

FEDERATION OF INDEPENDENT VETERINARY PRACTICES (FIVP)

Response to CMA Issues Statement 9.7.24

26th July 2024

EXECUTIVE SUMMARY:

1. The FIVP would like to express **appreciation** for the fair and open-minded approach of the CMA, particularly in not assuming guilt on any party.
2. The FIVP offers its **support** for the investigation to include veterinary services within its scope, especially focusing on engagement with independent practices.
3. The FIVP would like to emphasise the **challenges and successes** faced by independent practices daily, requesting sufficient notice for on-site visits.
4. The FIVP wishes to **highlight** the trend of clients registering at multiple practices and the impact of consumer choice and research on choosing a veterinary practice.
5. The FIVP **expects** its member practices to adhere to RCVS guidelines on communication, consent, and pricing transparency in veterinary services.
6. The FIVP has **concerns** about corporate incentives affecting consumer choices and the impact of online pharmacies on independent practices.
7. The FIVP is in **support** of a review of the Veterinary Surgeon's Act 1966 and addressing barriers to entry in the sector.
8. The FIVP **recognises** the need for clear communication with clients and the importance of maintaining animal welfare and professional integrity.

In our response, the FIVP also raises **concerns** about the impact of corporatisation on the veterinary profession, emphasising changes in culture, professional freedom, and the importance of client relationships.

Overall, the FIVP is **actively engaged** in the investigation and looks forward to contributing further. The insights provided by FIVP offer valuable perspectives on the challenges and dynamics within the veterinary services sector.

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RESPONSE:

The Federation of Independent Veterinary Practices (FIVP) would like to thank the CMA for the opportunity to respond to the 'Veterinary services for household pets in the UK' Issues Statement. FIVP has carefully scrutinised all points included and has shared the information with our members for their review and responding to on an individual basis.

Paragraphs 1 to 18 – FIVP understands that much of the **Summary, Background and Purpose** are for information only. We do, however, appreciate in paragraph 7, that CMA are being fair and open-minded about AEC's, with no 'presumptions of guilt' on any part.

Paragraph 17 - FIVP **agrees** that the **veterinary services** listed should be within the scope of the investigation.

Paragraphs 25/26 - with regard to **proposed focus** FIVP are **pleased** to see the level of engagement with FOPs by CMA. On-site visits to practices will be particularly welcomed (certainly by our independent member practices), as teams will be eager to demonstrate their roles and business. This will provide CMA with a clear insight into the many challenges, but also the many successes in daily practice life. We would kindly ask that (as with the many other external inspections in our sector) sufficient visit notice is given to our member practices. We conclude that 'relevant locations' will be geographically representative of both corporate and independent practices.

FIVP will be pleased to participate in any **evidence-gathering** methods as required.

Paragraph 26 - FIVP have some **observations** with regard to this. It is very common in the veterinary space for clients to be registered at more than one practice and whilst this can impact on continuity of care for both client and pets (and for that reason often to be discouraged), there is nothing to stop the 'shopping around' which is commonplace in today's economic climate. One example of this would be a client being registered at a vaccination-only clinic for their pet's annual booster, but also being registered elsewhere, for whenever a more robust, medical intervention is required (e.g. neutering, dental treatment etc.) FIVP **strongly believes** that, particularly new pet owners, will have undertaken much independent research, (consulting online websites, social media information, word-of-mouth, key opinion leaders, such as breeders, trainers, family and friends and so on) before finally deciding on which practice(s) to attend. Our evidence suggests that there is a renaissance of the independent veterinary practice, with many clients returning to this model, having been dissatisfied with a larger corporate chain.

With regard to what **consumer information** is available and how it is delivered, particularly with pricing and treatment options, all veterinary practices in the UK should adhere to the RCVS Guide to Professional Conduct (RCVS GProCon) paragraph 11 '[Communication and Consent](#)'. This clearly lays out the expectations of providing

informed consent, clear and transparent treatment options and expected professional fees for services rendered. Clients are usually asked to sign a consent form for procedures so should be aware of expected costs.

