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MEDIVET
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Medivet's response to the CMA's Issues Statement issued on 9 July 2024 (the *Issues Statement*) regarding the Competition and Market Authority's (the *CMA's*) Market Investigation into the provision of veterinary services for household pets in the UK

A. EXECUTIVE SUMMARY

(1) Medivet's experience of the UK veterinary sector is of a market which supports a broad range of providers operating various business models and approximately 5,000 veterinary practices and with strong competition between providers of veterinary services. However, as the CMA has noted, the veterinary sector is undoubtedly "under pressure" and there are some aspects of the market which could be improved (e.g., through updates to the regulatory framework).[1]

(2) Medivet maintains the primary causes of the strain on the veterinary sector are not competition issues and would be better addressed via other means; for instance, the regulatory framework through legislative working groups such as the RCVS / Legislation Working Party and vet shortages through promoting policies which seek to address the current shortages. For some of the CMA's other concerns, Medivet (alongside CVS, IVC, Linnaeus, and VetPartners) offered the CMA[2] a comprehensive remedy proposal during the market review (the proposal is explored in further detail in **Section E** below).[3] The proposal could have been readily implemented to the benefit of pets and their owners and would have avoided the need for a lengthy and expensive market investigation reference. Medivet was disappointed that the CMA did not engage fully with it and the other companies to explore the proposal's potential.

(3) Medivet sets out its comments on the Issues Statement in this response. In summary:

a. Medivet welcomes further transparency of corporate group ownership, presented clearly and being ascertainable on all channels and in all facilities. Given a highly visible branded and integrated estate is already one of Medivet's key differentiators, it welcomes the benefits to consumers that complete transparency across the sector is likely to deliver.

b. Medivet believes the current regulatory framework generally supports customers in achieving the relevant outcomes. Nonetheless, Medivet welcomes engagement with the CMA on ways it could be modernised and outlines the areas where it would support further CMA review.

c. Medivet welcomes the opportunity to present further its unique, first opinion small animal (***FOPSA***) focussed business model. Medivet is principally a FOPSA veterinary services provider with very limited integrated services and so it outlines below why some of the CMA's concerns (e.g., relating to the self-preferencing of services) do not apply to its business.

d. Medivet looks forward to engaging with the CMA to devise suitable benchmarks to measure the outcomes of the investigation. In particular, the CMA needs to ensure it controls for current market conditions, how conditions have evolved and are expected to continue to evolve, and to ensure the CMA's benchmarks are reflective of circumstances outside the control of parties to the investigation.

e. Medivet encourages the CMA to make available to the main parties further data, detail, and the methodologies it has applied to reach its preliminary concerns. It is challenging (if not impossible) for Medivet to meaningfully engage with certain of the CMA's putative concerns (e.g., local

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1 See, for example: Veterinary services for household pets in the UK: Decision to make a market investigation reference, para. 42.

2 On a without prejudice basis.

3 See: CMA vets market review presentation (1 February 2024), slide 8.

concentration) where the CMA has not provided the information necessary for Medivet to interrogate its assertions in any detail.

(4) Medivet's response is structured as follows: (i) **Section B** provides an overview of the history of Medivet's business, its operating model, and its core mission and how these factors drive Medivet's service delivery for its customers; (ii) **Section C** explores in turn each of the CMA's six alleged theories of harm (the ***Theories of Harm***); (iii) **Section D** comments on the appropriate outcomes for the CMA's investigation, analysis, and the appropriate considerations to which Medivet considers the CMA should have regard; (iv) **Section E** outlines Medivet's preliminary observations on the CMA's proposed potential remedies; and (v) **Section F** concludes.

(5) Finally, Medivet urges the CMA to ensure it conducts its investigation proportionately and expeditiously[4] to ensure the process: (i) does not damage businesses' and vets' ability to provide the most appropriate care and service to customers and their pets by diverting valuable resources / attention in a sector which the CMA itself recognises is already stressed; and (ii) results in the right outcome for the sector.

B. BACKGROUND TO MEDIVET

(6) Medivet was founded by a group of vets over 35 years ago as a UK veterinary business. Its core mission is to build a community of passionate vet teams by investing in its people, as well as technology and infrastructure, to provide high quality care and service levels for its customers' pets.

(7) Recognising the key role its staff play in the business, Medivet has been at the forefront of staff-centric initiatives including:

a. being the first veterinary group to introduce the £30,000 starting salary for Registered Veterinary Nurses (***RVNs***) in June 2022 and continues to set salaries for vets based on their experience and any additional qualifications held;

b. an enhanced benefits package, in which Medivet has invested heavily, available across all levels of the Medivet organisation;

c. offering clinicians and employees a wide range of leadership and management positions – including branch partnerships (see below) and providing a diverse range of career options for clinicians and employees across all roles;

d. a focus on training and clinical development, including:

i. a comprehensive training program for clinicians and employees to access, including hundreds of relevant courses and information to support their practice and CPD;

ii. the establishment and operation of clinical communities, which are communication channels where veterinary surgeons can communicate with others who have interests in particular disciplines. This promotes mentorship, knowledge sharing and clinical advancement as developing technologies are reviewed by appropriate clinicians and suitable recommendations are made to the business;

iii. monetary CPD allowances for clinicians and [REDACTED]. Clinicians can also apply to Medivet for additional CPD funding to facilitate completion of more advanced courses or qualifications; and

[4] As the CMA has itself already recognised as being an important consideration. See: (i) Veterinary services for household pets in the UK: Decision to make a market investigation reference, para. 43; and (ii) the Issues Statement, para. 43.

e. opening a new dedicated Support Centre designed for employee personal wellbeing, creativity and motivation in 2023 and between FY22/23 and YTD FY24/25, Medivet has invested £[REDACTED] in its Pride in Clinic programme (with a further £[REDACTED] expected to be invested in FY24/25) that has refurbished 225 clinics to provide great places to work and deliver veterinary care.

