

PDSA response to the CMA consultation on the proposal to make a market investigation reference into veterinary services for household pets in the UK

Introduction

PDSA is the UK's leading veterinary charity, providing services to sick and injured pets since 1917. We have 49 Pet Hospitals across UK which provide free and reduced cost veterinary treatments to pets of eligible owners. In 2023, we treated over 430,000 pets belonging to over 360,000 pet owners, providing a vital service for those who are unable to afford veterinary treatments due to their circumstances.

PDSA is not commercially linked to other veterinary practices (corporate or independent), but we do work in partnership with private practices (termed Pet Care Practices) to provide charitable services in areas outside of the catchment of our Pet Hospitals on a contractual basis. Only clients who are eligible to use our services are able to access these services.

Most clients who are eligible for PDSA support receive free veterinary services from us through our Pet Hospitals, which are paid for by charitable funds. Some clients are able to register who are not receiving benefits that would qualify for free services but do make them eligible to receive services at a reduced cost. The same level of service is provided to both client types, those who are eligible for the reduced cost service pay a small fee.

We have seen the demand for our services rise in line with the cost-of-living challenges. We treated a significantly higher number of pets in 2023 compared to 2022. We have seen an increase in the proportion of pets that qualify for reduced cost treatment as opposed to free treatment, indicating that we may be seeing more clients moving to us from private practices.

In order to ensure we help as many pets as possible within the funding we have available, PDSA works under the principle that we aim to provide an acceptable level of welfare to the many, rather than an exceptional level to the few. This means that we deliver a pragmatic, but good quality, defined service and benchmark the veterinary services provided to a standard that is generally available in modern first opinion small animal practices in the UK and is affordable by an average fee-paying client. This is generally equivalent to the General Practice level of the RCVS Practice Standards Scheme and, although we do not participate in this voluntary scheme, we benchmark ourselves against this tier.

Those clients accessing the free service are provided with a statement detailing the cost of the treatment provided and are requested to contribute what they can towards that cost. The provision and standard of care are not contingent upon them making a contribution.

Our clinicians will always discuss treatment options with clients, and if our clients wish to access care that is deemed outside of the PDSA Scope of Service we offer referral to more specialist veterinary practices where applicable and at the client's own cost. These referral practices are independent of PDSA as we only provide first opinion services.

All services, products, equipment and property services used at PDSA are procured via a defined and governed tender process, marketplace assessment or quotation, so that we can evidence due diligence, transparency and value for money to our trustees, donors and supporters. During these processes, multiple potential suppliers are approached to ensure PDSA is getting best value for money. Alongside costs, other factors such as reputation, suitability, reliability and financial position of the supplier, quality of the products, lead times, skills and employee processes of the supplier's staff are evaluated. In a tender, each proposal will be evaluated by a panel, typically of two or more members of staff, and the criteria for assessment are clearly set out.

Contracts are approved by the relevant committee within PDSA as per our financial mandates. These are generally medium-term, where possible, fixed price or linked to an established financial index e.g., CPI. Fixed or predictable pricing allows PDSA to budget more effectively and ensure donor funds are used responsibly and sustainably.

Responses to questions

1. *Do you consider that our analysis is correct with respect to the suspected features of concern in the supply of veterinary services and related services for household pets in the UK? You may wish to answer this in relation to specific points such as:*
 - *Whether consumers are given enough information to enable them to choose the best veterinary practice or the right treatment for their needs;*
 - *Whether concentrated local markets may be leading to weak competition in some areas;*
 - *Whether large integrated groups may have incentives to act in ways which reduce choice and weaken competition;*
 - *Whether pet owners might be overpaying for medicines or prescriptions.*
 - *Whether the regulatory framework remains fit for purpose.*

PDSA agrees that each of the areas listed as being suspected features of concern are valid areas that may be relevant to the choice available to pet owners, or to the prices that pet owners may ultimately pay, and would agree therefore that further analysis in these areas may be justifiable.

Cost pressures on society generally, including pet owners, are of particular concern at present and the cost of veterinary care is one element of the more general cost of living for pet owners. The affordability of numerous elements of life is a consideration that many members of society are having to make when considering what goods and services to purchase. Pet owner judgements on the affordability of veterinary care ultimately have an impact on PDSA; the demand for our charitable services is intrinsically linked to economic, employment, pet ownership and veterinary profession factors. PDSA would support further analysis and review, which it considers could be one way to improve the choices available to pet owners, and the associated

transparency across the marketplace, provided it does not damage the availability of that care.

Impact of the rising cost-of-living

Findings from our annual, nationally representative PDSA Animal Wellbeing (PAW) Report (www.pdsa.org.uk/pawreport), created through work with the data and insight company, YouGov, show how UK pet owners perceive the overall cost of pet ownership to be increasing, how they are struggling to afford veterinary care, and how they consistently underestimate the costs of ownership. In particular, please see findings from the 2023 PAW Report below including findings from our survey of veterinary professionals.

Findings showing that pet owners feel that ownership is getting more expensive:

- 86% of UK pet owners say the cost of owning a pet has increased.

Findings showing pet owners are struggling to afford pet care:

- 47% of UK pet owners are worried about how they'll pay for vet bills if their pet falls ill or gets injured.
- 22% of UK pet owners (5 million owners) say that the cost-of-living crisis has affected how they care for their pet, including:
 - 9% who've swapped to a cheaper brand of pet food
 - 5% are not buying gifts for their pets (e.g. Christmas)
 - 5% are heating their home less so that they can pay for pet's food, vet bills etc.
 - 4% are not leaving TV / radio / lights on for pet when left home alone
 - 4% have reduced or cancelled visits to pet groomer
 - 4% have cancelled their pet insurance
- 34% of UK pet owners have made personal cost-saving decisions so that they can continue to care for their pet.
- 26% of pet owners would get into debt if they had an unexpected vet bill.
- 9% of owners say they have delayed taking their pet to the vet when they were ill because it was too expensive (2 million pets).

