

CMA veterinary services for household pets market investigation

Linnaeus response to the Issues Statement, dated 9 July 2024

1. Introduction

- 1.1 Linnaeus welcomes the opportunity to comment on the CMA's issues statement (the *Issues Statement*) in relation to its veterinary services for household pets market investigation (the *Investigation*).
- 1.2 The Issues Statement sets out six potential concerns that the CMA intends to explore in the Investigation to understand whether any of them may be contributing to an adverse effect on competition (*AEC*), namely:
 - (a) pet owners might not engage effectively in the choice of the best veterinary practice or the right treatment for their needs due to a range of factors including a lack of appropriate information;
 - (b) concentrated local markets, in part driven by sector consolidation, might be leading to weak competition in some geographic areas;
 - (c) large integrated groups might have incentives to act in ways which reduce choice and weaken competition;
 - (d) pet owners might be overpaying for medicines or prescriptions due to a range of factors including a lack of awareness of their options;
 - (e) pet owners might not engage effectively and might lack awareness of their options when a pet dies and as result may be overpaying for cremations; and
 - (f) the regulatory framework is outdated and may no longer be fit for purpose and may currently be operated in a manner that does not facilitate a well-functioning market.
- 1.3 Linnaeus agrees that the regulatory framework for the veterinary profession is in need of reform. We are keen that the industry provides the best possible service across all metrics for customers, but do not believe that any of the other potential concerns are warranted, at least in respect of Linnaeus and its activities. In any event, regulatory reform and enhancement of the RCVS Code, together with the monitoring and enforcement of it, including additional measures to further increase transparency to ensure that pet owners are appropriately informed at all stages of their pets' treatment of the options available to them, should be sufficient remedial action to any potential concerns.
- 1.4 Linnaeus notes the considerable press scrutiny and noise around the veterinary industry and welcomes the CMA's commitment to an evidence-based approach in this Investigation. Linnaeus looks forward to engagement with the CMA in the coming months but makes some initial observations below.

2. Acute challenges facing the veterinary services profession are important context for the Investigation

2.1 Any detailed review of the UK veterinary services industry requires a full consideration of the fundamental tensions with which providers, professionals and other participants are grappling. Demand for veterinary services across the UK has increased significantly during the last decade due to a combination of consumer-driven factors. However, supply-side constraints – such as the critical shortage of veterinary professionals in the UK (especially in primary care) – mean it is difficult to meet this demand. The result has been an industry under significant pressure.

Demand for veterinary services has grown due to a combination of consumer-driven factors

2.2 The UK's pet population has grown significantly in recent years. As of 2023, it is estimated that 57 per cent of households have pets, compared with just 45 to 47 per cent of households in 2012 to 2018.¹

2.3 Alongside this trend, a shift in consumer expectations has led to increased demand for advanced care from veterinary professionals:

(a) **Humanisation of pets** has led to more frequent vet visits in the past decade and increased demand for more complex treatments. As reported by the RSPCA in its response to the CMA's consultation on whether to make a market investigation reference (the *CMA's Consultation*), television programmes (as well as social media) showing advanced and specialist procedures with little reference to cost have contributed to this shift in expectations.²

(b) **Greater prevalence of specialised breeds** that are predisposed to severe health conditions has led to an increase in demand for certain treatments. For example, studies have found that the English Bulldog faces a significantly increased risk of suffering from common health disorders found in dogs, yet the English Bulldog ranked fourth highest in UK Kennel Club registrations by breed in 2020.³

Supply-side constraints – such as a critical shortage of veterinary professionals in the UK – mean it is difficult to meet demand

2.4 Despite increasing demand for veterinary services, the industry suffers from a critical shortage of veterinary professionals.

2.5 The data tells a challenging story. The number of individuals entering the veterinary profession in the UK has been decreasing (based on latest published RCVS figures, 2,782 vets joined in 2019 and 2,119 vets in 2021). Meanwhile, the number of vets exiting the profession in the UK (i.e. either ceasing to practise or emigrating to another country) has been increasing. The RCVS has

¹ PDSA, 'PAW PDSA Animal Wellbeing Report 2024', https://www.pdsa.org.uk/media/14944/pdsa_paw-report-2024.pdf last accessed 19 July 2024.

² RSPCA, 'RSPCA submission to Competitions Markets Authority Veterinary provision consultation', <https://assets.publishing.service.gov.uk/media/664e0883b7249a4c6e9d39db/RSPCA.pdf> last accessed 12 July 2024.

³ O'Neill, Dan, Alison Skipper et al, 'English Bulldogs in the UK: a VetCompass study of their disorder predispositions and protections', *Canine Medicine and Genetics*, <https://cgjournal.biomedcentral.com/articles/10.1186/s40575-022-00118-5> last accessed 15 June 2022.

called the number of vets and vet nurses leaving the profession “*unsustainably high*”.⁴ The net effect has been that the number of veterinary professionals has not kept up with demand (for example, in 2021, the net number of vets entering the profession in the UK was only 268).⁵

- 2.6 A range of factors have contributed to this shortage, which is most pertinent with respect to primary care professionals. Brexit has led to a reduction in the number of qualified professionals migrating from the EU; there has been an evolution in ways of working and the expectations of veterinary professionals (including a desire for more flexible working); and competition for UK qualified professionals has increased globally.

