

VETS MARKET INVESTIGATION

Summary of roundtable discussion held in Manchester on 28 August 2024

Introduction

1. The following is a summary of points raised in a discussion with veterinary surgeons in Manchester, with experience of working for independent practices and large corporate groups. The discussion was held at the CMA office in Manchester on 28 August 2024.
2. In advance of the roundtable discussion, the Chair of the Inquiry Group gave an introduction to 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 media perception that vets are driven by financial gain and the lack of awareness of costs in running a practice drove negative sentiment against vets. Some attendees also told us that the increase in litigation, alongside negative perceptions of vets had had an impact on staff morale and health.
5. Some attendees said that the consolidation of the sector had led to a decline of a familial and mentoring culture within vet practices, which had in turn decreased the opportunity for less experienced vets to seek advice from more experienced colleagues within a practice. Most attendees said that the shape

and expectations of the veterinary workforce had changed which had caused a loss of long-standing experience in the sector and reduced ability to attract and retain staff. One attendee said that they had heard of some large corporate groups that had banned the use of locums due to both their expense and decreased value add to the business compared to employed vets.

6. One attendee stated that the involvement of private equity put pressure on newly acquired practices to drive up profits. They told us that they had sold their practice to a large corporate group and, post-acquisition, they had to leave as they were discontent with the feeling of working for shareholders. The attendee also noted that prices had increased after they left but since then profitability has been low. Another attendee said that low profitability after acquisition was not unusual due to the practice going through the 'change curve'. They told us they left a corporate practice because they felt uncomfortable with the decisions being made by management. They said that the imbalance of responsibility as a veterinary professional versus the corporate business was frustrating.
7. Some attendees stated that they prioritised their local client relationships over the profitability of the practice. One attendee argued that profitability and retaining client relationships were not mutually exclusive. From their experience, ascertaining costs and then building pricing around these costs supported good service provision. One attendee said that it was not desirable to encourage pet owners to switch vet practice as it was important to build up relationships.
8. One attendee said that, as an independently owned vet practice, it was difficult to compete with the large corporate groups because they had greater buying power and therefore lower costs. Some attendees stated that, although corporate groups benefited from the economies of scale, these benefits were not passed on to the customer or to the practices themselves. Some attendees told us that, in recent years, prices had increased, with one attendee saying that, for the last five to ten years, prices had risen between 5-10% year on year. One attendee said that price rises could not be justified by the undervaluing of other services in previous years. Another attendee noted that veterinary professionals' salaries had increased.

Medicines and the cascade

9. Some attendees stated that their clients could obtain medicines at a lower price online than the vets would have to pay if they were to purchase that medicine from a wholesaler. One attendee said that they largely provided written prescriptions to clients for a fee and rarely sold medicines directly,

unless, for example, an animal needed an injection for pain relief. Another attendee noted that clients typically want to come to the vet and take any prescribed medicines away with them rather than make a separate visit to a pharmacy.

10. Some attendees noted that they could only buy medicines from three or four wholesalers. One attendee said that the rebates that corporates received from manufacturers because of their greater scale were not driving down costs of medicines for pet owners, and that the corporate groups were just making more profit on selling medicines. One attendee provided examples of experiencing limitations on clinical decisions in providing products which were not on the preferred product lists when working in a corporately owned practice. They also noted that as part of the preferred product list the corporate group had created their own label medications which were more expensive than alternatives at the time.
11. There was a discussion about the medicines 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 expressed frustration at the higher cost of medicines that are licensed for animals compared to the human version (which might have previously been used as part of the cascade) and noted that the criminal sanctions now attached had made an impact on prescribing behaviour. Another attendee said that, in relation to supply constraints for medicines authorised in the UK, they were frustrated at corporate groups' ability to stockpile medications ahead of shortages. One other attendee told us that they had euthanised a lot of animals because customers could not afford the animal medicine although they could have afforded the human equivalent.

Regulation

12. Attendees expressed views on ways in which the RCVS might be reformed: for example, having the ability to regulate veterinary practices rather than individuals; undertaking more public facing work, and separating out the representation of vets from the regulation of vets. One attendee expressed discontent with the way they had personally been treated by the RCVS.
13. One attendee stated that there was a lack of transparency of ownership of practices and said that corporate vet practices should be making it clear who owned the practice and any other services such as referral centres, crematoria or diagnostic laboratories.

Contextualised care and independence of vets' decision making

14. Some attendees said that they had always provided contextualised care to clients and that the idea of considering the circumstances of the animal and owner was not new. Some attendees told us that vets at independent practices had more clinical freedom and so were better able to deliver contextualised care than vets in corporately owned practices. One attendee told us that they knew of a corporate vet practice which would monitor what had been charged and prescribed and, if something had not been charged for which they employer would expect to be included on the bill, the vet would receive an email from the corporate management to ask for reasons. Another attendee said having some recommended clinical procedures or processes was positive, but argued that it was an issue is when these were solely for the generation of revenue.
15. Two attendees described how it was generally difficult for their employers to control where referrals were made, even if there were preferred referral centres as vets tended to be 'independently minded'. One attendee told us that it was now more difficult to get travelling specialist vets to work in the practice. Another attendee said that a corporate group they had worked in had tried to ban travelling specialists, but some practices ignored this. They outlined that the clarity and transparency of referrals were not just a corporately owned practice issue, as they knew of independent practices which had omitted communication of some referral options so they could keep the treatment in house.

Appendix: List of organisations represented at the discussion

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