With regard to **incentives to facilitate consumer choice**. This may very well be *de rigueur* in corporate, vertically-integrated groups, but our independent members have more clinical freedom to choose the most appropriate referral centres, per case, per condition, to achieve best outcomes for the patient. Independent practices (even if a member of a 'buying group') have limited control over price and availability of medicines and have been seriously impacted by online pharmacies.

FIVP, along with many other colleagues in the sector, considers the current **regulatory framework** to be outdated and not fit-for-purpose and would welcome a root and branch review of the Veterinary Surgeon's Act 1966.

FIVP are **unclear** what is meant by 'barriers to entry'. Does this refer to issues raised by Brexit/immigration or the establishment of new practices? All these factors have impacted on a thriving, sustainable marketplace, but as noted above, we are seeing an upward trend of new independent veterinary entrepreneurs.

Paragraph 32 – **demand side how consumers purchase veterinary services**. FIVP **agrees** with CMA that clients tend to support a practice that is local to them and has been recommended. We note that the very recent CMA LinkedIn [survey](#) shows 62% of respondents concur. It is commonplace for the inexperienced client to believe that vet practices are operated along similar lines to human NHS healthcare, i.e. free at the point of delivery and service. This accounts for many bad debts in practice which regularly have to be absorbed.

Paragraph 34 - FIVP **disagrees**, insofar as many of our members inform us that clients attend, for example, consultations, having referred to 'Dr Google', and are regularly challenging and more than confident (not less so) when it comes to dialogue and interaction with veterinarians.

Paragraph 35 - may be correct in part and FIVP **agrees** that clients do, at these emotive, vulnerable or difficult times, rely on clear communications from vet professionals. It is a requirement, again, in the current [framework](#), for practices to provide clear information about out-of-hours provision.

Paragraph 36 – FIVP **encourages** our member practices to be as clear and transparent about basic services pricing in-clinic and online, but tell us that it would be extremely difficult to be macro-detailed for every product/treatment and its various permutations, without resulting in the client being totally confused or overwhelmed!

Paragraph 37 – FIVP **encourages** our independent member practices to make it completely clear in all of their marketing that they do not belong to any corporate group. We provide them with in-clinic materials to facilitate this process. We believe that all corporate practices should be similarly transparent about ownership from day one, with all business changes made clearly visible throughout.

Paragraph 41 – FIVP **agrees** that the current regulatory framework has limited leverage over the commercial and client-facing areas of business. The RCVS Practice Standards Scheme (PSS) is a voluntary scheme and many practices have chosen to be assessed to ‘core’ standards only. However, ‘core’ standards represent the minimum legal operation of a veterinary business and should be in place regardless of the RCVS PSS. For non-PSS holders, the Veterinary Medicines Directorate (VMD) is the required alternative.

Paragraph 43 - FIVP **strongly agrees** that CMA be mindful of pressures in the sector. We are aware of many instances of confrontational behaviour by the public on our veterinary colleagues since the announcement of the CMA investigation and this has impacted noticeably on the mental and physical health in many of our teams.

Paragraph 48 - FIVP **agrees** that there may be the need to define separate markets for the areas listed here which would help to reduce corporate monopolies.

Paragraph 55 - Clients not used to communicating with veterinary professionals may need support along with the demystification of services and pharmaceuticals - very little difference to that of solicitors, dentist and opticians.

Paragraph 59 – data suggests that corporate acquisitions are slowing post-covid and in the current economic climate.

Paragraph 65 – FIVP **agrees** that one aspect towards barriers to entry are impacted by ‘binding out’ clauses which are often imposed on corporately-employed vets and are rarely used in independent veterinary practices due to cost/legalities.

Paragraph 67 – FIVP **agrees** that cost-savings by corporate practices are not always passed onto clients because of shareholder and other similar obligations.

Paragraph 68/69 - historically-systematic option based on affordability using differentiation. Now clients can be guided towards higher cost treatments and more sophisticated options - to make use of any investment made. This can be +/- benefit to client/patient. Clients are often ‘influenced’ by television programmes such as “*Supervet*” where high-end, bespoke “gold standard” treatment costs are rarely indicated on-screen.

Paragraph 70 - In general, independent practice follows contextualised care patterns to offer its clients a broad range of treatment options and prices.