The outlook for the industry and context for the Investigation

- 2.7 Linnaeus expects the industry to remain under significant pressure for the foreseeable future. Yet only one paragraph in the Issues Statement directly acknowledges the continued pressures being faced by veterinary services staff in the UK,⁶ and only two paragraphs mention the shortage in supply of vets⁷. Whilst recognising this is not the primary focus of the Investigation, Linnaeus encourages the CMA to take proper account of this important context in its review and ensure *inter alia* that the implications of any proposed regulatory intervention – should an AEC be identified – are carefully considered and calibrated in light of these pressures.
- 2.8 The veterinary profession, as with any form of front-line healthcare provision, is a highly pressurised environment. The physical and emotional strain on those working within it on a day-to-day basis is significant and mental health is a challenge. In 2021, 45 per cent per cent of vets and vet nurses leaving the profession had been employed for four years or less, with a key driver for departure being lack of job satisfaction.⁸ Linnaeus – like others – invests heavily in the job satisfaction and wellbeing of its veterinary professionals and employees. As a corporate group, Linnaeus has trained mental health first aiders in every practice, a monthly health and wellbeing calendar, a dedicated occupational health service, a confidential employee assistance programme (providing support for issues related to work and/or personal life), a continuing professional development allowance, internal training and know-how databases to which employees have access, as well as many other benefits and services. Nonetheless, it is still the case that the recruitment and retention of veterinary professionals – particularly in primary care – is a considerable challenge for the industry as a whole.

⁴ RCVS, ‘RCVS Workforce Action Plan’, 10 November 2022, <https://www.rcvs.org.uk/news-and-views/publications/rcvs-workforce-action-plan/> last accessed 30 July 2024.

⁵ RCVS, ‘RCVS Workforce Summit 2021: Recruitment, retention and return in the veterinary profession’, 29 November 2021 (updated May 2022), paragraph 5, <https://www.rcvs.org.uk/news-and-views/publications/recruitment-retention-and-return-in-the-veterinary-profession/> last accessed 30 July 2024.

⁶ Issues Statement, paragraph 43.

⁷ Issues Statement, paragraphs 43 and 100.

⁸ RCVS, ‘RCVS Workforce Summit 2021: Recruitment, retention and return in the veterinary profession’, 29 November 2021 (updated May 2022), paragraphs 16-17, <https://www.rcvs.org.uk/news-and-views/publications/recruitment-retention-and-return-in-the-veterinary-profession/> last accessed 30 July 2024.

3. Linnaeus’ customers have the information required to make informed choices for them and their pets, with a full understanding of the options available to them. Linnaeus nonetheless recognises the need for profession-wide adherence to these transparency principles

3.1 The CMA has expressed a potential concern in the Issues Statement that pet owners might not engage effectively in (a) the choice of the most appropriate veterinary practice; or (b) the right treatment for their needs due to a range of factors including lack of information.⁹

3.2 Linnaeus disagrees, as it considers that its customers have the information required to make informed choices for them and their pets. Linnaeus’ business model has historically maintained a level of autonomy for the local brands it has acquired, including with respect to commercial decision-making and day-to-day operations. However, over time, Linnaeus has centrally developed best practice which it seeks to disseminate to local brands, with an expectation (but not a demand) that these will be adopted in day-to-day operations. A number of these relate to the amount of information available to pet owners.

3.3 All Linnaeus practices are accredited by the RCVS Practice Standards Scheme (*PSS*) or are in the process of accreditation.¹⁰ As a result, the RCVS Code of Professional Conduct (the *RCVS Code*) underpins Linnaeus’ best practice approach to transparency throughout the patient journey. For Linnaeus, this approach includes:

(a) at a consultation, a range of potential treatment options being presented to the pet owner, together with fee estimates and an explanation of any associated risks.¹¹ Linnaeus’ best practice is to explain all treatment options in easy to understand terms and provide a service that is personal to the owner.¹² The range of treatment options presented may include, where appropriate, a recommendation for “no treatment” if lifestyle changes, dietary changes and/or a period of monitoring could be beneficial.¹³ The aim is to facilitate a collaborative conversation between the vet and pet owner as to the suitable course of action, taking account of the owner’s circumstances, such that the owner can make an informed decision;

(b) the signing of a consent form by the owner which includes the agreed cost estimate and details of the selected treatment;¹⁴

⁹ The CMA has also suggested that the same explanation might be behind why some pet owners may overpay for medicines or other services (such as cremation).

¹⁰ Linnaeus operates 195 practices, of which 190 are PSS accredited. Linnaeus is in the process of sourcing accreditation for the remaining practices.

¹¹ Reflective of RCVS guidance on Code of Professional Conduct, paragraph 11.2 (<https://www.rcvs.org.uk/setting-standards/advice-and-guidance/code-of-professional-conduct-for-veterinary-surgeons/supporting-guidance/communication-and-consent/>).

¹² This is set out in Linnaeus’ customer charter which is displayed in its practices. Reflective of RCVS guidance on Code of Professional Conduct, paragraph 9.8 (<https://www.rcvs.org.uk/setting-standards/advice-and-guidance/code-of-professional-conduct-for-veterinary-surgeons/supporting-guidance/practice-information-and-fees/>).

