Associate pay: adjusting for experience

Owners want to hire and retain the best associates and pay them fairly within a compensation structure that supports practice goals. Associates want to be rewarded for their education, knowledge, and time. Ideally, associates' compensation packages meet both objectives.

Participants in Benchmarks 2006: A Study of Well-Managed Practices report these starting salaries for associates at the following experience levels:

	Median	75th Percentile
Less than 1 year	$55,000	$60,000
1 to 2.9 years	$59,000	$67,000
3 to 5.9 years	$65,000	$75,000
6 to 10.9 years	$75,000	$85,000
11 to 15.9 years	$85,000	$90,000
16 to 19.9 years	$87,000	$92,500
More than 20 years	$90,000	$92,500

In addition to salary, most practices offer associates the following benefits: continuing education allowance (approximately $1,500 yearly), liability insurance coverage, a retirement plan, single-coverage health insurance, and vacation time (usually two weeks to start).

To determine the right compensation strategy for your practice, consider the incentives that you offer, and make sure you encourage the highest level of patient care. Stay abreast of the current competitive environment, and be aware of trends in compensation and benefits. Also ask associates what types of competitive offers they've investigated or received.

Our firm recommends that you pay recent graduates a straight salary for the first year. Don't place these new associates under undue pressure to produce revenue, especially if there's any risk to optimum patient care. The first year is a time to learn the practice's philosophy and best practices. Support this effort with training and mentoring, recognizing that you're investing in the future by helping develop the doctor's skills. This leads to better medicine and, most likely, stronger revenue as the associate develops technical competence and builds skills in client interaction and case workups.

Introduce production-based compensation by the associate's third year of practice. And consider Split-Rate Compensation, which pays doctors more for medical services and less for product sales—encouraging a focus on high-quality care and diagnostics. This approach can help decrease your reliance on product sales and improve profitability and practice value.

"When a doctor produces a higher percentage of service revenue, it tells me that he or she is running diagnostics, which is what we've been trained to do as veterinarians," says Dr. Kevin Cederberg, owner of Countryside Pet Clinic in Andover, Kan., a practice that uses the Split-Rate Compensation model. "There's some potential to over-diagnose to increase production, but I believe most veterinarians work with the patient in mind."

The percentages paid will vary practice to practice, based on the mix of service and product revenue. The ideal service/product mix in a well-managed companion animal practice is 85 percent services and 15 percent products. The percentage paid on services will range between 22 percent and 26 percent, and the percentage paid on products will range between 4 percent and 10 percent.

Keep in mind, inequity can occur among newly hired associates and those who've been with the practice long term. Tying compensation increases to objective measurements of technical, personal, and management skills will help prevent these gaps from developing.