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# Key Strategies to Hire & Retain Your Associate DVMs



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# Retaining Your Doctors....



# Agenda

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**Recruiting and Hiring**

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2

**Key Contract Terms**

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**Associate Ownership**

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4

**Corporate Sales**

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# Recruiting & Hiring

# Why are Associates So Critical Today?

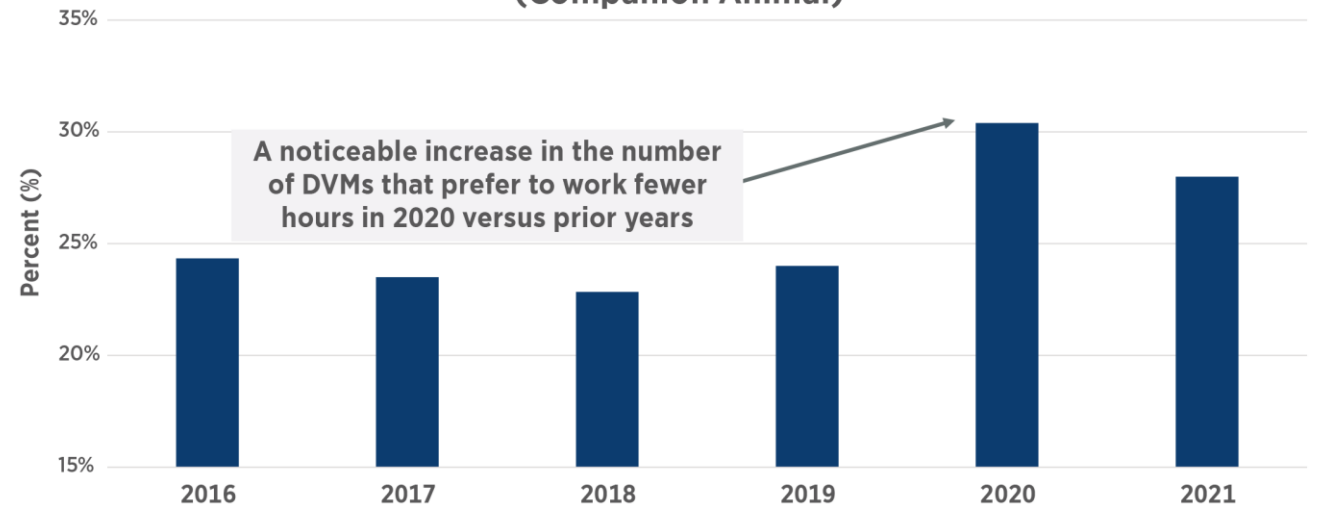
- Doctor shortage
- Doctor shortage
- Doctor shortage



- The definition of FT has changed
- Generational change – need to adapt (not fight it)

## Veterinarians want to work fewer hours

Work fewer hours for a lower level of total compensation  
(Companion Animal)



Source: AVMA Census of Veterinarians & Veterinary Practices



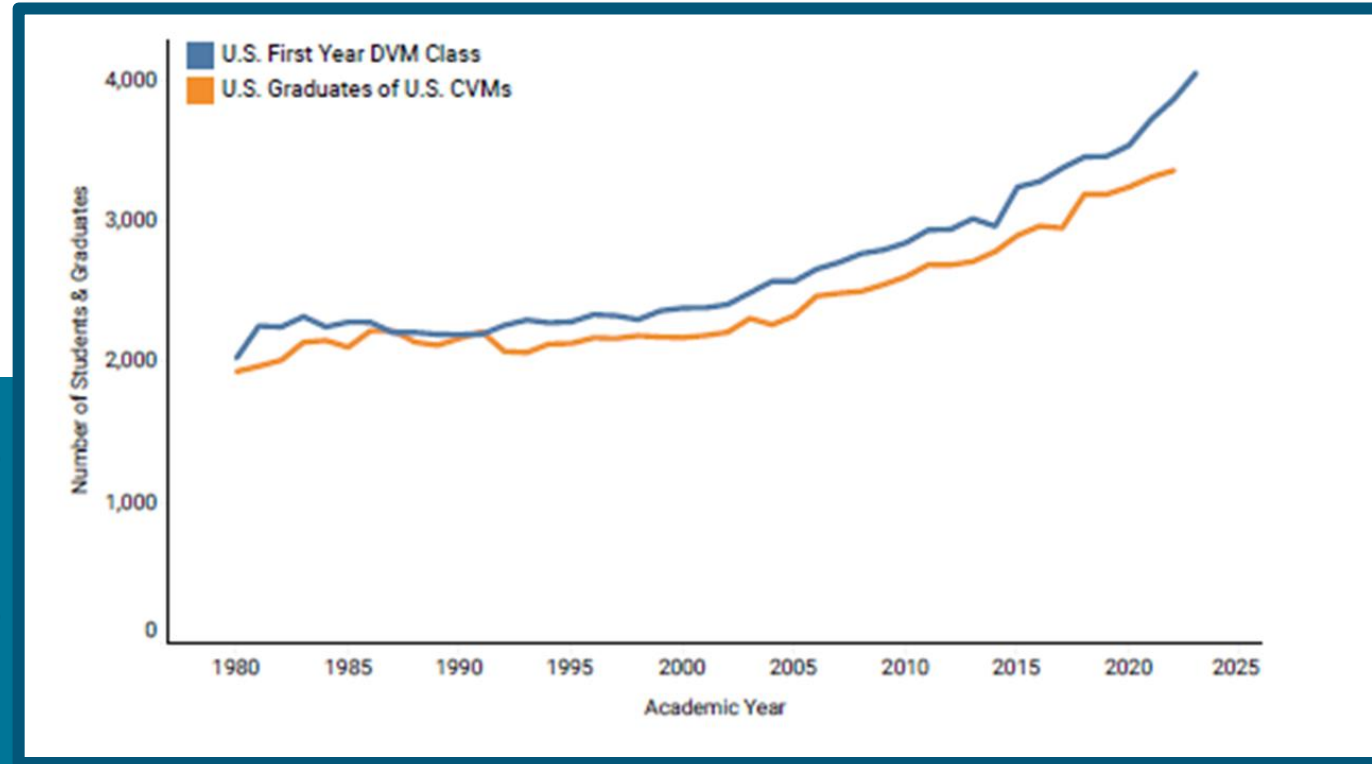
# Will the Shortage Ever End?