¹³ Linnaeus encourages its Associates to give pet owners non-prescription forms which provide an explanation to owners regarding a decision to not use antibiotics when a condition is self-limiting and can be resolved without antibiotics. This aims to highlight the importance of responsible antibiotic use to tackle the issue of antimicrobial resistance (*AMR*). For further information, see: <https://www.vetclick.com/news/linnaeus-launches-safeguarding-antibiotics-campaign-p7891.php> (last accessed 29 July 2024).

¹⁴ Reflective of RCVS guidance on Code of Professional Conduct, paragraph 11.25 (<https://www.rcvs.org.uk/setting-standards/advice-and-guidance/code-of-professional-conduct-for-veterinary-surgeons/supporting-guidance/communication-and-consent/>).

- (c) regular pet health and cost updates to the owner throughout the treatment process; and
 - (d) a clear invoice – consistent with previous conversations and customer expectations – following consultation and/or point of discharge from a practice or hospital.
- 3.4 In relation to medicines (Issues Statement, para 87), Linnaeus’ practices must (and do) display posters explaining to customers that they have choice as to where they buy their prescription medication, i.e. from the veterinary surgeon directly or by obtaining a written prescription to be filled elsewhere. This maintains transparency with customers whilst also complying with the RCVS guidance on the RCVS Code, paragraph 10.2(g).¹⁵
- 3.5 Linnaeus recognises the importance of profession-wide adherence to these principles, hence why information and transparency remedies, such as those previously proposed by Linnaeus, are the appropriate way to address any potential concerns in this area at an industry level.
- 4. Linnaeus – as an integrated group – promotes consumer interests and pet welfare through its investment in facilities and equipment, as well as commitment to the core principles of clinical freedom and contextualised care**
- 4.1 The CMA has expressed potential concerns that large integrated groups might have incentives to act in ways which reduce choice and weaken competition by (a) focusing on more sophisticated, higher cost treatments; and/or (b) keeping related services (e.g. referrals and diagnostics) within the group.
- 4.2 Linnaeus does not consider these potential concerns to be justified or accurate in respect of its business activities:
- (a) Linnaeus does not have any strategy of promoting the use of more sophisticated and expensive treatments. On the contrary, Linnaeus’ investments in facilities and equipment enhance the quality of care available to pet owners – consistent with higher consumer expectations (see **section 2** above) – and the quality of life of their pets.
 - (b) Linnaeus does not have any strategy of self-preferencing its own referral centres within the group. Linnaeus Associates (Linnaeus parlance for employees/staff) at the primary care level have full clinical freedom as to where to make a referral. The data shows that Linnaeus referral centres receive cases from a broad spectrum of primary care practices, and do not receive disproportionate levels of referrals from Linnaeus primary care practices. Where referrals are made, Linnaeus referral centres do not give any preferential treatment to Linnaeus’ primary care practices.
 - (c) Similarly, Linnaeus’ Associates are not incentivised to use Mars’ in-house diagnostic laboratory services provider, Antech. [**Redacted - Confidential**] Linnaeus Associates retain clinical freedom to use the

¹⁵ See here: <https://www.rcvs.org.uk/setting-standards/advice-and-guidance/code-of-professional-conduct-for-veterinary-surgeons/supporting-guidance/fair-trading-requirements/>, last accessed 30 July 2024.

diagnostic laboratory services provider of their choosing. Equally, Antech provides diagnostic laboratory services to third party practices.

Linnaeus investment in facilities and equipment has enhanced the quality of care available to pet owners – consistent with evolving consumer expectations

- 4.3 The investments made in facilities and advanced equipment by Linnaeus have contributed to a broader range of options and a higher quality service for pet owners in the UK – with no associated impact on or compromise of the clinical freedom of Linnaeus’ Associates.
- 4.4 Importantly, Linnaeus *does not* have any strategy, policy or practice of promoting the use of more sophisticated and expensive treatments simply because advanced equipment is available. Linnaeus Associates have no incentive, financial or otherwise, to recommend one course of treatment over another. In line with their ethical obligations, Linnaeus’ Associates will propose whichever treatment options they consider most appropriate for the individual patient (including no treatment), taking into account the principles of contextualised care.¹⁶ These principles of care are captured in Linnaeus’ Customer Charter.¹⁷
- 4.5 By way of example, Linnaeus’ external economic consultants have conducted an analysis of usage of MRI equipment¹⁸ at the **[Redacted - Confidential]** referral centres for which data is available pre- and post-acquisition by Linnaeus: **[Redacted - Confidential]**. The available data – represented in the **figures below** – shows no trend towards increased usage of MRI equipment over time by clinicians, including following Linnaeus’ acquisition of the referral centre in question (denoted on the graphs by the dotted line). **[Redacted - Confidential]**:
- (a) **[Redacted - Confidential]**.
 - (b) **[Redacted - Confidential]**.
 - (c) **[Redacted - Confidential]**.¹⁹

Figure 1: **[Redacted - Confidential]**

[Redacted - Confidential]

- 4.6 In relation to MRI usage specifically, it is common for referral centres to retain other forms of less sophisticated scanning equipment (such as x-ray and CT scan) alongside MRI equipment so that a range of options (each with different price implications) are still available to the pet owner as part of the contextualised care conversation. By way of example, each of the 14 Linnaeus referral centre brands that have MRI equipment also continue to retain and provide CT scan and radiography (x-ray) capability.

¹⁶ See RCVS Knowledge’s materials on contextualised care, available here: <https://knowledge.rcvs.org.uk/evidence-based-veterinary-medicine/contextualised-care/>, last accessed 30 July 2024.

