



## Keeping Your Practice Afloat During COVID-19

While every practice is different, there are steps that every practice can take to stay afloat financially during the COVID-19 pandemic. For many practices, those steps will include reducing their single largest expense – staff wages. When trimming the practice payroll, the challenge is not simply to find a way to enable the practice to balance revenue and expenses until normal business resumes. The challenge is to balance the books while treating employees in a manner that is fair and equitable, to ensure that the practice culture is not irreparably damaged during the pandemic.

Here are some simple steps that will help achieve that goal, that every practice can follow:

### 1. Reduce Non-Payroll Expenses

The best first step to take during any downturn is to reduce non-payroll expenses as much as possible. This can be achieved through a variety of methods:

- Rent – contact your landlord and ask for a reduction or deferral of rent, to help with cashflow. Given the circumstances, they may be willing to work with you.
- Loan and interest payments – banks have indicated they are willing to defer payments, on a case by case basis. Keep in mind, this typically means interest will accrue, but interest rates are very low right now, so if you have to defer, the long-term costs will not be too great. Your banker can tell you what services are available to you.
- Income tax – the Canada Revenue Agency will allow all businesses (professional corporations) to defer, until after August 31, 2020, the payment of any income tax amounts that become owing as of March 18, and before September 2020. No interest or penalties will accumulate on these amounts during this period.
- Automatic expense reductions – Many expenses decrease automatically when revenue goes down, such as drug and supply costs, laboratory, and bank fees.
- Repair and maintenance - where possible, cancel maintenance contracts that are not necessary for the on-going operations, and postpone repairs or renovation until revenues improve.
- Continuing education – utilize a freeze on CE expenditures and explore free or near-free on-line options for CE.
- Advertising – maintain the practice website, while cancelling other marketing programs as much as possible.

### 2. Implement Strategies to Maintain Revenue

While veterinary hospitals may see some decline in revenue due to the postponing of elective and non-essential procedures, there are many services that can continue to be provided to maintain as much revenue as possible:

- Prescribing and dispensing parasiticides – CVO has amended its guidance on obtaining recent and sufficient information on an animal during the Public Health Emergency, which allows veterinarians to use telemedicine to prescribe and dispense these medications. Have staff

calling clients to remind them of parasite season, and inform them of new methods of dispensing, such as curbside pickup.

- Dietary sales – consider utilizing MyVetStore or phone payments, as well as home delivery or parking lot pickup to maintain food sales while maximize social distancing.
- Pharmaceutical sales – similar to parasiticides, consider telemedicine as a method to maximize social distancing while continuing the prescribing and dispensing of pharmaceuticals.
- Emergency procedures – sick or injured animals will still require treatment, which provides a source of revenue for veterinary hospitals.
- Telemedicine – use of phone, email, or video chat can allow a veterinarian to perform consultations, triage cases, and provide advice, while adhering to social distancing recommendations. (Note: Don't be reluctant to charge for telehealth consultations. Use a telehealth platform (e.g. [Smart.Vet](#)) that will charge clients for these consultations, or have the team obtain payment over the phone when the consultation is booked.

### **3. Take Advantage of the Federal 10% Wage Subsidy**

- The subsidy is equal to 10 per cent of total remuneration paid between March 18, 2020, and June 20, 2020, up to a maximum of \$1,375 per worker and \$25,000 per employer.
- The subsidy will be available immediately, but rather than receiving a cheque from the government, the employer will reduce how much they remit in payroll deductions to the CRA. In other words, pay less.
- Employers can only reduce remittance of federal, provincial or territorial income tax — not Canada Pension Plan contributions or Employment Insurance premiums.
- Businesses must manually calculate the subsidy, based on the CRA's guidelines.
- Companies need to keep records of all information used to determine the subsidy, including total remuneration paid during the applicable period, the taxes that were deducted during that time, and the number of employees who were paid.
- For more information, click [here](#).

**After completing Steps 1 to 3, take stock of the extent to which you need to reduce your payroll to continue to meet anticipated expense during the pandemic. If wages need to be reduced:**

### **4. Enable Employees to Take Advantage of CERB**

To assist workers during the pandemic, the Federal Government has announced the Canadian Emergency Response Benefit (CERB), which will provide a taxable benefit of \$2,000 a month for up to 4 months to:

- workers who must stop working due to COVID-19 and do not have access to paid leave or other income support.
- workers who are sick, quarantined, or taking care of someone who is sick with COVID-19.
- working parents who must stay home without pay to care for children that are sick or need additional care because of school and daycare closures.
- workers who still have their employment but are not being paid because there is currently not sufficient work and their employer has asked them not to come to work.
- wage earners and self-employed individuals, including contract workers, who would not otherwise be eligible for Employment Insurance.

The Canada Emergency Response Benefit will be accessible through a secure web portal or by phone starting April 6<sup>th</sup>, and benefits will be retractive to March 15<sup>th</sup>.

Taking advantage of CERB will be of particular interest to employees taking care of a sick family members and those with childcare responsibilities, as it is expected that schools may not re-open for weeks or months.

OVMA estimates that 20 - 25% of the average practice's payroll goes to employees earning close to or below \$2,000 each month. Laying off employees who wish to take advantage of CERB or who would not be significantly disadvantaged by receiving CERB instead of a paycheque would significantly assist practices seeking to trim their payroll, while respecting the needs of employees.

(Note: Employees earning more than \$2,000 per month may benefit slightly from applying for EI instead of CERB. For most people, the basic rate for calculating EI benefits is 55% of your average insurable weekly earnings, up to a **maximum** amount. As of January 1, 2020, the **maximum** yearly insurable earnings amount is \$54,200. This means that you can receive a **maximum** amount of \$573 per week, or an average of \$2,483 per month. However, given the current EI backlog, it may take longer to begin receiving EI benefits. It would be up to each employee to determine whether to apply for EI or CERB.)

#### **5. Consider Ways to Reduce the Payroll for Remaining Employees**

If the practice is still not able to balance expenditures and revenues, discuss equitable ways to reduce the monthly payroll. For example, all remaining staff could be asked to reduce their hours by 10% and be paid accordingly.

While no one likes to have their take home pay reduced, a 10% reduction in take home pay should be manageable. Assuming that employees are working reduced hours for four months, an associate veterinarian earning \$100,000 would lose \$3,333 in gross income over 4 months, or \$833 a month. However, when the 43.41% marginal tax rate is factored in, the loss in income would only be 6% of take home pay, or \$474 per month.

If the practice deems that a 10% reduction in hours is not sufficient, further reductions in hours could be considered. However, more substantial cuts could be deemed constructive dismissal without employee buy-in. To the extent possible, work to achieve a payroll solution that has employee buy-in. This will greatly reduce the likelihood of hard feeling down the road.

#### **6. Seek Additional Assistance, if Needed**

The approach set out above should help get most veterinary practice through the coming months. If additional assistance is needed to balance revenues and expenditures, please email Darren Osborne [dosborne@ovma.org](mailto:dosborne@ovma.org) , Chris Doherty [cdoherly@ovma.org](mailto:cdoherly@ovma.org) or Terra Shastri [tshastri@ovma.org](mailto:tshastri@ovma.org). They will be happy to work with you to customize a solution for your practice.