Paragraphs 75 to 79 – FIVP **agrees** that vets working in corporate practice are often restricted in their choice of referral options, including crematoria and laboratories, affecting their clinical freedom. There is significant evidence to suggest disenchantment regarding this. Independents have no ‘agendas’ and are therefore more likely to offer a more transparent choice to clients, due to non-ownership of integrated services.

Paragraph 80 – one **factual experience** from an FIVP colleague in a FOP acquired by one of the large groups:

“My first-hand experience of a corporate acquisition of an independent FOP was in 2018, where I was practice manager, and resulted in my decision to ultimately leave the profession completely. The acquisitions team ‘summoned’ the whole practice for an hour lunchtime meeting and explained that the process would not impact on our regular practice business. Whilst I was undertaking the enormous amount of due diligence work, the corporate manager assigned to the takeover was (covertly) offering incentives to vets and nurses (such as new uniforms, badges, even trips to “Save the Rhino” in Africa etc.) in short, psychological bribery, false promises and unrealistic expectations. All these were designed to paint a rosy picture of how wonderful the workplace would be following the transition. The reality, after completion, was disgruntled clients who could see work taking place in the building as part of the corporate refit but could not be told why, unhappy team members whose uniforms arrived as the wrong sizes(!), little-to-no training on replacement laboratory equipment and other essential IT, which impacted on team morale and efficient service delivery, from the front desk through to even what type of suture materials must be used in surgery. That which once had been a respected, longstanding independent practice with proud employees and a first-rate community reputation, was relegated into an inefficient, constantly excuse-making practice. At the end of the takeover process, the practice concerned had lost an award-winning practice manager, tens of clients, two RVN’s, a student nurse and a full-time vet. This practice has since ceased trading completely.”

Paragraph 81 – FIVP **believes** that corporate ‘dictum’ invariably leads to ‘self-preferencing’ of their products and services, thus restricting pet owners from as broad a choice of options as possible.

Paragraph 82 – FIVP **agrees** with all points noted and in (d) would say that there have been noticeable decline in referrals and hence has had adverse effect on independent practices.

Paragraph 83 – FIVP have heard from members that there has been reduction in options for the supply of laboratory/cremation/clinical waste services in particular. Members have reported the impact on independent laboratories. These have only been able to survive by accepting samples by post from further afield. A local independent crematorium reported that having given exceptional service to many independent practices over the years, their business suffered a major impact when the corporates bought out surrounding practices. The corporate practices used their own crematoria many miles away. This was particularly upsetting for clients, already challenged emotionally, who were used to having a personal service provided locally. Having built up relationships with these practices, the independent crematorium was disappointed to learn team members from the now corporate practices were reprimanded if they recommended the local service and they are aware of one team

member who has been given a warning on their employment record for having done so.

Paragraph 86/87 – FIVP has received comments from some members on these points:

- *Historically vets were poor at charging for their professional services and so made up some of the deficit by selling medications. This has been markedly improved and the sector is now better at reflecting that in its charges.*
- *There are many inherent costs in running an on-site veterinary pharmacy including drugs going out of date quickly, Veterinary Medicines Inspectorate inspections and fees.*
- *Independent practices do not qualify for the same discounts on medications as corporates, often meaning that it is more cost-effective for a practice to purchase certain medicines via an online service at a better rate than from its usual veterinary wholesaler.*
- *There are also additional problems with supply shortages (impacting animal welfare) and the seemingly increasing amount of veterinary prescription fraud.*
- *This does not take into account that we may (currently) charge for a written prescription that clients can use at an online pharmacy, which may be better in some regards for the practices. It may carry less risk (e.g. holding stock that might spoil or go out of date, stock price volatility or availability) and the costs related to medicine fees (money held in stock, time for processing orders, etc.). Clearly there is a time and a place where online pharmacies and written prescriptions are not even in the mix (acute cases, etc.). Suitability and appropriateness of a written prescription aside, however, I am happy for my vets to be offering written prescriptions if it's better for the client (interestingly it's not always!).*
- *I think the bigger issue with online pharmacies is that they are not competing on a level playing field and can often sell things at a price lower than we can purchase them (particularly as an independent). If the CMA force us not to charge for written prescriptions that will cause us to look elsewhere to replace revenue and cause professional fees to go up.*

We are surprised by the high number of CMA CFI respondents who are unaware that written veterinary prescriptions are available from their practice and FIVP **encourages** members to comply with this longstanding requirement to display clear, unambiguous signage.