(8) Since CVC funds acquired a majority stake in September 2021, CVC has used its deep healthcare-related experience and business acumen to transform and professionalise Medivet's operations. It has brought its expertise to build the Medivet business from the right foundations, by providing support for systems, processes, and clinics in order to transition the business from a 'founder-led' approach to building a better, more sustainable business in the long-term. This professionalisation of Medivet's business has delivered efficiencies by enabling historic owner-veterinarians and other clinicians to focus on clinical tasks, with non-clinical tasks handled by specialists in their particular area (e.g., drug procurement managers being responsible for delivery of medication). Medivet also manages back-office functions (e.g., HR, Legal, Finance etc.) centrally, removing the time and administrative burden from individual clinics. Taken together, clinicians have significantly more time to focus on patients and are able to provide both a better service to patients with enhanced work-life balance for themselves. Consequently, Medivet is now a leading veterinary business focusing on the provision of a broad suite of FOPSA veterinary services in the UK.

(9) **Branch partners.** Medivet deploys a unique "Branch Partner" (***BP***) ownership model. BPs buy into the equity of their practice and clinic profits and costs are split between the BP and Medivet based on the equity split each month. The BP model facilitates further enhanced operational freedom for vets, in particular ensuring BP vets retain full clinical autonomy of their clinics as required by the RCVS Code (defined below), while providing support from the wider Medivet network and back-office support functions. In particular, BPs can focus on providing clinical expertise and leadership while leveraging the commercial and operational experience provided by Medivet to maximise the growth potential of the partnership. Vets can become BPs either upon Medivet's acquisition of a practice, or if they are already working in a Medivet practice as a way of further developing their career. Vet involvement in the leadership of practices, including through the BP ownership model, is a central ethos within Medivet.

(10) **Medivet's structure**. Medivet is primarily active through a network of over 350 Medivet-branded FOPSA clinics. Based on the original vet owners' belief that the most efficient means of FOPSA provision was via a main clinic with satellite sites, Medivet's operating model is based around 26 'hubs', which are associated with 341 'spokes'.[5] Medivet's hubs are typically large FOPSA clinics which operate a 24-hour service (with dedicated night vet and qualified nurse teams on site overnight) to support compliance with the Royal College of Veterinary Surgeons (***RCVS***) code (the ***RCVS Code***).

(11) Medivet's hub and spoke model facilitates Medivet's delivery of clinically appropriate care and has numerous benefits. In particular, the model:

a. allows hub and spokes to cover absences in the event of unexpected staff absences;

b. facilitates the provision of support for more complex cases and giving spokes the opportunity of additional support when required (given hub sites often include more experienced FOPSA vets);

c. facilitates the provision of equipment which is, for example, typically not economical to install at smaller FOPSA sites due to limited usage (e.g., CT scanners, blood gas analysers) but which can

[5] Correct at submission.

be operated from the hub site, including by the clinician from the 'spoke' site if appropriately trained to conduct the procedure themselves;[6]

d. facilitates the provision of 24-hour (OOH) emergency cover as required by the RCVS Code; and

e. provides clients and pets with smoother and more efficient services – their local vet remains leading their case, there is a seamless availability of clinical notes and a single joined up clinical evaluation pathway (as opposed to the process being repetitive due to breaks in the continuity of care between clinicians).

(12) As well as its FOPSA business, Medivet also owns limited related veterinary businesses:

a. five referral centres (and holds a minority interest in another);

b. a veterinary diagnostic laboratory (Lab Services Limited, branded as Medivet Labs); and

c. Complete Animal Care Limited, a veterinary products distribution company.[7]

(13) Medivet does not own crematoria or an online pharmacy business.

(14) **Out-of-hours (*OOH*) services.** To the extent Medivet's sites provide OOH services, these are divided between those clinics: (i) with dedicated 24-hour services which accept patients both from Medivet and third parties; and (ii) which shut after business hours and do not advertise themselves as a standalone OOH provider but are obliged to offer their registered patients emergency cover under the RCVS Code through a nominated OOH provider (be that Medivet or another third party).[8] This latter group should not fall within the CMA's definition of OOH (but rather FOPSA) services given the skeletal, ad-hoc nature of the cover and limited customer base.

C. THE ALLEGED THEORIES OF HARM

(15) The following section sets out Medivet's initial views on each of the CMA's alleged theories of harm. Medivet will reserve its position and / or provide a more detailed response once the CMA has set out its more developed thinking with the underlying evidence.

CMA Alleged Theory of Harm 1: *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*

(16) As outlined in the MIR Consultation response, Medivet is fully committed to high levels of transparency – both internally and across the sector – as a key means of facilitating trust between vets and their customers.[9]

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6 Medivet considers cases moving between a 'spoke' and a 'hub' without a formal referral to a specialist vet to be an internal 'transfer'. In other words, effectively a transfer between locations / departments and an extension of the initial FOPSA practice. Medivet applies this terminology in its response but notes that Medivet may sometimes make reference to a 'referral' in its internal documents when the case is in fact a transfer.

