

PROFITING FROM GENERICS

Promoting generic drugs in your practice adds up to profits in more ways than one.

By Paula Andruss

EVERYONE'S LOOKING TO SAVE MONEY THESE DAYS, and pet owners are no exception. Research shows that one-third of pet owners are postponing visits to their veterinarians because of the costs associated with those services.¹ For dog owners and cat owners alike, one of the biggest concerns is the high cost of prescription drugs.

Veterinarians can assuage some of those client concerns while boosting their own profits by offering veterinary generic drugs when available to treat a variety

of common conditions. With prices that average 25 percent to 60 percent lower than their brand-name counterparts, generic drugs can help practices pass along much-appreciated savings to their clients. They can also help build client trust, grow other services and protect practice pharmacy revenue.

Veterinary generic drugs are approved equivalents of branded drugs, with the same active ingredients of the original formulation, says Dr. Tracy Revoir, manager of veterinary

support at Putney Inc., a Portland, Maine-based veterinary generic pharmaceutical company. In order to obtain approval from the U.S. Food and Drug Administration (FDA), generic animal drugs must have the same potency, or amount of active ingredient, as the branded drug, she notes. They also must be bioequivalent, which means they are absorbed in the blood equally to the brand product, and therefore, have the same safety and effectiveness as the brand drug. Generic drugs are also manufactured using the same >>

FAST FACT

Drug revenue typically accounts for 25 percent to 30 percent of practice revenue.



GENERIC

Carprofen Caplets

Enrofloxacin Flavored Tablets

Cefpodoxime Proxetil

BRANDED

Rimadyl Caplets

Baytril Taste Tabs

Simplicef

DRUG TYPE

Anti-inflammatory

Antibiotic

Antibiotic

Common generics and their brand-name counterparts.

quality standards as branded drugs.

The most common drugs available in generic form today are those used to treat conditions including osteoarthritis, post-surgery pain, and skin, respiratory and urinary tract infections. They include Carprofen Caplets, the generic form of the analgesic Rimadyl; Enrofloxacin Flavored Tablets, the generic counterpart to Baytril Taste Tabs; and Cefpodoxime Proxetil Tablets, the generic form of Simplice.

Direct Profits

These drugs can be profitable in a variety of ways, says Revoir. The first, of course, is based on cost. Because you pay less for generics, you have more flexibility in terms of how much you want to mark up that drug.

"It's up to practices how to price these drugs based on their philosophy and the cost sensitivity of their clients," she says. "At the



very least they can make the same amount of money per prescription as they would on the branded drug and save their clients a lot of money. Or they can choose to mark up the generic more, which still saves their clients money. It's completely up to them in terms of how to approach it."

Sample Case

For example, says Revoir, to treat a 75-pound dog with hip dysplasia, a 60-tablet bottle of 75-milligram generic Carprofen Caplets would cost the practice \$21, while the branded drug would cost \$48. If

both drugs are marked up by one time the cost of the branded drug (\$48), so that the practice would make the same amount on both drugs, the client cost for the generic would be \$69, and the client cost for the branded drug would be \$96. In both cases, the practice makes \$48. Or, the practice could mark up the generic drug three times and charge the client \$84, a \$63 profit for the practice while still offering \$12 savings for the client over the \$96 cost of the branded drug.

"In that case, the client still saves \$12 on the generic, and the hospital makes \$15 more profit with each generic prescription," says Revoir, adding that those profits can add up when treating chronic conditions such as osteoarthritis, where the animal may take the drug for the rest of its life. Most importantly, the pet may be more likely to receive the medication it needs to be pain-free.

Side Profits

Straight dollars aside, veterinary generics can drive profits in other ways in the practice as well:

■ **Client Retention:** If clients feel that their veterinarian is not overcharging them on their medications, they may be less likely to think they're being overcharged in other areas as well. "That builds trust with them, which is important to client retention," Revoir says.

■ **Keeping Prescriptions In-house:** Another issue is that clients are getting savvier about where to get the best prices for their prescription drugs, from online sources to big box stores such as Walmart. "If veterinarians keep their prescription prices reasonable, clients are more likely to have their prescriptions filled at the practice," says Revoir, noting that drug revenue typically accounts for 25 percent to 30 percent of most practice revenue.

■ **Boosting Services:** Also, if clients are not spending as much on pet medications, it frees up more



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money for them to pay for important diagnostics or other treatments for their pets. Not only will that allow the veterinarian to treat more pets and improve patient outcomes, those additional services will increase the overall practice revenue as well.

“When veterinarians can have more prescribing options, it’s good for everyone,” says Revoir. “The pet will be treated, pet owner compliance can increase and the practice veterinarian can retain that pharmacy business and improve their bottom line.” ■

Paula Andruss is Cincinnati-based writer.

1. Trone Brand Energy, Inc. Economy driven changes in pet owner behavior. <http://www.trone.com/2010/09/economy-driven-changes-in-pet-owner-purchase-behavior>

2. Babson Consulting Alliance Program. Pricing and purchasing behavior analysis. May 2011.

The Team Approach

Research shows that roughly one-half of pet owners are unaware that some veterinary drugs are available in generic form². Because your clients are familiar with generics for humans, educating them about the availability and cost of these prescriptions is often all it takes for them to try generic animal drugs for their pets when available. Here’s how each team member can contribute:

Veterinarians

Educate yourself about the quality behind generics as well as the financial benefits. Research which generics are available and stock them. Educate clients about the availability of generics and help them understand the advantages.

Technicians

Educate clients and build trust with anecdotes and personal stories about the benefits of generics.

Receptionists

Make sure educational materials about generics are visible in the office. Be informed and available to answer client questions. Reinforce the messages that have already been delivered when clients are leaving the office.

Practice Managers

Keep a close eye on drug inventory costs. Stay informed about what is and isn’t available in generic form to help clients save money while making the practice more profitable.

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