

# Is it Time to Re-Think Employee Pet Health Care Benefits?

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There are few animal health care team benefits in veterinary hospitals that are administered as creatively as employee pet health care benefits. While it seems like a good idea to be generous with these benefits, there are some legitimate concerns that are often overlooked with traditionally offered, hospital administered staff pet care benefits:

- Violation of IRS rules, which could lead to penalties for BOTH the employer and employee.
- Complicated and time consuming to administer the benefit.
- Challenge of compensating veterinarians that are on production based pay to perform services on staff pets.
- Sub-standard client experience for staff pets and the staff; pets are 'squeezed' in, not scheduled as appointments.
- If these benefits are provided by a general practice, what happens if employees need to see a specialist or need after hours care at an emergency facility?
- If the employer providing the benefits is a referral and/or emergency hospital, how do employees' pets access preventive care services?
- True loss of revenue to the hospital.
- Overdue employee accounts payable balances.



## Leveraging Pet Health Insurance

One way to avoid many of the risks and shortcomings listed above is to utilize Pet Health Insurance (PHI) as an Employee Pet Health Care benefit. When the benefit is structured correctly, there are advantages to both the animal health care team member and to the veterinary hospital employer. Some employee advantages to such programs include:

- PHI is an employee benefit and the value of that benefit is reported as employee wages and eligible for payroll taxes; therefore it is in compliance with IRS regulations. The outcome is that the employee is not at risk of penalties if the employer is audited.
- Veterinarians that receive production-based compensation are paid for performing services on staff pets. This



results in less of an imposed motivation to perform services which in some cases might enhance the team bond.

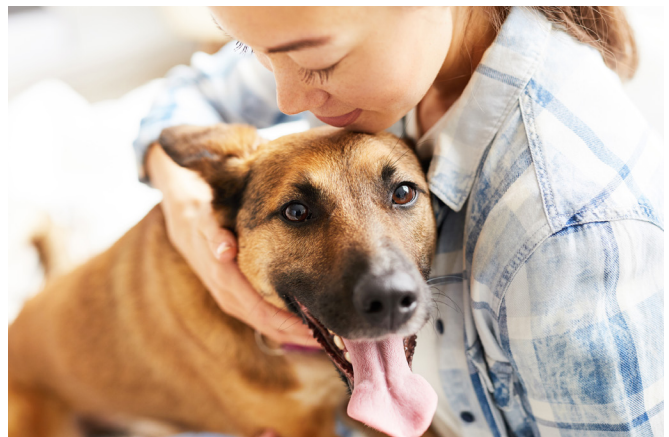
- The employee's pet is treated with the same care and timeliness as any other patient would receive.
- The insured staff pet has coverage to be seen where and when appropriate (Primary Care, ER, Specialist).
- Helps employees provide desired care to pets.
- Helps employees better manage expenses associated with personal pet health care.

Veterinary Hospitals also benefit in many ways, such as:

- PHI is an employee benefit and the value of that benefit is reported as employee wages and eligible for payroll taxes, therefore the benefit is in compliance with IRS regulations. The employer is not at risk of penalties if the employer is audited.
- Easy to administer benefit that reduces the time spent calculating what employees owe for services provided.
- Veterinarians compensated on production receive compensation for performing

services on staff pets, which results in higher veterinarian satisfaction and less resentment.

- The veterinary hospital receives payment for treating staff pets therefore staff pet care benefits cease to be a source of revenue loss.
- The insured staff pet has coverage to be seen where and when appropriate (Primary Care, ER, Specialist).
- Eliminates or greatly reduces employee A/R (Accounts Receivable deduction).
- Employees become knowledgeable about how pet insurance works. They are more comfortable creating awareness of PHI with clients, as they understand the value it confers. In a NAPHIA<sup>1</sup> study, owners of dogs with PHI spent 29% more and those with cats had an increased spend of 81%.
- In a recent NAPHIA study<sup>1</sup>, it was found that the primary reason that pet owners had PHI was because it showed that they loved their pets and were responsible owners. When you provide this employee benefit, you are acknowledging the bond between your employees and their pets.
- You empower your employees to provide the care to their pets that they recommend every day to clients and patients.