7 Complete Animal Care is not licensed for the sale or distribution of veterinary prescription medicines. For completeness, Medivet also owns TopBuild UK Limited, a maintenance provider which offers fitting and refurbishment services on standard market terms to Medivet and other third parties. TopBuild UK Limited does not provide relevant veterinary services.

8 As required by the RCVS Code, such providers may outsource their OOH provision to another provider (which may be another Medivet practice or any other third party). In choosing the most appropriate OOH provider, veterinarians must ensure that such provision is "reasonable" for customers.

9 See, for example, Medivet's MIR Consultation Response, para. 3.2.

Treatment and pricing information

(17) It is in all parties' interests that customers are provided with the appropriate information regarding their potential treatment options, including pricing. Medivet therefore strives to ensure customers have all the information they need to make informed decisions regarding their pets' treatments.

(18) **Treatment.** Vets are already required to set out treatment options under the RCVS Code. This practice is supported by Medivet's training programme for clinicians and Medivet's embedded commitment to contextualised care (which is featured in each monthly clinical training session). In particular, Medivet reminds vets to present each customer with a range of treatment options tailored to their pet's specific needs and the customer's budget. Medivet does not have treatment protocols which mandate treatment paths for particular illnesses and, consequently Medivet's vets retain full flexibility / clinical freedom when offering customers options.

(19) Medivet regularly conducts internal reviews to ensure that its vets are complying with the RCVS Code and treating pets appropriately. Internal checks include:

a. Clinical audits. Medivet's Divisional Veterinary Directors (***DVDs***)[10] and Quality Improvement Committees[11] review a selection of internal transfers to ensure that appropriate clinical care is provided; and

b. Case review. Each quarter, Medivet's DVDs review a selection of cases from a Medivet 'Division' (a geographic area of the UK over which they have clinical oversight) they do not manage. In addition, the DVDs also review a random selection of cases from all Medivet divisions.

(20) DVDs can identify and escalate any clinical advice or case transfers / referrals which do not appear to be based on the best interest of the patient or customer. In accordance with the RCVS Code, any such cases are escalated for review by Medivet's Clinical Services and Governance Directors. DVDs share best practice across the Medivet business. However, where a pattern of behaviour suggests that transfers / referrals or clinical treatment are not appropriate, Medivet will take action to remedy the issue (e.g., management advice, guidance on the RCVS Code, or, if necessary, suspension of the clinician and/or the clinic's ability to make internal transfers). Also, a whistleblowing regime is in place whereby employees can confidentially report to Medivet behaviour which they do not consider to align with the RCVS Code – including relating to appropriate treatment options. Medivet's employees can also whistleblow directly to the RCVS.

(21) **Pricing.** As outlined in the MIR Consultation Response:[12]

a. Treatment pricing: by default, all Medivet's customers receive estimates and have the opportunity to discuss them before any procedures are performed and Medivet's expectation is that 100% of customers are made aware of pricing for treatments.[13] Due to the unpredictable nature of veterinary care and the way a patient responds to treatment, there will be instances of unforeseen costs. However, in these circumstances, Medivet staff will make a reasonable attempt to inform the owner without jeopardising the pet's welfare. This practice is in compliance with the requirements of the RCVS Code. This is also supported by the CMA's own research which

10 DVDs are qualified vets who review clinical cases and professional standards, as well as spending at least three days per week in Medivet's clinics to observe real time treatment.

11 The Quality Improvement Committees are run at a divisional level and are chaired by the DVDs, with the divisional committees providing feedback to a national board. The national board oversees national audits and shares good practice across Medivet's divisions. Representatives from all roles across the Medivet business are encouraged to join the Quality Improvement Committees.

12 See paragraph 3.2(b).

13 While Medivet does not have a definitive figure, Medivet estimates that approximately [REDACTED]% of its customers have insurance. As such, the only cost of the treatment is any relevant insurance excess (or a price as a proportion of costs for older patients) at the point of use.

showed that the vast majority (80%) of respondents were made aware of pricing before embarking on a treatment program and were provided with cost information before surgery (90%).[14]

b. Contextualised care and pricing: Medivet is aware of the need to provide customers and their pets with contextualised care, with each monthly internal clinical training session for vets featuring an element on the need to provide treatment options which mirror the customer's means (while ensuring vets retain full clinical authority and flexibility to offer treatment options with no mandated treatment protocols set by Medivet); and

c. Medicines: it is Medivet's policy for Medivet clinics to have visible posters in their waiting rooms informing customers of the possibility to take a prescription and buy the medicine elsewhere.[15] The prompt is also contained in Medivet's standard terms and conditions.[16] In addition, Medivet employees are trained to provide advice to customers on finding an alternative, reputable medicine provider. This is supported by the CMA's own research which showed 75% of pet owners were aware they could acquire a prescription online or elsewhere.[17]

Corporate ownership

(22) Medivet agrees with the CMA that corporate ownership transparency is important to facilitate customer choice and price comparisons.[18] Medivet is proud of its brand and committed to readily ascertainable branding on all channels and in all facilities.

