6

**SERIOUSLY Consider paying for professional accounting assistance**

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# HOW DO WE COVER ALL OF THESE COSTS?

## Contributed Revenue

- Donations
- Grants
- Planned giving
- Other fundraising

## Earned Revenue

- Surgery fees
- Vaccines
- Flea treatment
- Other Services

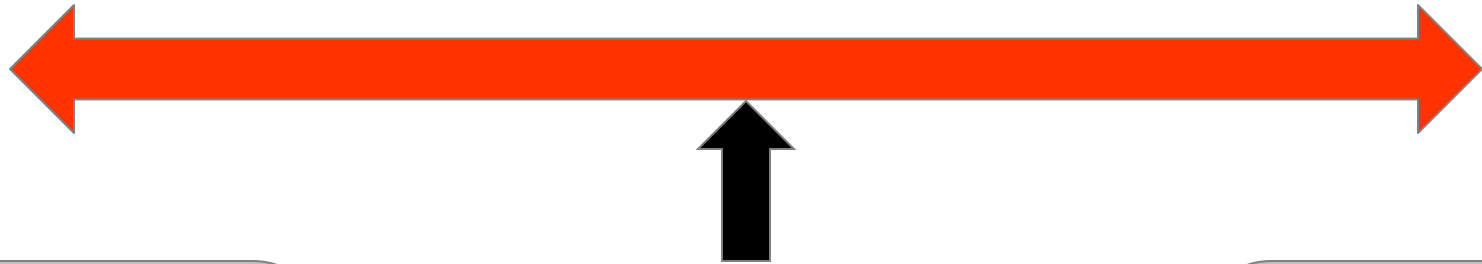


# SURGERY FEES CAN BE SUBSTANTIAL SOURCE OF REVENUE

Cost Plus

Cost Recovery

Subsidized



Consider which clients can afford to pay more than actual cost. . . .

- Mid income?
- Rescues?

**Calculate Breakeven Point**  
**Total Costs/Total Surgeries = B/E**

$$\text{\$718,000/7,100} = \text{\$101}^*$$

Average price you would have to charge for each surgery to completely cover your costs

Consider which surgeries you want to subsidize and why. . .

- Low income?
- Zip codes?
- Pitbulls/Cats?

\*Based on actual budget of an LA area spay/neuter clinic

# CREATE A TARGET MIX TO MEET YOUR GOALS...AND SERVE YOUR COMMUNITY NEEDS

**Cost Plus**

**Cost Recovery**

**Subsidized**



Category	Income >\$X	Rescue	Income <\$X
Price	\$125	\$100	\$55
Volume	10%	10%	80%
	710	710	5,680
Revenue	\$89K	\$71K	\$312K
	\$472K		

# P&L – SURGERY REVENUE AND COSTS

Earned Revenue	
Surgery	\$ 472,150
Medical Costs	
Surgical Personnel	\$ 375,780
Surgical Supplies	\$ 121,640
Clinic Administration	\$ 140,740
General Administration	\$ 80,000
<hr/>	
TOTAL COSTS	\$ 718,160
NET	\$ (246,010)

# VACCINES CAN BE YOUR BEST “DONOR”

Unrestricted Revenue to Support Your Operations

Vaccines at Surgery			Walk In Vaccines		
<b>% Pets</b>	30%	50%	<b>Pets/Wk</b>	15	45
<b># Pets</b>	2,130	3,550	<b># Pets</b>	750	2,250
<b>Price/Pet</b>	\$25	\$25	<b>Price/Pet</b>	\$25	\$25
<b>Revenue</b>	\$53,250	\$88,750	<b>Revenue</b>	\$18,750	\$56,250
<b>Cost/Pet</b>	\$2.50	\$2.50	<b>Cost/Pet</b>	\$2.50	\$2.50
<b>Cost</b>	\$5,325	\$8,875	<b>Cost</b>	\$1,875	\$5,625
<b>Net</b>	<b>\$47,925</b>	<b>\$79,875</b>	<b>Net</b>	<b>\$16,875</b>	<b>\$50,625</b>
		<b>\$64,800</b>			<b>\$130,500</b>

# MICROCHIPS ANOTHER GOOD OPTION

## Chips at Surgery

<b>% Pets</b>	20%	40%
<b># Pets</b>	1,420	2,840
<b>Price/Pet</b>	\$15	\$15
<b>Revenue</b>	\$21,300	\$42,600