Paragraph 89 – FIVP **strongly agrees** that this 'loophole' needs urgent review.

Paragraph 90 – FIVP **agrees** that scrutiny of the veterinary ‘cascade’ is in scope, but if radically overhauled could have possible consequences for animal pharmaceutical research and development.

Paragraphs 91 to 100 – As stated previously, the FIVP **is in favour** of a new Veterinary Surgeons Act (or similar)

Paragraphs 102 to 106 – FIVP have some **observations** for CMA consideration from a member, with regard to **profitability**:

- *How online pharmacies increase the overall costs to pet owners*
- *Like all businesses, veterinary practices need to make a profit. This profit is derived from professional fees (P) and medicine fees (M)*
- *A reduction in medicine fee income has a consequential rise in professional fee income for a practice to remain viable.*
- *Without Online pharmacies: Total cost to veterinary client, no pharmacy = P + M + C*
- *Initial savings on buying medicines from a pharmacy: Total cost to client using online pharmacy = P + C + m*
- *A saving of M-m to client*
- *Loss of income to the veterinary practice = M*
- *Subsequently price rises*
- *Veterinary Practice has to increase fee by M*
- *New professional fee = P+M*
- *New cost to pet owners = (P+M)+C+m*
- *The total cost to the client has now increased by “m”*

Conclusion

- *Driving clients to the internet pharmacies increases prices unless “m” is zero or negative*
- *Net Cost of medicine = C Pharmacy margin over cost = m*

Paragraph 107/108 – FIVP are **curious** as to why CMA has now decided to undertake an assessment of profitability and would be interested to learn about the sample size used. We therefore look forward to the working paper on this.

Paragraph 109 – FIVP have **concerns** about this. Our members indicate that if a practice is offering a good service in a cost-effective manner, there may not be a need to look outside that practice to offer choices. When services are outsourced, there is a time cost, paperwork/administration etc. If treatment is done “in house” many of these extra costs are reduced and better controlled. The outcome, too, for the pet is often better. Independent practices have to sometimes use the services of corporately-owned out-of-hours/emergency providers and, whilst simple guide pricing is available

for clients, once the pet becomes under the care of the corporate OOH facility, the FOP has no control over the ensuing further costs to its client.

Paragraph 110 – FIVP **believes** that many independents are already innovating in several ways, such as new methods for clients to book appointments, third party call-handling services, telemedicine, mobile veterinary services etc. These innovations are proof that the veterinary industry strives to move with the times, offering clients similar technological benefits as compared with other similar sectors – dentists, opticians etc. It is worthy of note that the COVID-19 pandemic allowed the sector to introduce new ways to continue to serve clients' needs. We **agree** that our veterinary nurse colleagues should be more effectively utilised in practice and work collaboratively in many ways with [BVNA](#) and others.

Paragraph 113 - whilst opinions may differ from practice to practice, depending on the range of resources available, ethical considerations and guidance to animal care and welfare are generally followed in line with the [RCVS GProCon](#) on this.

Paragraphs 115 to 117 – FIVP would **recommend**, in determining quality outcomes of veterinary care in the sector, that CMA visit both independent practices and corporate practices, so as to compare like-for-like services or procedures, across the whole practice team spectrum. The desire within independent practices is to deliver a high-quality level of care and customer service for both pet, owner and practice from admission to discharge, often having constraints of budget and facilities, but always being able to offer a range of choices and options to achieve those good outcomes. It is this latter element, which corporate practice may not be able to deliver, due to its vertical integration model.

Paragraph 129 – FIVP **believes** that the use of the word 'firm' here does not reflect the high level of animal welfare in the veterinary space. If the word 'firm' does refer to other professional sectors (solicitors, estate agents etc.) the usage may well be appropriate, with these types of businesses offering a limited range of prices for services. To coin a phrase, vets are 'not selling widgets and a remedy to 'price fix' would, with just too many variables in play, be detrimental to overall animal welfare.