a. FOPSA sites. Medivet's FOPSA sites are already 100% branded within-clinic, and Medivet is working to increase its penetration of externally branded clinics to [REDACTED]% by the end of 2024 with a further aim to increase to [REDACTED]% by the end of 2025. Medivet incorporates its external rebranding exercise with its "Pride in Clinics" programme, launched shortly after CVC funds acquired Medivet. This programme focuses on major refurbishments and overhauls to update Medivet clinics and their facilities on a rolling basis. While costs vary across projects, the average cost of each refurbishment is approximately £[REDACTED][19] (of which approximately £[REDACTED] relates to external branding costs where these works are necessary (i.e., signage and graphics)) and takes approximately [REDACTED] to carry out (in addition to approximately [REDACTED] of planning activity before work commences on site).[20]

b. Medivet Labs. Medivet has rebranded Lab Services Limited as "Medivet Labs".

c. Customer communications. It is already Medivet's policy that clinicians make customers aware of instances where their pet will be assessed or treated / operated on at another Medivet facility, with the pet often being transported to / from the other location by Medivet to enhance customer convenience. Medivet regularly reminds clinicians and employees of its company policy to ensure it remains front of mind when clinicians / employees are liaising with customers.

(23) As set out below, Medivet considers there are a number of potential remedy options which could be applied across the sector to ensure all clinics adhere to the same transparency levels as Medivet.

14 MIR Consultation, para 9.
15 Medivet's consultation room posters state clearly that prescriptions can be fulfilled by veterinary surgeons or pharmacies.
16 See https://www.medivetgroup.com/terms-conditions/medivet-terms-and-conditions/, para. 12.
17 MIR Consultation, para. 23.
18 See MIR Consultation Response, para. 3.3(a).
19 Across the Pride in Clinic projects completed in FY23/24.
20 Medivet occasionally completes more significant projects (e.g., involving expansions and relocations) where the cost of completing such projects typically exceeds £[REDACTED] and would be expected to take [REDACTED].

CMA Alleged Theory of Harm 2: *concentrated local markets, in part driven by sector consolidation, might be leading to weak competition in some geographic areas*

(24) The CMA's characterisation of weak local competition does not reflect Medivet's experience across its national network of clinics. For example, figures show that there has been a steady stream of recent entry into the sector – the number of veterinary businesses in the UK grew 4.2% on average over the five years between 2018 and 2023.[21] Such entry incentivises existing players to compete and innovate to retain customers.

(25) Unfortunately Medivet is unable to comprehensively interrogate the CMA's analysis underpinning this alleged theory of harm to evidence this point as the CMA has not reported the data inputs (e.g., postcode districts behind the findings of the CMA on its initial local concentration analysis, type of data used to calculate market shares) or methodology which underpin its preliminary view (e.g., relevance of relying on postcode districts to represent local markets). For example, the CMA states that "*there are some local areas, potentially representing around 12% of postcode districts, where a large corporate group both has a market share of above 30% and owns at least two vet practices*" – at face value, this is objectively not a position which would signal particularly concentrated markets.[22]

(26) To ensure a fair process, it is essential the CMA shares these data and methodological elements as soon as possible so that Medivet can determine whether the underlying drivers, including whether the CMA's concerns are linked to the sector's corporatisation, are valid. The level of detail provided by the CMA does not confirm, for example, whether if a single vet firm owned two out of four clinics in a given postcode district and that firm was then bought by a corporate group not previously active in that postcode district, whether the CMA's 'criteria' would be satisfied notwithstanding there being no reduction in competition from the acquisition. Medivet therefore welcomes the CMA's statement that it will analyse the analyse the "*nature of local competition*" and the "*most appropriate measure(s) to assess the degree of competition in the area.*"[23]

(27) **Limited barriers to entry / expansion**. In Medivet's experience any well-regarded local vet can establish their own practice and win customers as: (i) brands are generally weak in the vet sector (hence why other corporates do not explicitly acknowledge clinics as part of their network); (ii) premises are easy to obtain; and (iii) equipment is relatively inexpensive. Of the potential barriers to entry which could theoretically apply to the veterinary sector, many of these are no different to considerations in other sectors:

a. There are limited sunk costs of market entry. Premises can be rented, and equipment can be resold after purchase, leaving only basic fit out costs which are similar to any other retail unit. Larger pharma or equipment companies are often willing to support new start-ups with equipment or pharmaceuticals to further offset costs.

b. Access to veterinary staff is no more of an issue for new entrants than for established practices. Practices are able to access a pool of locums to supplement their own staff and, as outlined above, vets themselves are most likely to be the entrants themselves in most local areas.

c. Relatively short time span to build up a client base and become economically viable. While revenue per customer varies, Medivet's experience indicates that new greenfield sites (i.e., a new vet operating from new premises in a new area) ordinarily start generating a profit within [REDACTED] of opening.

(28) **Ease of customer switching.** There are few, if any, barriers to customers switching between veterinary practices. Clients can and do move between and/or "mix-and-match" practices based on the competitive parameters they value most (e.g., service levels, expertise, experience, convenience, price etc.). In fact,

21 See https://www.ibisworld.com/united-kingdom/number-of-businesses/veterinary-services/4060/.
22 Issues Statement, para. 61.
23 Issues Statement, para. 62.

vets are under an obligation to ensure that customers and their pets can easily switch pursuant to the RCVS Code.[24] Medivet does not charge any type of "exit fees" and does not have in place any other constraints to customers choosing an alternative provider. In fact, Medivet willingly and promptly shares clinical records with any competing practice who requests them on behalf of a switched client.

