



## Key Performance Indicator

# Nonveterinary Team Member Cost as a Percentage of Revenue

**Karli Carter, CVPM**

Payson Family Pet Hospital  
Payson, Utah

### Definition

Measuring staff cost as a percentage of revenue determines how much of the practice's total income is used to pay team members, including wages, bonuses, and payroll taxes. This is an important metric to monitor the practice's financial health.

### Impact

A veterinary practice's largest expense is payroll. Corrective action may be necessary if staff costs are too high or too low (eg, too high may indicate team members are overpaid or the practice is overstaffed; too low may indicate team members are underpaid or the practice is understaffed). To correct costs that are too high, consider increasing caseloads or adjusting price structures to increase overall revenue rather than reducing staff. (See **Improving Team Member Costs**.)

### Application

The practice's bookkeeping software holds revenue information as well as staff costs. Generate a report that will show the percentage of staff costs in relation to revenue (eg, if staff costs are \$30 000 and practice revenue is \$100 000 over a specific period of time, then staff cost is 30% of revenue).

### Target

The average nonveterinarian team member salary expense as a percentage of total income is 22.2%.<sup>1</sup> Staff cost should

be evaluated monthly, quarterly, and annually. It is important to be aware of changes and to gain long-term knowledge of the numbers. Revenue fluctuates, so a longer time frame may be needed to analyze trends.

### Reference

1. American Animal Hospital Association. *Financial and Productivity Pulsepoints*. 7th ed. Lakewood, CO: AAHA Press; 2013:186-187.

## Improving Team Member Costs

- Monitor payroll (ie, the practice's largest expense) for a set time period.
- Identify opportunities (eg, increasing caseloads, adjusting price structures) to increase revenue.
- Develop and use a budget to guide decisions.



A certified veterinary practice manager can help a practice understand KPIs and so much more. Visit the Veterinary Hospital Managers Association at [vhma.org](http://vhma.org) for information, resources, and certification.