¹⁷ See here: <https://www.linnaeusgroup.co.uk/images/content/docs/Linnaeus-Customer-Charter-2022-Linnaeus.pdf>.

¹⁸ Usage of MRI machines is used as a proxy for “sophisticated, higher cost treatments”, as MRI machines are expensive equipment that are used in a wide range of different complex cases (in particular, in relation to neurological conditions) and for which certain data is available.

¹⁹ **[Redacted - Confidential]**

Linnaeus does not have any strategy of self-preferencing its own referral centres within the group

- 4.7 Linnaeus Associates have full clinical freedom as to where to make a referral and cases are referred to wherever the clinician considers is most appropriate in the circumstances, taking into account a number of factors such as the expertise of the relevant specialists located at each centre, relationships built with relevant specialists based on the quality of treatment / advice provided historically, the affordability for the individual pet owner, the distance to the referral centre and availability (including the speed with which the referral centre will be able to see the patient). Ownership of a referral centre is not a factor in Linnaeus' Associates' recommendation to a pet owner. There are no financial incentives or other targets for Linnaeus Associates to refer to Linnaeus referral centres.²⁰
- 4.8 An analysis of available data shows no evidence of self-preferencing of Linnaeus referral centres and that Linnaeus referral centres do not receive disproportionate levels of referrals from Linnaeus primary care practices.
- (a) First, as shown in **Figure 2** below, Linnaeus' inbound referral data demonstrates that Linnaeus referral centres do not receive disproportionate levels of referrals from Linnaeus primary care practices.²¹ **[Redacted - Confidential]**, Linnaeus' share of referrals generally tracks the local share of supply for the referral centre catchment.²²

Figure 2: [Redacted - Confidential]

- (b) Second, this picture has remained consistent over time. There is no discernible trend of Linnaeus primary care practices increasingly referring to Linnaeus referral centres as they become more embedded within the Linnaeus Group. Although Linnaeus has grown its network of primary care practices in the UK since 2019 (through the acquisition of 58 practices), **Figure 3 [Redacted - Confidential]** on an aggregated level the share of referrals **[Redacted - Confidential]**²³ that Linnaeus referral centres received from Linnaeus primary care practices has remained relatively constant over the same period.²⁴

Figure 3: [Redacted - Confidential]

If Linnaeus was favouring its own referral centres, one would expect newly acquired primary care practices to switch a significant proportion of their referrals away from third-party referral centres to Linnaeus, resulting in an increase over time of the share of referrals coming from Linnaeus primary care practices. This is not supported by Linnaeus' data, which indicates no trend of Linnaeus' acquired primary care practices switching their referrals away from existing providers to Linnaeus referral centres.

²⁰ **[Redacted - Confidential]**

²¹ **[Redacted - Confidential]**

²² **[Redacted - Confidential]**

²³ **[Redacted - Confidential]**

²⁴ **[Redacted - Confidential]**

- (c) Third and finally, a brand-level analysis of **[Redacted - Confidential]** – shows no increase in the proportion of referrals at **[Redacted - Confidential]** from Linnaeus primary care practices following Linnaeus’ acquisition.²⁵ **[Redacted - Confidential]**.²⁶

Figure 4: **[Redacted - Confidential]**

4.9 For the avoidance of doubt – in addition to having no strategy of self-preferencing – Linnaeus notes that its referral centres treat inbound cases from Linnaeus primary care practices in the same way as those received from third-party primary care practices. In other words, customers of third-party primary care practices receive the same level of service as customers of Linnaeus’ primary care practices, and on the same terms. There are no incentives or other advantages (e.g. specialist availability etc.) given to Linnaeus primary care practice referral cases at Linnaeus referral centres.

4.10 This should be unsurprising. Third-party primary care practices make up the vast majority of Linnaeus’ referral centres’ work **[Redacted - Confidential]**. Given Linnaeus has a limited primary care estate and its referral centres rely on third-party primary care practices to be commercially viable, offering a lesser quality of service or otherwise attempting to foreclose third-party primary care practices would make no commercial sense – in addition to being inconsistent with Linnaeus’ values in the first place.

Linnaeus Associates are not incentivised to use Mars’ in-house diagnostic laboratory services provider Antech

4.11 Linnaeus’ Associates are not incentivised to increase usage of diagnostic services by virtue of Linnaeus and Antech Diagnostics Limited (**Antech**) forming part of the Mars Group.

4.12 Linnaeus has entered into **[Redacted - Confidential]** agreement with Antech: the nature of diagnostic laboratory services is such that there are certain efficiencies associated with sourcing them at a group level. However, **[Redacted - Confidential]** Linnaeus Associates remain free to procure diagnostic laboratory services from other third-party providers. As with MRI usage or referrals above, there are no incentives, financial or otherwise, for Linnaeus’ Associates to increase usage of Antech for diagnostic laboratory services.

4.13 Equally, Antech has no incentive to offer a lesser quality service or to restrict the availability of its services to third party practices. Linnaeus owns less than 5% of all veterinary practices in the UK (see below). Foreclosure of third-party practices from accessing Antech’s diagnostic services would make no commercial sense. In fact, the UK market entry of Antech has increased competition for such services, and Antech has already won contracts with a range of third-party practices, including independents (e.g. **[Redacted - Confidential]**).