(29) Taken together, limited barriers to entry combined with the ease of customer switching fosters strong competition between providers of veterinary services where Medivet is required to consistently provide high quality care to remain competitive.

CMA Alleged Theory of Harm 3: *large integrated groups might have incentives to act in ways which reduce choice and weaken competition*

(30) Medivet does not recognise this alleged theory of harm in relation to its business model. Firstly, Medivet is not a "large integrated group". As set out above, Medivet is almost exclusively a FOPSA business with limited vertically related activities – Medivet only has five referral-only clinics (see paragraph (40) below), with a minority interest in one other referral centre; and (iii) a small diagnostic laboratory, providing laboratory services to Medivet and third parties. Secondly, Medivet is not incentivised in any way to act to reduce choice / weaken competition. To the contrary, the RCVS Code and the extensive clinical freedom Medivet's employees enjoy, encourage strong competition by prioritising the most appropriate patient care over Medivet's financial gain.

(31) Notwithstanding the unfamiliarity of the alleged theory of harm to Medivet, the response rebuts the CMA's key premises below.

(32) **The high cost of some treatments is not the result of weak competition and / or upselling**. The CMA refers to feedback from "*some veterinary professionals*" that the "*provision (and expectation [by customers]) of a 'gold standard' level of care, not necessarily related to the needs and circumstances of the pet owner and pet, was a significant factor contributing to increased vet fees*".[25] It is unclear what weight should be given to this evidence given the lack of data underpinning the statement (e.g., does that share of "*some veterinary professionals"* represent a meaningful group in the sector) and the sources' origins / motivations. However, Medivet does not recognise this practice in relation to its clinics:

a. The overall quality of care provided across the UK veterinary sector has consistently improved in recent years. Improvements in the quality of care provided and the treatments available to customers and their pets do not indicate 'weak competition', rather evidencing how competition is delivering good outcomes for customers and their pets.

   Far from a lack of competition, there is a wide range of sector-wide reasons for the increasing cost of certain treatments, many of which the CMA recognises in its Issues Statement, including:[26] (i) the humanisation of pets; (ii) the TV vet phenomenon which has increased customer expectations; (iii) the increased availability of equipment – in part as a result of corporates investing heavily in this clinical progress; (iv) the increased training and expertise required to operate sophisticated equipment; and (v) technological advances meaning that new treatments might be a viable alternative option for care instead of, for example, doing nothing or euthanasia.

b. Vets must provide veterinary care that is "appropriate and adequate".[27] When adhering to the RCVS Code, Medivet's staff do not offer the option of more sophisticated or advanced treatment because it is the 'gold standard' but because that treatment fulfils the necessary RCVS Code

24 See, for example, para 13.14 of the guidance to the RCVS Code which states that at the request of the customer "veterinary surgeons and veterinary nurses must provide copies of any relevant clinical and client records" which the client can then, for example, present to an alternative vet.

25 Issues Statement, para. 69.

26 Issues Statement, paras. 71 and 72.

27 RCVS Code, provision 1.3.

criteria. Medivet makes its clinicians aware of available treatments (e.g., through clinical training sessions). However, it remains to vets to use their professional judgement to present treatment options which are most appropriate in the management of a case. Where a more sophisticated treatment may be appropriate, Medivet's staff will only present this option alongside a range of other treatment options to foster customer choice with the customer making the final decision. Further, what is considered an "appropriate and adequate" standard of care will evolve over time, such that an approach which may have been considered "adequate" 10-15 years ago may now, for the reasons outlined at paragraph a) above , no longer be considered "adequate". Medivet firmly believes vets are best placed to make this judgment (as opposed to external bodies), based on their training and clinical experience.

c. Medivet's principal price setting driver for treatment is to ensure its costs are covered, including: overheads (which have increased markedly recently, driven by inflation), the cost of maintaining / operating equipment relating to the particular treatment, and payroll / training costs associated with ensuring clinicians have the necessary expertise / experience required to perform any given treatment.

(33) While the Issues Statement focuses on the increasing cost of certain treatments, there are also treatments which have – in relative terms – become cheaper as they have become more widespread. For example, 20-25 years ago an ultrasound would have been an expensive diagnostic treatment only available in a university referral setting but which is now widespread in FOPSA clinics owing to the equipment becoming more portable and compact. Medivet expects many of today's more sophisticated treatments (e.g., CT scans) are likely to follow a similar trend over time. The CMA should therefore have regard to such market pricing trends during its review.

(34) The CMA should have adequate regard to the above reasons in its analysis rather than assuming adverse drivers. Furthermore, to be defensible, the CMA's analysis must consider the correlation between treatment costs / technological advancements and the positive animal health outcomes, rather than relying on "gold plating" as an explanation without further exploration.[28] Finally the CMA should take into account the real-world impact of its investigation when pursuing / publicising its analysis. In particular, Medivet is concerned that the CMA's depiction of these market drivers could already be negatively impacting animal health (e.g., by deterring customers from pursuing the most appropriate treatment options).

(35) **Medivet does not incentivise or prioritise intra-group referrals, only the most appropriate treatments for its patients.** Medivet prioritises patient care in accordance with its values, core mission and the RCVS Code. It therefore does not offer its staff incentives to refer intragroup but trains them to recommend the most appropriate treatment options to customers (whether Medivet-related or otherwise) and then relies on customers choosing the right option for them. Medivet does not systematically track to where clinics make referrals, to ensure that vets feel able to exercise the clinical freedom Medivet accords them.