Paragraphs 118 to 131 – in the main FIVP **agrees** with the remedies and mechanisms used in this investigation and are pleased to note the SMART emphasis on these components. With reference to paragraph 122, FIVP **strongly agrees** that the veterinary market is unique insofar as being advocates for animals who cannot participate in the decision-making process. FIVP **urges** the CMA to be mindful of this unique perspective in its deliberations and when applying any remedies/sanctions on the profession. It is **imperative** that animal welfare is not compromised in any way.

Paragraph 138 – FIVP has some **concerns** over the use of 'mandating' what information is provided to clients, particularly if such is used to dissuade a client from remaining loyal to a practice, particularly an independent practice. The client/vet/pet relationship is hard-earned and built up, often over many years. It is disingenuous, in our opinion, to suggest 'sending clients away' to seek out other practices just for the

sake of it. In (d) the idea of annually prompting registered clients to reconsider this trusted relationship by (unnecessarily) transferring their business elsewhere is something we believe would result in ill-will within the profession at best, severe impact on animal welfare at worst.

Paragraph 139/140 – FIVP **believes** that price/charging remedies, such as imposing a cap on prescription fees, would only result in many practices recouping costs from elsewhere (e.g. an increase in professional fees) and possibly a net increase costs to clients.

Finally, some observations from some of our professional colleagues which FIVP feels are pertinent towards our response from the perspective of the independent practitioner:

From 'Career' to 'Job', how corporatisation has changed the Landscape of the veterinary profession:

- *Prior to corporatisation veterinary surgeons worked in a different culture.*
- *In addition to a salary, time and effort was rewarded with client goodwill, an eventual stake in the practice partnership at a discount, a sense of purpose, a place in the community and the priceless feeling of a job well done.*
- *Veterinary surgeons had more professional freedom and helped colleagues do better. Altruism was in abundance and client satisfaction 'topped the charts'.*
- *Charging correctly was important but no one knew what EBITDA was, and no one was on commission or awarded a bonus for selling.*
- *Professional integrity was the 'major currency' and loyalty was in abundance.*
- *We now have commission-based veterinary surgeons who have been 'programmed' to sell and monitor the businesses performance daily.*
- *We have record numbers of vets in training, matched by a mass exodus of trained vets looking for more purpose in their lives*
- *We have pop-up practices offering partial veterinary care in all shapes and sizes.*
- *We have vets excited about working in a practice and yet not providing 24-hour care.*
- *We have practices "sweating their assets" whatever that means.*
- *We have vets exploiting the skill shortage and 'shopping around' for the least work. for the most money.*
- *Not surprising though, as money is the 'new kid on the block' and if bosses can sell the practice and get rich, why should we not get what we can for ourselves.*
- *With nothing else to offer, corporates have pushed up veterinary salaries and increased fees to clients to afford to pay them. Independents have also had to do the same to compete.*

- *Fees have risen considerably as a consequence of this and other reasons, prompting a CMA review of the market.*

Our professional colleagues would also like to bring to the attention of CMA the extensive charitable work undertaken by independent veterinary practices. There is seldom a week that goes by when practices haven't had to do one or all of the following:

- *Take in and care for or rehome abandoned dogs and cats and other pets*
- *Preventing suffering and treating wildlife free of charge*
- *Giving free advice and services to members of the public*
- *Giving discounted services to members of the public that cannot afford treatment.*
- *Giving advice or treating animals out of hours for no payment*
- *See emergencies that have no intention or ability to pay and subsequently have the fees written off.*
- *Assisting animal charities with discounted or free services*
- *Helping in the community with education of the public about caring for animals.*
- *Independent veterinary practices are probably one of the community's largest animal charities.*

On behalf of the Federation of Independent Veterinary Practices, we appreciate the opportunity to submit our views on the CMA Issues Statement.

We look forward to continuing to be involved with the investigation at all stages.

ENDS

NOTES:

Hyperlinks to external websites within this document are included as a helpful additional explanation/further information of points only.