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# Turn laboratory expenses into top-line revenue

## How to generate more from a primary profit center with preventive care testing

Don't assume you need to cut expenses to be more profitable. Every business has to spend money to make money. These expenses fluctuate with business activity, which is why they're called variable expenses. Because variable expenses are passed through to the client at a profit, they're not only necessary, they're good.

### Variable expenses fuel growth

Imagine if instead of running a veterinary practice, you drive a taxi (or a drive for a ride-share company). To earn money, you need a car and you need gasoline. The amount of gasoline you buy depends how much you drive, making it a variable expense. Assuming you only use your car for business, gasoline expenses are an indicator of your success. If you need to fill your tank more often during the course of each month, you're generating more income every month either because:

1. You're driving more passengers

**OR**

2. You're driving the same number of passengers greater distances

In veterinary practices, laboratory expenses are like gasoline—they fuel growth. Increasing laboratory expenses are an indication of your success. Here's an example of how and why:

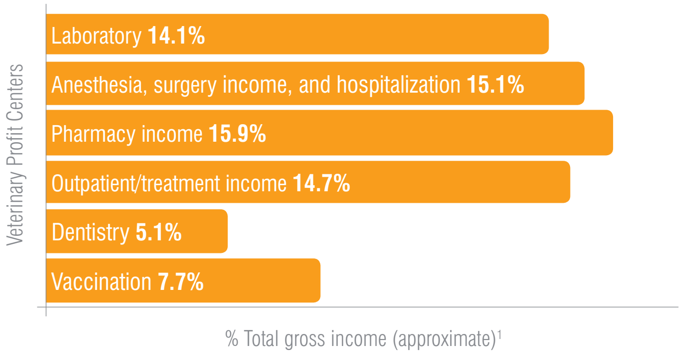
Let's say a practice has been spending about $5,000 a month running IDEXX diagnostics. After working with their Veterinary Diagnostic Consultant and embracing the Preventive Care Challenge, that practice's monthly expense for diagnostics suddenly jumps to about $7,000. Don't be alarmed! The additional $2,000 means that more pets received the diagnostic testing recommended by the veterinarians in the practice. What's more, all expenses for testing were paid for by pet owners—at a profit for the practice. This is a win-win-win for pets, clients, and practices.

> "In fact, **laboratory income is about two times higher** than income from vaccinations and three times higher than income from dentistry."

### How to gauge your laboratory expenses

On average, practices generate 14.1% of their total gross income from diagnostic testing.[1] That percentage dwarfs other sources of practice income. In fact, laboratory income is about two times higher than income from vaccinations and three times higher than income from dentistry. And these figures are for average practices! Those in the 75th percentile generate 19% of their total gross income from diagnostic testing.[1] As far as I'm concerned, this is still too low. I like to see practices generate at least 20% of their total gross income from laboratory diagnostics.

### Your laboratory is a primary profit center according to AAHA Pulsepoints[1]




### TIP Drive testing volume to drive profitability

All else being equal, your laboratory expenses should grow month over month, quarter over quarter, year over year. The key to this growth is increased testing volume. I see a lot of potential for growth in preventive care, which has clear medical benefits for patients and financial value for practices.

To increase your volume of preventive care testing, develop a pricing strategy that differentiates between sick and wellness testing. This makes it feasible for your customers to agree to preventive care testing.

**Calculate your laboratory income as a percentage of your total gross income today.**

**Reference**
1. Financial and Productivity Pulsepoints, 9th edition. American Animal Hospital Association Press. 2018