(36) Even if Medivet were to incentivise its staff to use a Medivet referral centres (which it does not), there could be no conceivable impact on competition as Medivet is a FOPSA-centric business with only a very limited number of referral centres and associated veterinary services – less than [REDACTED]% of Medivet's UK revenue in FY24 was generated from customers referred to one of Medivet's five referral centres from a Medivet FOPSA practice. Consequently, in many cases there is no appropriate Medivet intragroup referral option and so Medivet staff are obliged to use third party providers to ensure appropriate care for their patients.

(37) **Medivet only owns five referral centres (representing less than [REDACTED]% of Medivet's UK revenue (FY24)), with narrow geographic and treatment coverage and insufficient capacity (particularly at the moment when they are understaffed) to service Medivet's requirements on either a volume or specialism basis**. Medivet's ownership of these referral centres pre-dates CVC

[28] Issues Statement, para. 71.

funds' acquisition of Medivet and are of secondary importance and relevance to Medivet's FOPSA-centric commercial strategy:

a. Medivet Crewe Hall, which offers referral-only services relating to veterinary physiotherapy and orthopaedic treatments;

b. Medivet Godstone, a referral-only site for the treatment of oncology, dermatology, cardiology, and ophthalmology conditions. During 2023, Godstone had some short-term intermittent periods of closure,[29] but is in the process of being re-opened with full re-opening scheduled from October 2024;

c. Medivet Referrals East Midlands which offers referral-only services in neurological and spinal surgery, orthopaedic surgery and out-patient diagnostic imaging;[30]

d. Medivet Referrals Sale (Dogwood), which offers the same service as Medivet Referrals East Midlands;[31] and

e. Medivet Orthopaedics Brighouse (Torrington), which is a single-discipline referral service which focuses solely on referral orthopaedic and spinal conditions. [REDACTED].

(38) These referral centres[32] accept referrals from both Medivet clinics and third parties:

a. Medivet prioritises referrals on a "first come, first served" basis, not based on the referring vet / their clinical network. As outlined previously, Medivet's vets are under ethical and regulatory obligations to "*make animal health and welfare their first consideration when attending animals*".[33] Medivet's referral centres cannot – and do not - therefore prioritise patients on the basis that they are referred from a Medivet FOPSA practice.[34] As noted above, information about the referring practice is not systematically tracked and is shared only to ensure the vet accepting the referral can provide the patient with the highest possible standard of care via an open exchange of information on the patient's condition and medical records.

b. Medivet does not as a matter of principle refuse to accept referrals. It would only do so – regardless of the referral's origin – where a capacity shortage would compromise patient care.

c. Even if Medivet were to refuse referrals, Medivet FOPSA clinics and third-party FOPSA providers could easily refer their patients to the wide range of non-Medivet referral centres without their customers experiencing any negative impact on price, quality, or service level – not least given Medivet's referral centres service only a narrow group of treatments and have limited geographic coverage.

(39) For the avoidance of doubt, Medivet's hubs do not qualify as 'referral' centres under the CMA's suggested definition,[35] instead they are primarily used as FOPSA clinics. For customers whose primary FOPSA clinic is a spoke in a hub-and-spoke arrangement, cases may on occasion be transferred to a hub site for

29 Medivet Referrals Godstone offered only peripatetic dermatologist and cardiologist services from the end of October 2023 until April 2024 due to [REDACTED]. Ophthalmology services commenced in June 2024. Specialist led medicine referrals are expected to return in full from October 2024.
30 For completeness, outpatient imaging (e.g., CT / MRI scans) are occasionally performed at Medivet Referrals Sale.
31 Outpatient imaging (e.g., a CT / MRI scan) is occasionally performed at Referrals Sale.
32 Together with AURA, an oncology centre in which Medivet owns a minority stake.
33 RCVS Code, provision 1.1.
34 For completeness, a vet could prioritise a case on the basis only if the urgency / severity of the patient's condition objectively justified it.
35 Issues Statement, para. 20.

treatment but this is generally due to the availability of equipment, staff, and/or opening hours.[36] Occasionally Medivet may transfer a case (i.e., one which does not require a formal referral) to a hub to utilise the skill of another veterinary surgeon; however, the customer's primary vet will ordinarily retain involvement in the case – this process facilitates knowledge sharing and skills development across Medivet.

(40) **Medivet Labs is a peripheral operation and its link to Medivet could not impact competition.** Medivet owns a small diagnostics laboratory, Medivet Labs, which services Medivet and third parties on the same arms-length terms. Medivet Labs accounts for approximately only one third of Medivet's diagnostic lab requirements with two-thirds of Medivet's lab requirements provided by third-party labs. For the avoidance of doubt, Medivet's staff are under no obligation to use Medivet Labs (although they are encouraged to do so) and there are no financial benefits / incentives in doing so.

CMA Alleged Theory of Harm 4: *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*

(41) Medivet does not own any cremation services or have any special relationships with providers of crematoria or related services. Medivet is therefore not in a position to comment in detail on this alleged Theory of Harm. Nevertheless, Medivet would support the sector adopting the same degree of transparency regarding crematoria services as any other FOPSA-related services (including OOH, referrals etc).

(42) Medivet has a preferred third party supplier (Pet Cremation Services)[37] that covers the majority of Medivet's clinics through its network of crematoria. While Medivet considers it to be beneficial for its customers that it can offer the services of an industry-leading pet cremation service, the client can take their pet to another provider if they wish.