²⁵ **[Redacted - Confidential]**

²⁶ **[Redacted - Confidential]**

5. Linnaeus sees no correlation between higher local concentration and weak competition in the data available to Linnaeus

5.1 The CMA has expressed a concern in the Issues Statement that concentrated markets, in part driven by sector consolidation, might lead to weak competition in some local areas. Linnaeus does not consider the CMA’s potential concerns to be supported by the evidence:

- (a) any higher concentration of Linnaeus primary care practices is limited to a small number of local areas; and
- (b) available data suggests no evidence of weaker outcomes for pet owners in local areas where there is a higher concentration of its practices.

Any higher concentration of Linnaeus primary care practices is limited to a small number of local areas

5.2 Linnaeus is the “*smallest*” of the “*six large groups*” active in the UK veterinary services space.²⁷ It operates 195 practices representing less than 5% of all veterinary practices in the UK. The next largest group owns almost double the number of practices owned by Linnaeus.²⁸ Linnaeus is not therefore responsible for any meaningful concentration of veterinary practices at a national level in the UK.

5.3 Locally, the number of areas where Linnaeus may potentially have contributed to some degree of higher concentration of primary care practices or referral centres is also limited. Even applying the CMA’s own conservative methodology (focusing on those local areas where a large corporate group has a market share of above 30% and owns at least two vet practices),²⁹ Linnaeus has identified only [**Redacted - Confidential**] local catchment areas where Linnaeus practices may theoretically trigger the thresholds being set by the CMA (applying site-specific 80% customer catchment areas, using imperfect data).³⁰ None of these are areas where Linnaeus-owned practices are the only option available.

5.4 [**Redacted - Confidential**] of the [**Redacted - Confidential**] local catchment areas involve concentration levels that pre-date the acquisition of the relevant practices by Linnaeus.³¹ In other words, the local share of supply in those areas is purely a function of the organic development of the respective local or regional brands prior to their acquisition by a corporate group. It stands to reason that this should be irrelevant to the CMA’s analysis of any link between local concentration caused by corporate groups and weaker outcomes for pet owners and patients. Once removed, this would result in only [**Redacted - Confidential**] local areas being potentially relevant for the CMA’s analysis with respect to Linnaeus.³²

²⁷ Issues Statement, para 30.

²⁸ Consultation document, Table 1.1.

²⁹ Issues Statement, para 61.

³⁰ [**Redacted - Confidential**]

³¹ Relevant brands are [**Redacted - Confidential**]

³² Further, of these remaining local areas, Linnaeus notes [**Redacted - Confidential**].

In any event, there is no correlation between concentration and weaker outcomes for pet owners

5.5 Linnaeus' external economic consultants have used a range of metrics to assess whether there is any relationship between concentration and outcomes, both (a) generally across Linnaeus' estate of practices, and (b) when comparing local areas where the CMA's local concentration filter is triggered (as described in paras 5.2-5.4 above) with those areas where it is not. Based on data available to Linnaeus, multiple indicators point to no fixed relationship between local concentration and weaker outcomes:

(a) First, there is no evidence of a relationship between prices and concentration across Linnaeus' primary care practices. **[Redacted - Confidential]**³³.

Figure 5 – **[Redacted - Confidential]**³⁴

(b) Second, there is no evidence of a relationship between profitability and concentration. **[Redacted - Confidential]**³⁵.

(c) Third, there is no evidence of a relationship between performance and concentration. **[Redacted - Confidential]** There is therefore no evidence that Linnaeus primary care practices that have higher shares of supply are delivering worse quality outcomes for pet owners.

Figure 6 – **[Redacted - Confidential]**

Figure 7 – **[Redacted - Confidential]**³⁶

(d) Fourth and finally, the position is no different when comparing Linnaeus practices which trigger the CMA's local concentration threshold with those that do not. As set out in **Table 1** below, whether analysed on the basis of **[Redacted - Confidential]**, outcomes for pet owners are not systematically worse on any measure. Where there are differences between the two types of local area, these differences are not statistically significant, illustrating further that there is no relationship between areas of concentration (as defined by the CMA) and outcomes.

Table 1 – **[Redacted - Confidential]**

5.6 Linnaeus notes the CMA's stated intention in the Issues Statement to undertake similar local concentration analysis in relation to referral centres.³⁷ Having analysed the same measures of performance and concentration as those described above,³⁸ Linnaeus has identified no evidence of a relationship between outcomes and local concentration with respect to Linnaeus' referral centres.

³³ **[Redacted - Confidential]**

³⁴ **[Redacted - Confidential]**

³⁵ **[Redacted - Confidential]**

³⁶ **[Redacted - Confidential]**

³⁷ Issues Statement, para 64.

³⁸ With the exception of the **[Redacted - Confidential]** as this data is only available for **[Redacted - Confidential]** referral centres.

6. **Linnaeus supports pet owners who wish to source medicines online, but Linnaeus cannot feasibly be expected to meet online pharmacy prices**

6.1 The CMA intends to explore whether pet owners may be overpaying for medicines or prescriptions due to a range of factors, including pet owners being deterred from purchasing medicines from third parties through a lack of awareness of their options, the charging of high prescription fees or by practices only issuing prescriptions for short periods of time. Linnaeus does not consider these potential concerns to be warranted with respect to its own business:

- (a) Linnaeus makes clear to pet owners that they can purchase medicines from third parties and has seen an increase in requests for written prescriptions for use with third parties over time.
- (b) The prescription fees charged by Linnaeus' practices reflect the time, expertise and cost involved in preparing written prescriptions for clients.
- (c) The length of a prescription is a purely clinical decision, for which Linnaeus does not provide any separate guidance to its Associates.
- (d) All veterinary practices, including Linnaeus, face considerable cost disadvantages with regards to medications as compared to online operators.

