

## **VETS MARKET INVESTIGATION**

### **Summary of roundtable discussion held in Edinburgh on 4 September 2024**

#### **Introduction**

1. The following is a summary of points raised in a discussion with veterinary surgeons in Edinburgh. The discussion was held at the CMA office in Edinburgh on 4 September 2024 and featured vets with senior roles in independently owned practices in Scotland, as well as representatives from a veterinary school.
2. In advance of the roundtable discussion, the Chair of the Inquiry Group gave an introduction on the CMA's market investigation, setting out the key stages in the investigation, the evidence we were collecting, the key issues under consideration and the categories of remedies that might be appropriate, should the Inquiry Group find one or more adverse effects on competition (AEC).
3. The roundtable discussion focused on the following issues:
  - Reflection on the key challenges in the veterinary sector
  - Veterinary medicines, including the cascade
  - The regulation of veterinary services, and how it might be improved
  - Contextualised care

#### **Reflections on key challenges in the veterinary sector**

4. One attendee said that the biggest challenge was recruiting experienced vets and retaining new graduates once they had become more experienced. This attendee said that the staffing shortage had got much worse in recent years and was made more difficult by Brexit and because the teaching in the vet schools did not prepare vets for the day-to-day reality of being a vet but only the more advanced clinical care. One attendee from the vet school said that they did extensive work with students to manage expectations of being in the workplace.

5. One attendee noted that the challenges were very area dependent and that rural practices struggle more, in part because they have to cover a whole community, including clients with very different income levels. A vet who owned an independent practice in Edinburgh noted that they did not struggle to recruit or retain vets, noting that their practice also served a 'mixed' area. Another attendee (from a semi-rural area) noted that they had lost staff to practices based in more urban areas. One participant from the vet school said that they had a particular scheme to develop graduates who were prepared for life as a vet in the Scottish Highlands and Islands.
6. One attendee said that rising salary costs were the main driver of pressures to increase prices, and that corporate vets had driven a lot of change in terms of improved work-life balance and increased salary expectations, and that corporates could also offer graduate programmes. This attendee said that they felt pressure to keep up with corporate salary offers, because new recruitment was expensive. They tried hard to retain staff, but it was difficult when vets could earn more while working fewer hours in other settings. Attendees noted that many younger vets did not want to work on out-of-hours or on-call shifts.
7. The attendees also noted that things had changed for the younger generation of vets, noting that they themselves had not had a formal contract or set hours in the early years, but now these were standard, and most vets would not wish to work overtime.
8. The participants from the vet school noted that the university had an agreed pay scale but that it had been difficult to recruit staff on these levels of pay, and that their staffing numbers had declined in recent years but appeared to be stabilising.
9. One attendee said that there was a worrying skills gap in the sector, with moderately or very experienced vets leaving the profession. They noted that new graduates might be more liable to refer procedures than carry them out themselves. One attendee said that the skills gap had occurred because senior vets left the profession after selling their businesses.
10. It was noted that there was little continued professional development (CPD) training available in Scotland, and that vets would have to travel to England to complete these development opportunities, taking additional time away from clinical work.

## Changing consumer expectations and contextualised care

11. One attendee said that pet owners were demanding more services than they used to, but also noted some potential inconsistencies (such as being prepared to pay a lot for an individual cremation but seeming unwilling to spend similar amounts on treatments).
12. One attendee said that clients were able to source much more information through internet searches than before. One attendee said that they hadn't had complaints about pricing because they were careful to explain what was involved and what it was going to cost.
13. Attendees noted that clients were used to convenience for other services and expected similar from vets, and that this might affect what people considered to be a real emergency requiring out of hours treatment. An attendee offered an example of when a client had initially requested a referral, even though her GP vet could do it more cheaply, because she thought a hospital could offer better care, but agreed to have the animal treated at the original practice.
14. One attendee said that the super-vet TV programme had influenced the expectations of clients, noting that costs were never mentioned on the programme. Several attendees noted that there was a difference between what could be done when treating an animal and what should be done. Attendees from the vet school said that contextualised care was part of the curriculum and that they had to prepare students who might be working in the charity sector as well and so they prepared students to offer all levels of care.

## Medicines and the cascade

15. Various attendees provided examples of drugs which were cheaper in the human version than in the animal version, sometimes considerably so. One attendee noted that this made it difficult for consumers to understand medicine pricing.
16. The attendees said that it was a criminal offence to prescribe or recommend the human version of a drug (eg paracetamol) when an animal version exists, despite the increased cost, and that it was 'drilled into' vets that they must obey the correct rules on using the 'cascade' (which covers the rules governing when a human version of a medicine may be prescribed by a vet for a household pet). One attendee noted that many animal drugs were unavailable during the Covid-19 pandemic and they needed to use human equivalents.