CMA Alleged Theory of Harm 5: *pet owners might be overpaying for medicines or prescriptions due to a range of factors including a lack of awareness of their options*

(43) **Medivet is already transparent with customers on their options for acquiring medicines and prescriptions**. As stated above, Medivet is committed to ensuring customers always have the appropriate information and treatment / medication options.[38] Consequently Medivet is transparent with customers, presenting alternative options for purchasing medications / prescriptions (e.g., from Medivet's onsite pharmacy, online pharmacies, from a competing vet, or – in certain circumstances – from a human pharmacy). In fact, the CMA's own research found that 75% of pet owners were aware of the fact they can obtain a prescription for their medication online or elsewhere.[39]

a. It is already Medivet policy to have visible posters in clinic waiting rooms which state that customers can take their prescription and purchase their medicine elsewhere;

b. Medivet employees are trained to provide advice on finding alternative and reputable medicine providers for customers who do not want to acquire medicines at Medivet's clinics and, as Medivet does not own an online pharmacy, Medivet clinicians are therefore neutral and driven only by an objective to provide the most appropriate treatment for the customer's pet; and

36 For the avoidance of doubt, if a case is referred from a FOPSA vet to an alternative vet who happens to be working from a Medivet hub site (i.e., the original vet transfers in its totality the care of the animal) this case would be treated as a referral under the CMA's suggested definition.

37 See https://www.pcsonline.org.uk/.

38 Medivet's MIR Consultation Response, para. 3.3(b)(iii).

39 MIR Consultation, para. 23.

c. Medivet's standard terms include a prompt to remind customers of the options available to them.[40]

(44) **Medivet's medicine pricing covers its costs, as well as the additional costs caused by regulatory requirements.** Medivet sets prices for medicines with reference to two components: (i) the dispensing / injection fee, which accounts for the clinical service provided (e.g., the administration of the medicine, advice to the customer etc.)[41]; and (ii) the cost of the medication from the supplier with an appropriate mark-up to account for overheads (e.g., staff costs associated with ordering, rental costs associated with storage, the cost associated with the proper storage of medication in a controlled environment etc.) and stock wastage (see paragraph (45)d below).[42] Medivet offers a 10% discount on the overall medicine cost to customers on its Medivet Health Plan.

(45) **There are justifiable reasons for the delta between online and in-clinic prescription medication prices.** As the CMA has identified, online pharmacies sell prescription animal medicines to consumers at lower prices than the wholesale price accessible to veterinary practices.[43] However, this price differential is not the result of weak competition but the current regulatory framework which dictates vets' actions:

a. Veterinary practices are limited to purchasing prescription animal medicines from licensed wholesale suppliers. Only premises with a wholesaler dealer authorisation or marketing authorisation can supply prescription animal medicines. Veterinary practices are therefore required to source prescription medicines from licenced wholesale suppliers and are unable to purchase them from manufacturers or online pharmacies.

b. Veterinary practices must prescribe prescription animal medicines where available. The Veterinary Medicines Regulation dictates the 'prescribing cascade'. Where available, vets must prescribe medication licensed to treat the relevant condition in the species of the patient. If not available, vets may prescribe medication licensed for treatment of the relevant condition in another species (where scientific evidence supports this approach). Only as a final option can a vet prescribe generic medication. Failure to follow the cascade is a breach of the Veterinary Medicines Regulation.

c. Online pharmacies are expected to have lower overheads than veterinary clinics:

   i. Staff. While online pharmacies will employ some trained clinicians, they are majority staffed by junior / non-clinically trained workers meaning lower payroll costs compared to veterinary practices.

   ii. Rent and premises. Online pharmacies are normally located outside town centres where rent is cheaper.

d. Online pharmacies sell common prescription animal medicines in higher volumes and more regularly, leading to less wastage.

(46) **Medivet's prescription prices reflect the expertise, experience and time needed to ensure appropriate treatment.** Appropriate medications / dosages depend on various factors including: the patient's relevant condition, the condition's severity, the type of animal (sometimes even breed), patient weight and patient history. For many prescriptions, it takes a significant amount of time to ensure the right prescription is given, including the clinician liaising with their colleagues and / or third-party sources. Medivet's prescription fees reflect these factors.

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40 See https://www.medivetgroup.com/terms-conditions/medivet-terms-and-conditions/, para. 12.
41 For completeness, not all medication includes a dispensing / injection fee.
42 For prescription fees, please refer to paragraph (46) below.
43 Issues Statement, para. 89.

CMA Alleged Theory of Harm 6: *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*

(47) **The current regulatory framework (including RCVS obligations) already facilitates the relevant outcomes envisaged by the CMA.** However, as with all regulatory frameworks, its efficacity could be further improved by regulatory updates to ensure it remains relevant.

(48) Stringent RCVS obligations codified in the RCVS Code currently oblige vets to:

a. ensure treatment recommendations are clinically justified and independent / impartial (i.e., not influenced by any (non-clinical) interest);[44]

b. make adequate and appropriate referrals based on animal health / welfare;[45]

c. explain recommendations to obtain informed consent;[46] and

d. disclose any real or perceived conflict of interest.[47]

(49) The RCVS can suspend or remove vets / nurses from the veterinary register in cases of misconduct, including breaches of the RCVS Code.