Linnaeus is transparent as to pet owners' ability to purchase medicines from third parties

6.2 Linnaeus' best practice is to make pet owners fully aware of all available options with respect to all aspects of care. In relation to medicines, this includes compliance with the RCVS transparency obligation to inform pet owners of the ability to purchase their prescription medication from another veterinary surgery or an online pharmacy using a written prescription. Linnaeus ensures clear signs are placed in its practices and information on its practices' websites setting out this information for pet owners (see example below).

Example of Linnaeus written prescription information

“Written prescriptions may be used to obtain medication from another vet or pharmacy. A written prescription does incur a fee; however, we do offer a reduced price for subsequent items that are requested at the same time.”

Sandhole Vets' website³⁹

Prescription fees charged by Linnaeus' practices reflect the time, expertise and cost involved in preparing written prescriptions for the client

6.3 Under the Veterinary Medicines Regulations 2013 (*VMRs*), prescription-only medications must be prescribed by a veterinary surgeon. The CMA's suggestion in the Issues Statement that fees for written prescriptions are “*high*”

³⁹ See here: <https://www.sandholevets.co.uk/contact-us/repeat-prescriptions> last accessed 26 July 2024.

fails to acknowledge that this is a skilled and high-risk service that takes time and must be carried out carefully by a suitably qualified professional.

- 6.4 Whilst each clinician is different, Linnaeus roughly estimates that the work involved for a veterinary professional to prepare a written prescription is approx. 5-10 minutes on average. Typical steps taken to prepare a written prescription include *inter alia*: (a) assessing the patient's details and clinical notes; (b) considering relevant medication options and related matters such as any restrictions, allergies or side effects; (c) preparing and including notes relating to the administration of the medication; and (d) on some occasions, having prescriptions double-checked by another veterinary professional in the practice. Unsurprisingly, these steps can take longer in circumstances where patients request initial or repeat prescriptions months after they were last seen at the practice, as there is a need to revisit notes and consider whether a clinical assessment is required.
- 6.5 Taking these aspects into account and having regard to the veterinary professional time required to prepare a prescription (approx. 5-10 minutes), Linnaeus' average prescription fee of [Redacted - Confidential] for a written prescription across its practices is proportionately in line with or cheaper than its average price of [Redacted - Confidential] for a 15-minute initial consultation appointment with a veterinary surgeon in 2024.⁴⁰ It is simply not the case that these prescription fees are high, relative to the work involved.

The length of a prescription is a clinical decision subject to regulation

- 6.6 The CMA raises a potential concern that veterinary practices may only issue prescriptions for short periods of time, so that the consumer will have to pay for prescriptions more frequently.⁴¹ This potential concern is unfounded and – if pursued – risks undermining the work of veterinary professionals. Whether dispensing in-house or preparing a written prescription for use externally, the length of a course of prescribed medication is solely at the discretion of the responsible veterinary surgeon, taking into account their ethical obligations and the regulations governing their professional conduct (in particular, the VMRs).⁴² It follows that a veterinary surgeon will only issue a prescription for the length of time that they consider is appropriate and Linnaeus' Associates have full clinical freedom in determining this. Linnaeus issues no separate guidance in this area and relies on the clinical judgment of its veterinary professionals.

⁴⁰ [Redacted - Confidential]

⁴¹ Issues Statement, para 88.

⁴² The VMRs require that in order to prescribe prescription medicines a veterinary surgeon must carry out a clinical assessment of the animal and the animal must be “*under their care*”. While the terms “*clinical assessment*” and “*under... care*” are not defined by the VMRs, the RCVS has issued guidance on its interpretation of these terms and the associated expectation of the veterinary professionals it governs. Of particular relevance to the CMA's potential concerns in the Issues Statement, the guidance: (a) makes clear that whether a physical examination is necessary in order to write a prescription is a matter for the veterinary surgeon's judgment depending on the circumstances of each individual case; (b) lists a number of non-exhaustive factors which should be taken into account by the veterinary surgeon when making a decision relating to a prescription, including the health condition and medication in question (including possible side effects), but also “*when the animal was last physically examined by a veterinary surgeon*” (see RCVS Guidance, 4.14(d): <https://www.rcvs.org.uk/setting-standards/advice-and-guidance/under-care-new-guidance/>).