17. One attendee noted that there were costs to developing these drugs and that the market for animal medications was smaller than for human ones. One attendee noted that it was often the case that drugs which have been developed but failed trials in humans are repurposed for animal use, sometimes producing a very valuable and effective medicine.
18. When asked about buying groups, one attendee said they were a member of a regional Scottish buying group but that suppliers had started engaging individually with the vet practices within the group. One attendee noted that their buying group enabled them to purchase medicines more cheaply than would otherwise be possible. They noted that their charge for selling a medicine was not that much more expensive than the option to buy online, once the prescription fee was factored in. Because of this they do not write many prescriptions for pet owners to go online. However, this attendee noted that the corporate group which owned this buying group also benefits from this arrangement.
19. Some attendees said that, since the discounts on medicines were retrospective and depended on meeting certain quotas, it was sometimes difficult to know what the vet practice was going to pay for a given drug and how it should be priced.
20. There was a discussion about the contribution of medicines to the overall profitability of a vet practice. One attendee noted that lower consultation prices were balanced with the profit made from selling medicines. Another attendee agreed that the revenues and profits from drugs were important to the overall viability of the business. One attendee said that cross-subsidies were widespread in the services offered by vets, for example the same consultation fee may apply to different sizes of dogs even though costs to the vet might vary. Some attendees noted that a change in business models towards a monthly subscription for veterinary services is another example of cross-subsidies.
21. Several attendees expressed dissatisfaction with the regulations which required vets to see an animal in person before prescribing an antiparasitic, though noting that it might be driven by a concern for environmental preservation. One attendee noted that these drugs could be purchased over the counter in other countries, and said that a nurse consult could manage this area rather than needing to see a vet.

## **Market entry**

22. One attendee said that it was not that difficult to set up a new practice, particularly if you could lease a building rather than buy it. They said that

banks were happy to lend because vet practices were seen as robust businesses and well-run practices could be profitable. This attendee explained that they had done marketing (leaflets, Facebook ads, local dog shows) when opening. They felt that clients valued the service their practice offered as independents more than that offered by the large corporate groups in the area.

23. Another attendee noted that the discounts on medicines available through buying groups supported the opening of their practice.

## **Regulation**

24. The attendees were invited to comment on what might be improved in the current regulatory regime. Attendees said that the RCVS complaints process was too slow and was expensive and stressful for vets to negotiate. One attendee said that the RCVS Board should be appointed rather than elected, and that there should be a representation of all facets of the profession.
25. One attendee felt that the mediation service would be improved if there were a vet working as (or with) the mediator, so that they could rely on clinical knowledge. Another attendee clarified that vets often felt blamed by the mediator and that they had taken a view from speaking to the consumer, before speaking to the vet. One attendee noted that clients were often particularly distressed when they had spent a large amount but the animal had not survived, noting that the vet might have done a lot of work to try and treat the animal.
26. Some attendees agreed that nurses could do more, for example administer vaccinations. However, another vet disagreed, arguing that the vaccination was an important opportunity to diagnose problems, which required a vet. There was some disagreement about whether a veterinary nurse would have the capability to flag such problems to a vet. One attendee noted that nurses were the backbone of the vet practice, and they wanted to keep them happy. One attendee noted that some vets (and vet practices) used nurses more extensively than others.
27. One attendee said that it was not clear enough to clients whether vets had a specialist qualification or not, and of what type. People could say they had a 'specialist interest' which was not equivalent and this might confuse clients.
28. Attendees were asked what changes they would like to see. One mentioned regulation of practices as well as individual vets; another said better transparency over corporate ownership of practices; and another said greater transparency of fees. One attendee noted that it could be a problem to

provide price lists, if it caused loss-leaders on the services that were easily comparable, noting that most complaints about pricing came from the expensive non-routine treatments. One attendee said that fixed prices for treatments might help clients but that insurance companies liked to have each item listed.

29. One attendee said they would like to see changes to the regulation of the cascade, so that either the human or animal version could be prescribed once the patent period has ended. One said that practices should not have to organise their own out of hours care, but other attendees were less supportive of this suggestion. One attendee wanted more education for consumers on why vet costs were at the level they are, and what went into providing this service.
30. One attendee said that it might achieve better value for money for customers if the market was segmented into vets who each offer different services, but that this would be problematic and would reduce the opportunity for clients to build up relationships with their vets.

Appendix: List of organisations represented at the discussion

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