<b>Cost/Pet</b>	\$4.95	\$4.95
<b>Cost</b>	\$7,029	\$14,058

**Net**      **\$14,271**    **\$28,542**

## Walk In Chips

<b>Pets/Wk</b>	5	10
<b># Pets</b>	250	500
<b>Price/Pet</b>	\$15	\$15
<b>Revenue</b>	\$3,750	\$7,500

<b>Cost/Pet</b>	\$2.50	\$2.50
<b>Cost</b>	\$625	\$1,250

**Net**      **\$3,125**    **\$6,250**

**\$17,396**

**\$34,792**

## P&L – SURGERY, VAX, CHIPS

### Earned Revenue

Surgery	\$ 472,150
Vaccines	\$ 145,000
Microchip	\$ 50,100

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Total Earned Revenue \$ 667,250

### Medical Costs

Surgical Personnel	\$ 375,780
Surgical Supplies	\$ 121,640
Vaccines	\$ 14,500
Microchip	\$ 15,308

Clinic Administration \$ 140,740

General Administration \$ 80,000

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TOTAL COSTS \$ 747,968

NET \$ (80,718)

# CONSIDER ADDING BASIC VETERINARY SERVICES

- Low income pet owners often do not have access to affordable vet care
- Inability to afford vet care is a common reason for surrender in low income populations
- Offering these services can be good for your mission, and good for your bottom line
- Keep things simple and cost effective by offering basic care – wounds, ears, skin, testing, basic procedures, end of life
- What if your clinic was open one day per week for basic vet services?

Patients/Day	15
Office Visit Fee	\$ 30
Avg Charges	\$ 110
Revenue	\$2,100
Staff	\$ 943
Supplies	\$ 225
Total Costs	\$1,168
Net	\$ 932

## P&L – WELLNESS

Earned Revenue		
Surgery	\$ 472,150	61%
Vaccines	\$ 145,000	19%
Microchip	\$ 50,100	7%
Wellness	\$ 102,900	13%
<hr/>		
Total Earned	\$ 770,150	

Medical Costs		
Surgical Staff	\$ 375,780	47%
Surgical Supplies	\$ 121,640	15%
Vaccines	\$ 14,500	2%
Microchip	\$ 15,308	2%
Wellness	\$ 57,232	7%
<hr/>		
Total Medical	\$ 584,460	

Clinic Adm	\$ 140,740	17%
General Admin	\$ 80,000	10%

TOTAL COSTS           \$ 805,200

**NET                         \$ (35,050)**



## IF YOU WANT TO TRY THIS AT HOME...

- 1. Check your state's veterinary practice act and any other local ordinances or codes that may apply to you**
  - Some have relevant provisions regarding who can own a practice, what you can do, etc.
- 2. Take the temperature of your local Vet Medical Association and try to make them an ally in your endeavor**
  - You don't want a directly competitive situation, show them that the clients you are serving are those that would otherwise not get care (not clients you are stealing from their members)
  - Surveys of your clients and income restrictions can help get private vets on board
- 3. Keep your services basic and cost effective. What can you offer with minimal additional equipment investment?**
  - Don't buy an x-ray machine, don't offer orthopedic services, oncology, etc. Don't even offer dentals right away.
  - If clients need a full service clinic, refer to a local VMA member

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# WHERE WILL YOUR CLINIC BE...



**All markets change over time,  
and all businesses need to adapt and evolve to survive.**

**What changes does your business need to anticipate  
and be prepared to address?**

# TECHNOLOGY AND LANDSCAPE CHANGES

## New Technology

- New techniques
- Non-surgical products

## Changing Landscape

- Cats – TNR/SNR
- Types of shelter death

# NON SURGICAL PRODUCTS ON THE HORIZON



- Approved for dogs 3-10 months old, in process for older dogs
- Should be widely available in the US soon

[www.acc-d.org/Esterilsol/index\\_html](http://www.acc-d.org/Esterilsol/index_html)



- Spending \$75M to find single dose non-surgical products for cats and dogs
- 25+ projects underway in research labs worldwide

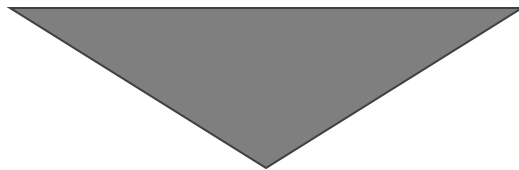
[www.michelson.foundanimals.org](http://www.michelson.foundanimals.org)

