MONEY MATTERS

Beyond the Paycheck

Many practices are leaving a powerful retention tool on the table by failing to quantify the full value of their benefits packages.

BY JASON CASTNER, CPA, CVA

In 2025, the median wage for a non-credentialed veterinary technician with two years' experience in the United States was $21.84 per hour. That's up from $15 per hour in 2021. The increase of $6.84 per hour is 46% over four years, or approximately 10% per year — much higher than the average inflation rate as measured by the Consumer Price Index. Salaries for receptionists and credentialed technicians also increased far faster than inflation during the same time.

These salary increases were long overdue. Valuable team members were leaving the profession, and practice owners raised pay scales to retain top talent. Immediately following the pandemic, visits and revenue were growing rapidly, and the increased staff costs were not an issue for most practices.

The last couple of years, however, have seen slowing revenue growth and declining patient visits, placing staffing costs under the microscope as they become a larger percentage of expenditures for many practices.

The Full Package

Employees focus on their hourly pay or salary, because living expenses are paid from their net paycheck. If that amount is not sufficient to support their financial needs, little else matters. That's why most job ads include a pay range for the position. This sets reasonable expectations for applicants while helping

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them quickly identify if the position will be a good financial fit.

Employee benefits are often deemed a de minimis add-on to the hourly rate. They have value, but no one seems to quantify it. That is a misstep. Employee benefits can often be worth as much as 20% of the hourly pay rate or base salary. Benefits can be a meaningful component of total compensation to employee and employer, but practice leadership must calculate the benefits and properly communicate them.

The Value of Employee Benefits for the Team Member

An employee's total compensation package can be significantly impacted by the benefits offered by the practice. Consider these commonly provided employee benefits:

- Health insurance
- A 401(k) or other retirement plan
- Continuing education
- Discounts on services and products
- Professional dues and licenses
- Uniforms

Total compensation varies depending on the compensation model being used. Consider this example of total compensation for an associate veterinarian:

Base salary	$120,000
Production pay (based on 20% compensation on $750,000 of production)	30,000
Health insurance	9,000
401(k) plan	7,500
Continuing education	2,500
Discounts	1,000
Professional dues	1,500
Total compensation	**$171,500**

That is a dramatic difference. The production component of a veterinarian's salary varies from year to year, and benefits are rarely quantified. Help your associate veterinarians understand exactly how much they earn by providing a summary of total compensation at their annual review or contract renewal. It will be helpful for them — and you — to see and understand their complete compensation.

I see this calculation made for associate veterinarians far more often than I see it done for hourly staff members. This is a missed opportunity. To determine total compensation for hourly employees, convert the employee benefits provided over the year into an hourly amount, and then add that to the employee's hourly rate. Here's an example for a veterinary technician:

Health insurance	$6,000
401(k) plan	2,400
Continuing education	1,000
Discounts	1,000
Professional dues	500
Scrub allowance	150
Total benefits	**$11,050**

The technician works 2,000 hours per year and receives $11,050 in total benefits, which equals $5.53 per hour. Add that to the technician's $24 hourly rate, and the technician earns a total compensation package of $29.53 per hour.

It's unlikely that your hourly employees are doing this math on their own. Show them their total compensation and help them understand their value. By seeing their total compensation, they'll be less likely to consider an offer of $26 per hour with no health insurance and no retirement plan from another practice.

The Cost of Employee Benefits to the Practice

To provide competitive compensation, you need to understand the total cost and ensure the practice is profitable enough to afford it.

For veterinarians in general practice, the total compensation should not exceed 25% of production. This is often achieved by paying wages in the 20% to 22% range of doctor production, and adding benefits to the salary up to 25%.

For non-veterinarians, look at the labor costs as a percentage of total revenue. The limit of what percentage of total revenue is healthy for your practice will depend on the mix of product sales and medical services provided.

Employee benefits represent a significant portion of the practice's total expenses. Ensuring that your team understands how much their compensation and benefits package is worth will help you keep your most valuable staff. TVB

WHAT NOT TO INCLUDE

It's crucial that you only include employer-provided benefits in the schedule of total compensation.

Do not include:

- Health insurance and retirement contributions paid through employee withholding
- Employer payroll costs

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