- New vet schools are opening
- # of graduates will accelerate in growth over the next 10 years
- Predictions on growth demand vary



- For the short/medium term, demand will outstrip supply of DVM

## First Year & Graduating Classes at U.S. Colleges of Veterinary Medicine Internal AAVMC Data Reports 1980-2023



# Recruiting

Nothing more important than recruiting / retaining your DVM team

## Attracting Applicants

- Win's presentation from this morning!
  - Advertising
- Differentiation
  - Doctor-Owned vs. Corporate
  - Existing Associate DVMs in the recruiting/interview process
  - Local decision-making



## Signing Bonuses

- Can't afford NOT to do them
  - Structure – not paid all at once
  - Timing of payments
  - Clawbacks
  - Pay 'decrease' when the payments end



# Retention

- It's not only about money
- Positive culture
- Mentoring (yesterday's presentation)
- Appreciation
- Flexibility



- Work/life balance
- Understanding each associate's priorities/goals





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# Key Contract Terms

# Veterinary Employment Contracts

- **Compensation**
  - Pro / Sal – Single Rate vs. Split Rate
  - Salary only
- **Employee benefits**
  - Hard to 'match' Corporate
  - Health, retirement (with match), time off...
  - Paid maternity leave
- **Non-compete agreements**
  - Critical protections (where legal)
  - Radius and post-employment period



**Employment contracts documenting the terms of the Associate's employment is important!!**

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# Associate Ownership?

# Do You Want a Partner?

Lots to consider when taking on a partner



## Pros

- Retention tool
- Leadership assistance
- Business support
- Division of responsibility
- Commitment



## Cons

- Joint decision-making
- Discounted 'valuation'?
- Harder to push through personal expenses
- Likely 'less risk' for associate (do they understand it)?

# Key Terms to Consider with an Associate Partner

- **Valuation**
  - Appraisal?
- **Financing**
  - 3<sup>rd</sup> party loan? Seller financing?
- **Ownership Stake**
- **Control / Governance**
  - Assuming a minority partner, who controls decision-making?
  - Unanimous vs. Majority decision-making
  - Capital expenses, loans, staff pay, medical direction, employee benefits and more



**Too many veterinarian 'partnerships' do not take the time to define key terms.**

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# Corporate Sales

# Associates can 'Kill' Deals

Employment contracts and non-competes provide 'leverage' to ensure Associates sign-on.

Retention incentives for Associates are the 'norm' today.

## Three Typical Types of Incentives:

A

**Cash Retention**

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B

**TopCo Equity**

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C

**Joint Venture  
Ownership in  
Hospital**

# Cash Retention / TopCo Equity



Different buyers use different incentives – simplicity works better!

## Cash Retention

- Easy to understand
- Structured payments – similar to signing bonuses
- \$\$ Magnitude varies by tenure, production level, and practice size

## TopCo Equity

- Hard to understand – not 'real' to most Associates
- Buyers overvalue
- No current cash flow, only realized on 'recap'
- Profit interests vs. Units / Shares? Tax questions
- Separate non-competes?





# Ownership with Sale

More corporate buyers are offering Hospital Ownership to Associates.

Many different 'flavors'

## Structure Challenges -- Taxes

- Gift ownership - taxable
- Profit Interests – non-taxable, Upside from current value
- Borrow money / pay cash – hard to negotiate

## Exit Options for Associate

- Drag along rights
- Put option

## Benefits

- Regular cash distributions
- Aligns incentives
- Direct linkage between work and distributions
- Retention

# Recap and Key Takeaways

A

**Veterinary Shortage** = Associates have more power/leverage than ever

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B

**Protect your business** – employment contracts with non-competes

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C

**Positive work culture drives retention!!**



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**Thank You!**