# IS YOUR REAL BUSINESS SPAY/NEUTER, OR EUTHANASIA REDUCTION?

**Goal: Minimize Shelter Killing**



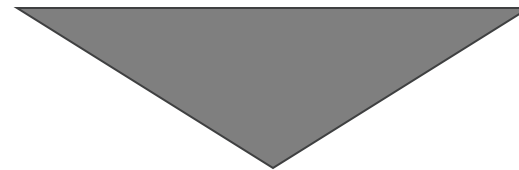
**Spay Neuter**



**What pets are  
coming into  
shelters? Why?**

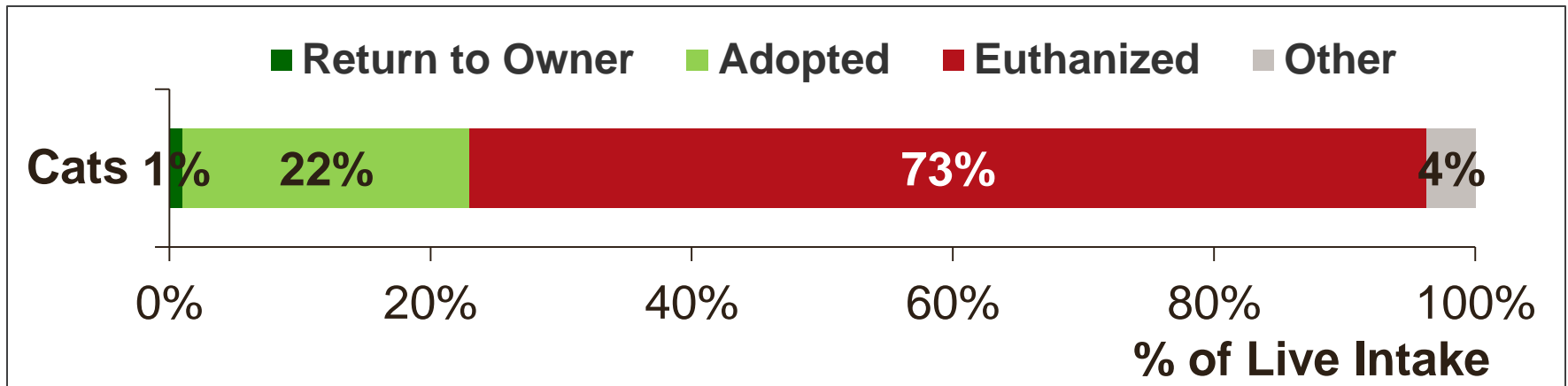
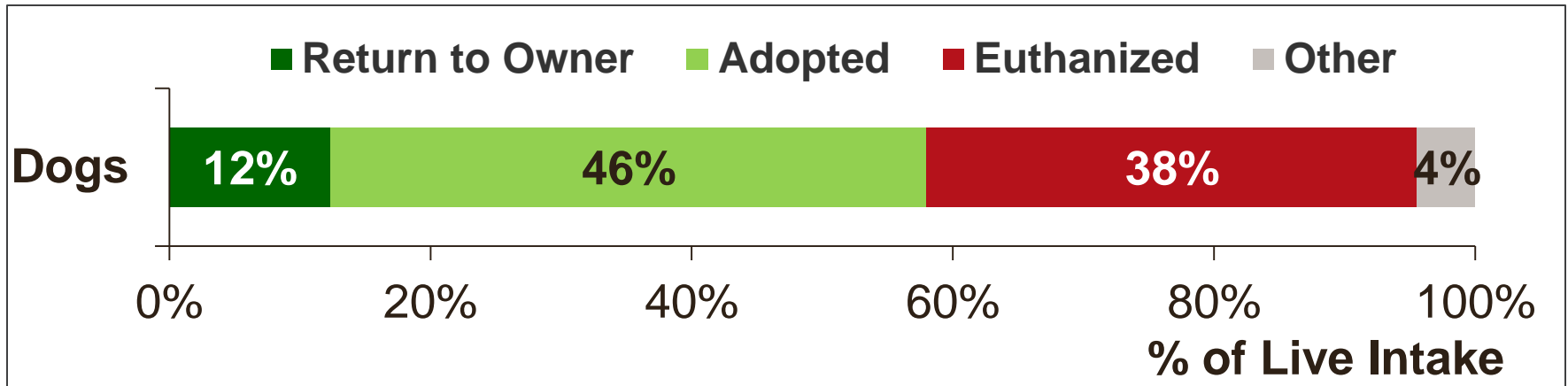


