

'Excess capacity' versus 'oversupply' in veterinary medicine

By Dr. James Lloyd

Editor's note: *This is the latest column in a series by Dr. Lloyd explaining how economic factors could impact the veterinary profession in the coming years. You can find links to the previous columns below.*

Calls to address the current historic veterinary workforce shortage are becoming more widespread. At the same time, many perceptive observers have asked, "Didn't we just see a report of excess capacity in veterinary medicine? How could we have gone from a situation of oversupply to having way too few veterinarians in such a short period of time?"

The answers lie in the fundamental difference between excess capacity and oversupply, as well as associated misunderstandings related to how service industry members staff their businesses. A closer look at these concepts helps clarify the misunderstanding and provides valuable insight into the prudence of implementing emerging solutions for the current veterinary workforce crisis.

Two significant reports in the last 24 years have documented studies in which veterinarians were asked how much they thought their practices could increase their caseload without extending hours or adding personnel. Respondents in both studies indicated varying degrees of additional production would be possible.

In one of the studies, published in 1999 by KPMG, practices reported

they could increase caseload by as much as 20%. Still, after considering several other factors, the authors summarized that "there is some, but not a lot, of excess capacity in the provision of veterinary services." A 2013 study commissioned by the AVMA estimated that an increase in caseload of 17% would be possible nationally, although only about half of all practices reported they were working at less than full capacity.

Even though the findings of both publications were somewhat equivocal, they were widely characterized as documenting "excess capacity" in veterinary medicine.

Unfortunately, many in the veterinary industry then concluded that substantially more veterinarians existed than were needed to adequately meet demand for animal health services. However, this conclusion of oversupply simply cannot be supported by the data. In fact, the study findings are exactly what should be expected in a service business, like veterinary medical practice, where the timing and magnitude of consumers' purchases cannot be perfectly predicted.

In reality, demand for veterinary service can be quite unpredictable over the course of a day, a week, a

Highlights:

- To some, it may seem the veterinary industry has shifted rapidly from a workforce oversupply to a workforce shortage. But this is a misunderstanding of the difference between "excess capacity" and "oversupply."
- Two significant reports in the last 24 years have documented studies seeming to point to oversupply in the veterinary medicine workforce, but this conclusion wasn't actually supported by the data.
- In many service businesses, excess workforce availability is expected at times to meet unpredictable shifts in demand. But the veterinary profession has never documented significant unemployment, meaning true oversupply has never been an issue.

season or a year in most practices. Even in practices that adhere strictly to structured, appointment-based systems, surges can occur due to unanticipated medical complications, true emergencies and walk-in requests for service. Factors as simple as prevailing weather conditions also commonly lead to unexpected fluctuations in caseload.

To provide adequate customer service, it is just good business to staff appropriately to meet these spikes in demand when they occur. Anything less would be a disservice to both clients and their animals, and it would be counterproductive for building lasting customer relationships.

But staffing to accommodate these peaks in demand may actually lead to a perception of “oversupply” if merely considered at face value without stopping to reflect on the real challenges of achieving customer satisfaction in service industries.

As it turns out, other service businesses face similar challenges. For example, restaurants staff in a manner to accommodate at least moderate surges in the number of patrons that show up during any given shift. Retail outlets require a sufficient number of clerks to handle inevitable customer waves.

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Other service businesses are similar. In fact, such unpredictable surges in demand are often a normal consequence of growth strategies. Failure to staff appropriately would clearly be counterproductive because it could well lead to customer dissatisfaction. Bottom line: Excess capacity as defined in the aforementioned studies is not only expected but is also generally a good business strategy. It really isn't “oversupply.”

So then what's the difference between excess capacity and oversupply?

It comes down to this: The relationship between excess capacity and oversupply is a matter of degree and requires additional indicators aside from any given business' staffing levels for a full understanding. Most importantly, true instances of oversupply also generally involve elevated rates of unemployment. And as I stated in an earlier column in the Fountain Report, meaningful unemployment has never been documented in veterinary medicine.

Take-home messages:

- › Excess workforce capacity, as previously reported in veterinary

medicine, is not the same as oversupply, nor is it always undesirable.

- › Using unemployment rates as the key indicator, oversupply has never been an issue in the veterinary medicine workforce.
- › Innovative, progressive initiatives are being designed to address the current unprecedented workforce shortage. Suggestions that these should be seriously tempered based on a history of excess capacity in veterinary medicine are unfounded. Such initiatives are urgently needed because veterinary health care

teams are feeling overworked and overwhelmed, and burnout is high. Access to care is increasingly limited. The time to act is now.

Read the previous columns in this series:

- › [**How might a recession impact veterinary medicine?**](#)
- › [**Inflation and prices in veterinary medicine**](#)
- › [**Reflecting on recent trends in the number of veterinary visits and total revenue**](#)



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