## Evaluating the Benefit of Utilizing Pet Health Insurance as an Employee Pet Health Care Benefit

There are ways to evaluate if a Pet Health Insurance based benefit would provide value to your hospital and your animal health care team. Factors that might be examined include:

- What is the hospital's current policy on providing care for employee owned pets? Is there a written policy?
- How much in free or reduced care does the hospital provide for employees? How is this tracked? If services and products are invoiced, how much did employees receive in free services?
- What is the employee spending in pet care for their pets on an annual basis? This can be calculated by looking at the invoice and payment history for each employee pet.
- What is the accounts receivable total for hospital employees? Are there written policies about how and when employees are expected to pay for services rendered and products purchased? How are they enforced?
- Is the value of any discounted or free services that exceed 20% of client cost being reported as employee income to the IRS?



Employee pet health care is one way that we as owners can help our most valuable clients, members of our animal health care teams, say "yes" to the best practices to help keep their pets healthy. Most current hospital-administered employee pet health care benefits, even with generous discounts, do not allow our team members to have their pets fully compliant with preventive care recommendations, let alone be prepared in the case of an illness or injury. When Pet Health Insurance is offered as the Employee Pet Health Care benefit, the employee has a deductible and then a co-payment of the total eligible bill. The employee can select preventive care options to help pay for the recommended annual wellness care. Coverage is in place in the event of an accident or illness.

To illustrate the difference between hospital-administered employee pet health care benefits and Pet Health Insurance as an Employee Pet Health Care benefit, let's examine two different scenarios:

### **A: Your employee's dog ate a sock and needs to have it surgically removed. The charges for this surgery are \$1800.00.**

- You offer your employee a 50% discount, which means they owe \$900.00. Your employee doesn't have this large sum of money, so you agree to payroll deductions of \$50.00/ paycheck. It takes 9 months before this account balance is satisfied. In the meantime, your employee's dog needs additional care, which results in additional accounts payable balances, as your employee cannot afford more than the \$50.00 per paycheck payroll deduction.
- Your associate agrees to perform the abdominal surgery. She is compensated on production. As this is a discounted service, you either don't pay any compensation for this service or you pay 20% of the discounted amount, which would be \$180.00 in gross compensation.

- Depending on your costs of doing business, your hospital might be breaking even with this discount or might actually be losing money providing care for your employee's dog.

**B: Your employee's dog ate a sock and needs to have it surgically removed. The charges for this surgery are \$1800.00.**

- Your employee has Pet Health Insurance as an Employee Pet Health Care benefit offered by your hospital. The employee has a \$250.00 annual deductible and a 90% reimbursement for accidents such as this. The employee pays \$250.00, which leaves a balance of \$1,550. Your employee pays 10% of this amount, which is \$155.00. The total cost to your employee is \$405.00. When the pet requires care within the policy year, the deductible is already paid so they only owe 10% of the eligible charges.
- Your associate is compensated on production and is paid \$360.00 for providing the care to your most important client, your animal health care team member.
- The hospital is paid the full \$1800.00 (\$405.00 from the employee, \$1,395 from the Pet Insurance Company).



In which situation does the benefit confer more value? Is time to re-examine how your hospital offers employee pet care benefits?

## About the Author



Wendy Hauser, DVM is AVP, Veterinary Relations, Crum & Forster Pet Insurance Group. In 2015, she established Peak Veterinary Consulting, after working as an industry Technical Services Veterinarian. With a DVM from OK State, she has practiced for 30+ years as an associate, owner and relief veterinarian. She is highly engaged in AAHA leadership and currently serves as the AAHA Delegate to the AVMA House of Delegates. She is the co-author of "The Veterinarian's Guide to Healthy Pet Plans."

## References

<sup>1</sup>NAPHIA "Driving Growth of Pet Health Insurance" Report, 2016

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