**Adoption**



**What pets are  
dying in  
shelters? Why?**

# IN LA, FAR MORE CATS ARE DYING THAN DOGS



Source: 2011 Shelter intake and outcome data from LA City, LA County, and SEAACA

# MANY PET CATS ALREADY STERILIZED AND MANY STAY INDOORS



74-86 million pet cats



80-85% are sterilized



30-60% are allowed outdoors

Courtesy of Dr. Julie Levy



# THERE MAY BE AS MANY OUTDOOR CATS AS PET CATS AND ALMOST NONE STERILIZED



30-90 million unowned cats

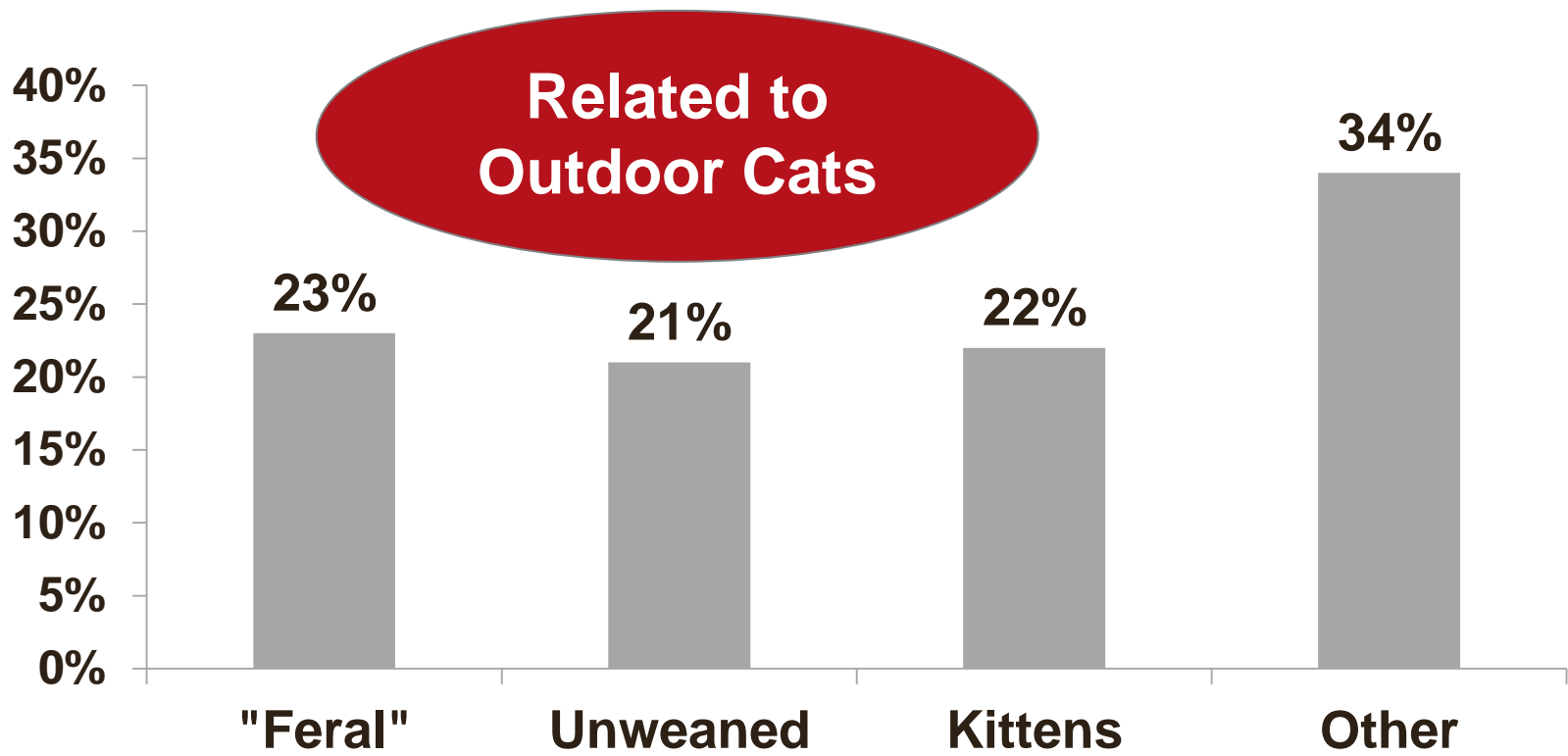


2% are sterilized

Courtesy of Dr. Julie Levy

# 66% OF CAT INTAKE, AND VAST MAJORITY OF EUTHANASIA IS RELATED TO OUTDOOR CATS

## Cat Intake by Category – 2011



# WHAT PROGRAMS WILL DO THE MOST TO REDUCE INTAKE AND EUTHANASIA OF CATS & KITTENS?

**Trap- Neuter- Return**

**Shelter - Neuter- Return**

**Kitten Foster**

**Kitten Nursery**

What % of your current capacity is focused here?

Should that shift in the future?