Linnaeus, as with all veterinary practices, faces a considerable cost disadvantage as compared to online operators

- 6.7 The CMA notes that consumers can buy prescription animal medicines from a third-party pharmacy, including online retailers, often at a lower price.⁴³ However, bricks-and-mortar veterinary practices and online pharmacies are entirely different business models. Drawing an analogy with human healthcare, a veterinary practice is more akin to a general practice (**GP**) surgery, whereas online veterinary pharmacies are more similar to warehouse-based retailers and distributors.
- 6.8 The reality is that the costs of providing medicines to pet owners in-practice are substantially higher than those faced by an online pharmacy for several reasons:
- (a) *Veterinary practices' fixed costs are typically higher.* A warehouse for an online pharmacy, for example, could be located anywhere in the country, opening up areas with lower cost rent. By contrast, a veterinary practice must be located near its customers, which often leads to significantly higher property costs within towns and cities.
 - (b) *Veterinary practices have less efficient storage options.* Online pharmacies will store scores of medicines in a central warehouse, whereas a veterinary practice will have much less space available (typically a cupboard or small room) meaning it can only stock small amounts of medicines at a time.
 - (c) *Veterinary practices suffer from irregular take up of medicines.* Veterinary practices need to have certain medicines in stock, even if there is no guarantee of their usage. Particularly for more expensive products, this can lead to significant wastage write-offs.
 - (d) *Veterinary practices will typically manually undertake stock counts, shelfrotation and general workload relating to receiving and organising products following deliveries.* This approach is incomparable to the automated and barcode-based systems typically in place in online pharmacy warehouses and distribution centres. Further, Linnaeus Associates undertaking these activities are not warehouse operatives and sometimes may even necessarily be clinical professionals, driving significantly higher labour costs overall.
 - (e) *Delivery costs to individual veterinary practices are typically higher per product.* In contrast, online pharmacies receive more frequent bulk deliveries of medicines, lowering the overall delivery cost per unit. While Linnaeus procures medicines centrally, deliveries are made to individual sites, increasing costs across the estate. Due to the reduced capacity to store medicines (described above), more frequent deliveries are also typically required.
- 6.9 For these reasons, Linnaeus – and other veterinary practices – cannot feasibly be expected to meet online pharmacy prices.

⁴³ Issues Statement, para 86.

7. Linnaeus is supportive – in general terms – of a profession-wide approach to greater awareness of available options for pet owners following the death of a pet

7.1 The CMA has suggested in the Issues Statement that pet owners might not engage effectively with, and lack awareness of, their options when a pet dies. Consequently, they might be overpaying for cremation services.

7.2 Linnaeus does not own crematoria and procures cremation services centrally with one supplier.⁴⁴ Accordingly, it does not have detailed views on this potential concern as articulated in the Issues Statement. In general terms, Linnaeus is supportive of a profession-wide approach to providing pet owners with greater awareness of the options available to them after the death of their pet would bring consumer benefits and facilitate more informed choices.

8. Linnaeus agrees that the regulatory framework in the UK is in need of reform

8.1 In the Issues Statement, the CMA stated that the current regulatory framework might mean that the sector regulator (the RCVS) has limited leverage over the commercial and consumer-facing aspects of veterinary businesses. The CMA goes on to note that in addition to considering whether there are aspects of the Veterinary Surgeons Act 1966 which could be updated, it will explore whether the current framework could be more effectively applied or enforced so far as it relates to interactions with consumers or potentially other providers.⁴⁵

8.2 Linnaeus is broadly supportive of a change in legislation to extend the RCVS's remit to clinics in addition to individual vets. This would better reflect the modern landscape of the veterinary profession in the UK. Linnaeus has already proposed a number of updates to the scope and enforcement of the current RCVS regulatory framework with this in mind which are reiterated below.

8.3 Linnaeus considers that its best practices enable pet owners to make informed choices for both them and their pets. However, it appreciates that there is more that can be done to ensure such practices are adopted in a unified way across the profession as a whole.

Industry wide commitments, formalised by the RCVS Code, would address the CMA's potential information and transparency concerns

8.4 Linnaeus maintains that information and transparency remedies, such as those previously proposed by Linnaeus, are the appropriate way to address any potential concerns in this Investigation. Linnaeus considers that:

- (a) the publication of entry-point treatment price lists and remedies relating to providing estimates⁴⁶ would address the CMA's potential concerns that pet owners may not engage effectively in choosing between different veterinary practice or treatments, by ensuring that pet owners

⁴⁴ For completeness, [Redacted - Confidential]

⁴⁵ Issues Statement, paras 91-100.

⁴⁶ For example, amending the RCVS Code to formalise the price estimation process for both treatments and medicines by including an estimate with the consent form.

are more informed and can easily compare practices and treatments across practices;

- (b) making ownership of practices clearer through internal and external signage, and through online and offline channels, directly addresses the CMA's potential concerns regarding pet owners' lack of awareness of their choice of different practices and business models in their local area;
- (c) remedies relating to clarifying dispensing fees, medication cost and written prescription fees, in combination with strengthening obligations on raising awareness of alternative channels for purchasing prescription medication, would address the CMA's potential concern that lack of awareness of options may lead to consumers overpaying for medicines or written prescriptions; and
- (d) remedies relating to providing an appropriate range of options to pet owners, and informing pet owners of any relationships between the practice and the supplier of the related service, will address the CMA's potential concerns that veterinary professionals may promote more sophisticated and expensive treatments or self-preference within their groups in ways which reduce choice and weaken competition.

- 8.5 In addition, to the extent that any operators other than Linnaeus use financial rewards to incentivise vets to refer intra-group, formalising the prohibition of incentives (in line with Linnaeus' current practice) addresses any potential concerns the CMA may have regarding some practitioners working for integrated groups.