Findings showing lack of knowledge of the true cost of pet ownership:

- 33% of pet owners say that owning a pet is more expensive than they expected.
- 60% of pet owners underestimate the minimum monthly cost of owning their pet.

These findings are consistent throughout the previous PAW Reports showing a general trend across time that many owners are not aware of the full costs. For example: 24% of owners in 2016 and 30% of owners in 2020 said that owning a pet was more expensive than expected. 82% of owners in 2018 and 75% of owners in 2019 underestimated the minimum monthly cost of owning their pet.

These findings are echoed in our survey of veterinary professionals where 'lack of owner understanding of the cost of owning a pet' has consistently been one of the top issues highlighted by veterinary professionals in surveys undertaken since our first PAW Report in 2011.

Regulation of other pet services

Currently there is a lack of regulation to cover associated pet service providers such as animal behaviourists and trainers, and canine fertility clinics. This should be considered whilst reviewing whether changes are needed to Veterinary Surgeons Act to determine whether additional regulations should be incorporated into that Act or into the Licensing of Activities Involving Animals Regulations.

- 2. Do you consider that our analysis is correct with respect to the reference test being met in relation to the supply of veterinary services and related services for household pets in the UK?*

PDSA agrees that CMA have reached a reasonable conclusion from the analysis that they performed and would agree that the threshold of 'reasonable grounds' has been met.

- 3. Do you agree with our proposal to exercise our discretion to make a reference in relation to the supply of veterinary services for household pets in the UK?*

Yes, we agree with the proposal to initiate a Market Investigation Reference, as per above.

- 4. Do you consider that the proposed scope of the reference, as set out in the draft Terms of Reference published alongside this document, would be sufficient to enable any adverse effect on competition (or any resulting or likely detrimental effects on customers) caused by the features referred to above to be effectively and comprehensively remedied?*

Whilst the majority of companion animal veterinary services are provided to dogs and cats, other species, e.g. rabbits and non-traditional companion animals, are also covered by these services. Care should be taken to not inadvertently exclude these other species from any outcomes of the reference.

Consideration should also be given to the likely onward impact on other areas of veterinary services e.g. farm animals, equine, laboratory services, if these are to be deemed outside of scope at this point.

- 5. Do you have any views on our current thinking on the types of remedies that an MIR could consider? Are there other measures we should consider?*

PDSA welcomes the remedies which would improve visibility and transparency of pricing across the sector. Veterinary treatment options and costs can be very broad ranging not just due to differences in options available, but also due to the broad range of diseases

and conditions pets can suffer from, concurrent diseases, and differences in species, age and weight of individual animals. If price comparisons or maximum prices are to be implemented, care should be taken to ensure standardisation of approach and to choose appropriately comparable services or treatments to allow for this, with input gained from the veterinary sector in deciding what these should be and how they should be structured. In addition, the price a client pays does not necessarily correlate directly to the price list at the practice. It very much depends on choices made as to the way the different elements of service are provided – so a low-priced practice that delivers a large number of interventions or sale-ables may ultimately cost more than a higher priced practice delivering a more limited range of interventions to achieve the same outcome. For this reason, PDSA welcomed the references to contextualised care in the CMA consultation report.

Similarly, a requirement to publish quality and outcomes information would be beneficial, however the CMA should recognise that this will require major standardisation across the sector on what and how these are measured before many practices are in a position to comply. The CMA should also be mindful of the potential unintended consequences of publishing such data without the context that underpins results, and how that can affect clinicians, their clinical behaviours, and clients' interpretation of such information. The CMA should take learnings from existing similar approaches such as the medical profession which may reveal examples of how such data can impact services e.g. reluctance to take on very sick patients which may reduce positive outcomes figures.

Where structural remedies are considered, be that divestment of practices, or elements of supply chain, it is critical that this is done in a manner which ensures those businesses are sustainable. There should be mechanisms in place to ensure that there are not unintended consequence of reduced availability of services through practice or supplier closure, or increased prices should practices or suppliers struggle financially without the significant resources and support able to be provided by corporate groups.

Where relevant, remedies could potentially be incorporated into the current RCVS Practice Standards Scheme under the core standards (which are compulsory for all practices) so that all practices are required to comply.

Full consideration of the impact of any remedies should be undertaken to assess:

1. The impacts on pet welfare as well as those on pet owners, pet practices and the profession,
2. Recruitment of veterinary surgeons and veterinary nurses, and via consultation with the veterinary sector.

We welcome recommendations to review and change the regulatory framework. The Veterinary Surgeons Act 1961 is over 60 years old and requires modernisation. PDSA has been broadly supportive of existing RCVS recommendations on how the Act may be amended.

- 6. Do you have any views on areas where we should undertake further analysis or gather further evidence as part of an MIR in relation to the supply of veterinary services for household pets in the UK? We would particularly welcome any specific evidence from respondents in support of their views.*

As mentioned above, we feel it is important to consider how the provision of pet insurance has an impact on affordability and accessibility of veterinary services. If the outcomes of the MIR result in reductions in the costs of veterinary care, either directly (through reduced prices) or indirectly (through wider adoption of contextualised care) we would hope to see that reflected in the price of insurance premiums.

Insurance can be a lifeline for pet owners and the difference between having to access charity care or not. The more affordable pet insurance is the more likely it is that owners will remain with their private vets and ease the burden on charities, which at this point is too high.

We welcome the opportunity to respond to this consultation. Please contact us if any more information is required on any of the points raised.