# 57% OF DOGS EUTHANIZED IN LA HAVE A PRIMARY BREED OF BULLY OR CHIHUAHUA

**36% Bully Breeds**

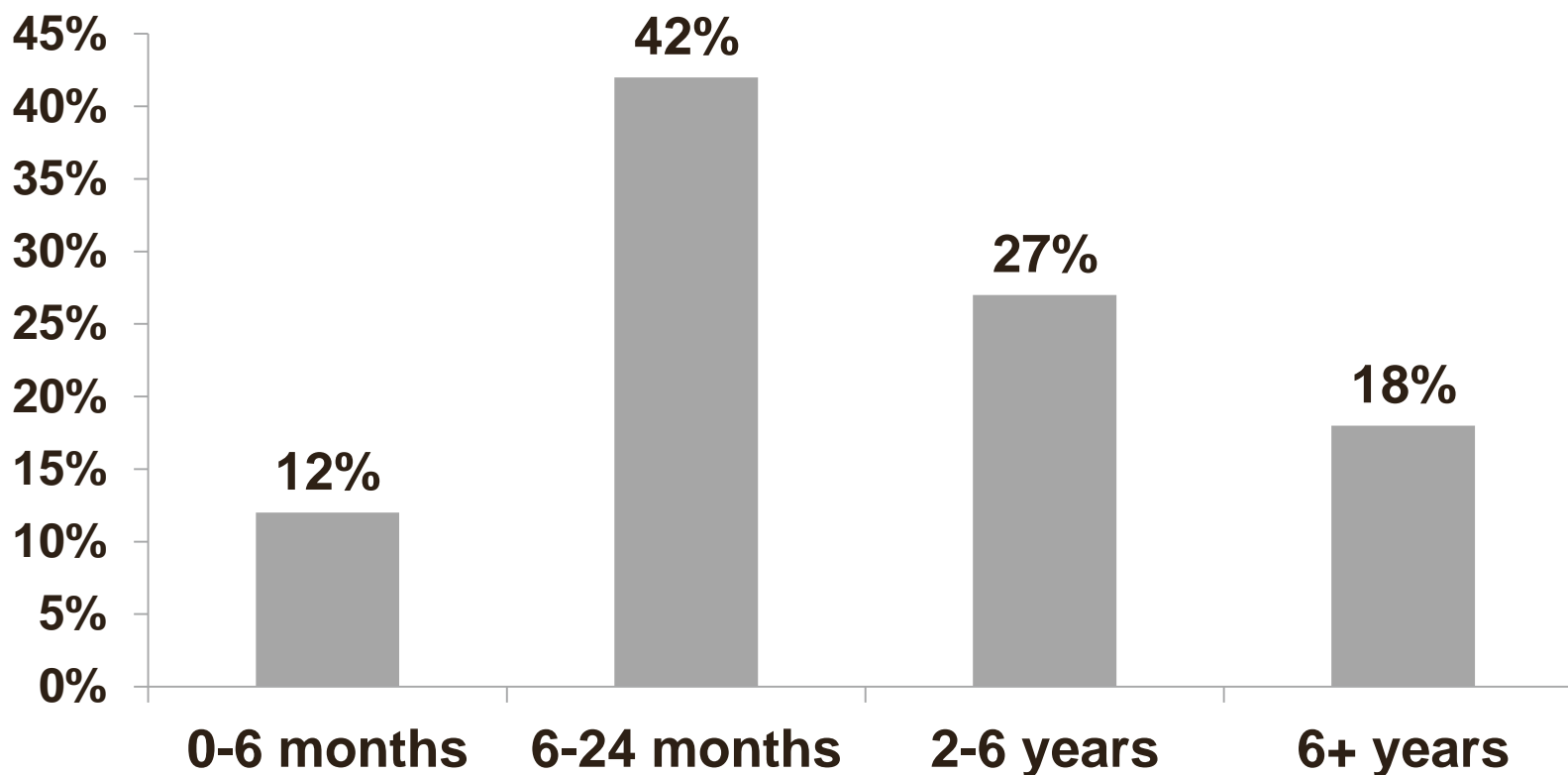


**21% Chihuahuas**



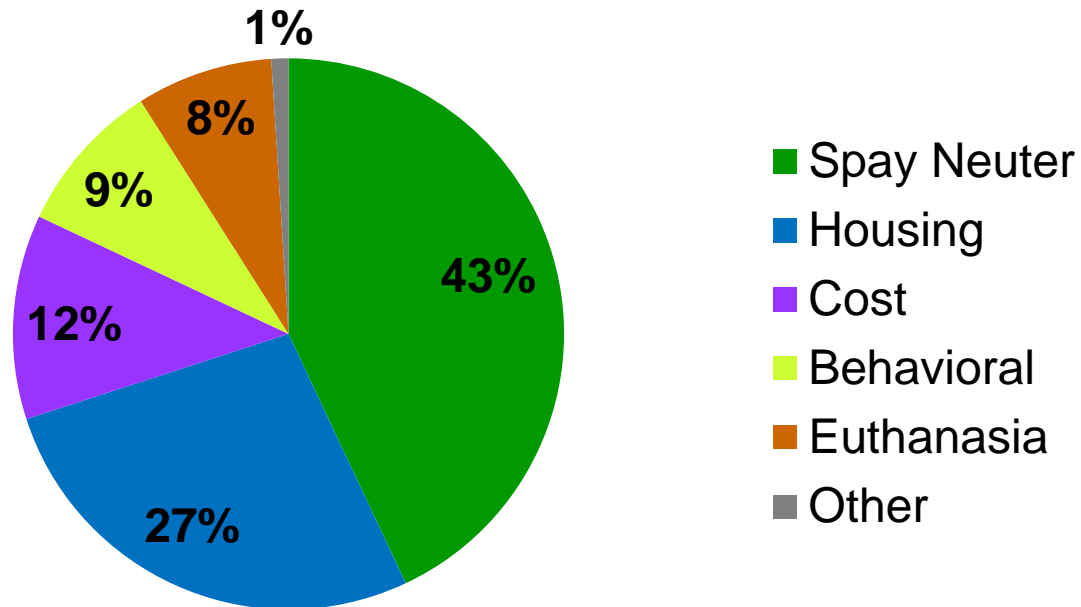
# IN LA, 69% OF DOGS EUTHANIZED ARE 6 MONTHS TO 6 YEARS OLD

## Dog Euthanasia by Age - 2011



# DATA FROM PILOT SHELTER SURRENDER INTERVENTION PROGRAM IN LA

## Primary Service Needed to Keep Pet in Home



Source: Downtown Dog Rescue program funded by Found Animals

<http://www.downtowndogrescue.org/the-real-story-behind-south-la-shelter-intake/>

# WHAT PROGRAMS WILL DO THE MOST TO REDUCE INTAKE AND EUTHANASIA OF DOGS?

**Spay Neuter**

**Affordable Vet Care**

**Behavior Training**

**Pet Friendly Housing**

What % of your current capacity is focused here?

Should that shift in the future?

# WHERE SHOULD WE BE TARGETING OUR LIMITED S/N RESOURCES?



What resources beyond S/N should we  
be offering our communities?



# CONSIDERATIONS FOR PLANNING THE FUTURE EVOLUTION OF YOUR CLINIC

- 1** Get clear on your overarching mission – is it spay/neuter? Euthanasia reduction?
- 2** Analyze the data in your community. Which animals are entering your local shelters? Which are dying?
- 3** Consider how the changing landscape of intake and euthanasia, and any upcoming technology changes will impact your clinic.
- 4** Given that, which programs are most likely to generate the impact you want – owned animal S/N? outdoor cat S/N? others?
- 5** Develop a plan to pilot and test new programs and gradually shift your mix of programs and services to diversify and evolve

# QUESTIONS?