The RCVS Code should be enhanced to strengthen the RCVS's monitoring and enforcement powers

- 8.6 In line with the proposals already made by Linnaeus, the CMA's potential concerns regarding the effectiveness of the current regulatory framework could be addressed by building upon the RCVS Code and enhancing how it is monitored and enforced. Such enhanced monitoring and enforcement could include:

- (a) a commitment by veterinary practices to self-audit and report compliance with the RCVS Code to the RCVS on an annual basis; and
- (b) agreement by veterinary practices to allow the RCVS to inspect a clinic where it has good grounds to suspect a serious breach of the RCVS Code.

Reforms to the broader regulatory landscape are required to address challenges faced by the veterinary sector

- 8.7 As part of its review, Linnaeus encourages the CMA to address the significant supply / demand challenges facing the veterinary profession (described in **Section 2** above). Linnaeus has identified several key areas where regulatory or legislative reform could assist in the process and where the CMA could stimulate action through recommendations to UK Government:

- (a) First, a transformation in the approach to visas for veterinary professionals from overseas. The UK’s shortage of vets has worsened since 2018 and the number of EU vets registering to work in the UK has more than halved since the UK left the EU, from 1,134 in 2019 to 536 in 2023.⁴⁷ The Skilled Worker visa reforms should be reviewed to consider the impact on the veterinary sector and the government should engage with the sector to determine how best to address the gaps in the current framework to allow more overseas veterinary professionals to enter the UK workforce.
- (b) Second, by expanding the scope of treatments that can be administered by Registered Veterinary Nurses (**RVNs**), to reduce the strain on veterinary surgeons’ time. The RCVS Code and Veterinary Surgeons Act 1966 allow for veterinary surgeons to direct or delegate certain tasks to RVNs⁴⁸ and between 2017 and 2020 the RCVS’s Legislation Working Party undertook a wholesale review of the legislation which governs the veterinary professions, as well as the role of the RCVS in interpreting and enforcing this legislation as the veterinary regulator.⁴⁹ RCVS made recommendations to DEFRA,⁵⁰ with a view to seeking new legislation to replace the Veterinary Surgeons Act 1966, and such recommendations included enhancing the RVN role as follows:
- (i) extending the role to the induction and maintenance of anaesthesia; and
 - (ii) allowing veterinary nurses to undertake cat castrations.
- (c) Third, in addition to expanding the RVN role as set out above, Linnaeus supports the British Veterinary Nursing Association’s (**BVNA**) campaign to protect the title of ‘veterinary nurse’ in law. At present, the title is not protected meaning that anyone (regardless of any training or experience) can hold the title of veterinary nurse. Allowing only those with the relevant qualifications and RCVS accreditation to use the title will ensure a better quality and consistency of care for pet owners when using veterinary services across practices in the UK.
- (d) Fourth, Linnaeus is supportive of the CMA’s suggestion of making changes “*to the regulatory framework about how ‘contextualised care’ is offered and experienced in practice*”. Contextualised care is already a key focus of Linnaeus (see **Section 4** above), but more concrete steps such as requiring veterinary practices to provide training on contextualised care to all practising vets would be helpful in ensuring such an approach is practiced across the industry.

⁴⁷ Letter from Environment, Food and Rural Affairs Committee to the Secretary of State for DEFRA, 7 May 2024. See letter here: <https://committees.parliament.uk/committee/52/environment-food-and-rural-affairs-committee/news/201281/mps-raise-concerns-over-uks-vet-shortage/> last accessed 29 July 2024.

⁴⁸ See 18. Delegation to veterinary nurses, <https://www.rcvs.org.uk/setting-standards/advice-and-guidance/code-of-professional-conduct-for-veterinary-surgeons/supporting-guidance/delegation-to-veterinary-nurses/> last accessed 30 July 2024; and Schedule 3 of the Veterinary Surgeons Act 1966.

⁴⁹ See <https://www.rcvs.org.uk/news-and-views/policy/veterinary-legislation-review/> last accessed 29 July 2024.

⁵⁰ RCVS, Recommendations for future veterinary legislation report, 13 October 2021: <https://www.rcvs.org.uk/news-and-views/publications/rcvs-recommendations-for-future-veterinary-legislation/> last accessed 29 July 2024.

- 8.8 Finally, as explained above, ensuring the continued wellbeing of professionals working in the highly pressurised veterinary services environment is a significant challenge. While Linnaeus (and others) have invested in a range of initiatives to help support and address these challenges (see paragraph 2.8 above), it also recognises that such support mechanisms are not equally available across the profession. Linnaeus therefore considers that more work could be done with industry bodies to provide similar outlets for professional support, regardless of the business model within which professionals are working in the industry. By taking such steps, acute challenges around the mental health and job satisfaction of those working in the profession may be more effectively addressed.

No basis for other forms of remedial action

- 8.9 Linnaeus' investments in its practices, the quality of care and the development of its Associates over the past ten years has brought significant benefits to the UK veterinary services space and the pet owners using it on a day-to-day basis. Linnaeus does not consider that there is any evidential basis to consider that market opening or price/charging remedies are appropriate in this Investigation. Hypothetically, even taking each of the CMA's potential concerns as valid (which is not Linnaeus' view), the package of remedies described in Section 8 would be sufficient to address any concerns.

9. Conclusion

- 9.1 Linnaeus is proud of the service it provides across the UK, building trusted relationships with pet owners and ensuring high-quality care is made available to animals. It does not recognise the concerns being investigated by the CMA in relation to its own conduct, but nonetheless looks forward to engaging with the CMA in the coming months and thanks the CMA for the opportunity to comment on this Issues Statement.