(50) The RCVS Code does not cover practices, which fall under the Practice Standards Scheme (the ***Scheme***). The Scheme-accreditation entails an enhanced degree of transparency (and practice standards) as compared to the RCVS Code. Every four years, the Scheme enables the RCVS to inspect practices to ensure they have met a range of minimum standards including hygiene, 24-hour emergency cover, staff training, and certain types of equipment and cost estimation procedures. Practices are also subject to spot-checks during the four-year period. Although it is voluntary, around 69% of eligible UK vet practices are registered participants,[48] including 84% of Medivet's (which far exceeds the average across the veterinary sector).[49] Medivet would support obligatory Scheme membership for all clinics.

(51) **To complement the external regulatory framework, Medivet has established an internal framework to support Medivet's vets' RCVS obligations and achievement of the desired outcomes.** For example, Medivet has robust and clear complaints procedures and governance frameworks. An experienced vet appointed by Medivet's senior executive team oversees these processes to ensure the highest levels of clinical and professional behaviours.

(52) **Medivet and the CMA are aligned in their aspiration to ensure the relevant regulation is clear, current and future-proof.** Medivet therefore looks forward to working with the CMA – alongside other regulatory / governmental stakeholders (e.g., the RCVS) or trade bodies (e.g., the British Veterinary Association) – to achieve this aim by focusing on the following areas in particular:

a. the protection and recognition of the title of RVNs to ensure that members of the veterinary profession and customers understand the importance of this skilled position;

b. reviewing the specific permissions attached to the RVN role to ensure individuals holding this role are fully empowered and their title is protected;

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44 RCVS Code, provision 2.3.
45 RCVS Code, provisions 1.1 and 1.3.
46 RCVS Code, provision 2.4.
47 RCVS Code, provision 2.2.
48 See https://www.rcvs.org.uk/setting-standards/practice-standards-scheme/.
49 Correct at submission. Medivet aims for 100% of clinics to be in compliance with the Scheme. For completeness, Medivet notes that of the remaining ~16% of clinics awaiting accreditation under the scheme [REDACTED].

c. ensuring that animal welfare continues to be made a priority;

d. the use of measures to protect animals from veterinary surgery being performed by unqualified individuals; and

e. supporting the recruitment and retention of veterinary professionals.

D. CMA ANALYSIS, OUTCOMES AND BENCHMARKS

(53) It is in the interests of pets, customers, clinicians and the CMA that the CMA uses appropriate outcomes and benchmarks for its analysis. The CMA has not yet articulated which measurements it intends to deploy and consequently it is not possible to comment meaningfully on the CMA's intended approach. However, the following points will be key to ensuring the robustness of the CMA's future analysis:

a. Price / profitability. While Medivet welcomes the CMA's proposed analysis to assess whether price differentials and trends are consistent with a well-functioning market, Medivet cautions that price is not the principal driver of consumer choice. The CMA has itself recognised there are a broad range of factors which drive a customer's choice of FOPSA practice, including "*location, convenience, or recommendation, rather than considering prices*" (emphasis added).[50] Therefore, while price is a metric on which the CMA is likely to be able to draw inferences and comparisons, the CMA should not put undue emphasis on it.

   Irrespective of the emphasis placed by the CMA on pricing / profits, it is essential the CMA adequately accounts for the market conditions and the specific cost-structures which apply to each practice and which vary geographically across the UK, with costs, for example, in south-east England being higher than elsewhere. In relation to the more traditional measures used to assess price / profits, for example, the analysis on the return on invested capital relative to the weighted average cost of capital, the CMA should ensure the correct metric for the return on invested capital is ultimately applied. On pricing metrics in particular, the CMA should engage with all parties on the appropriate methodology to be applied in a separate consultation strand.

b. Innovation, choice and quality. It is not currently clear how the CMA intends to assess or account for these factors. Nonetheless the CMA should take into account the following initial considerations:

   i. Innovation. The CMA appropriately identifies innovation and quality as good market outcomes, and this is fundamentally true in clinical settings where innovation drives patient outcomes. However, there is an inherent tension between this and the CMA's concern that there has been excessive use of expensive and new treatments. The CMA needs to consider this tension in its assessment of innovation outcomes in the sector.

      The CMA also needs to consider the competitive dynamics behind innovation in the sector. Medical technology firms and pharmaceutical companies (whose activities are outside the investigation's scope) are important drivers of innovation in the market. Veterinary providers are responsible for sustainably rolling out these innovations into the sector in the treatments and services they provide to customers. Any interventions in the veterinary sector that affect how veterinary providers roll out the innovations from medical technology firms and pharmaceutical companies will affect the incentives of the latter to innovate, which in turn will affect the innovation outcomes in the sector. The CMA must therefore carefully evaluate the roles of different businesses in the sector when assessing innovation.

[50] Issues Statement, para. 33.

ii. Choice and quality. Medivet offers its customers both choice and quality. There are many factors which feed into customer choice and the quality of service which may be available across the sector. Some examples include the availability of vets and the impact on appointment availability, whether a customer can contact their vet on the phone (and the response time), and whether clients can easily book appointments (e.g., through an online portal). Internally, Medivet has particular regard to its Net Promoter Score and the associated client feedback. Medivet would welcome further engagement with the CMA on how to cater for choice and quality in its assessment.

c. Additional factors for consideration. In addition to those outlined above, there are further factors to which the CMA should have regard throughout its assessment to ensure the outcomes of its investigation are justified, for example, the role of pet insurance in driving customer behaviour.

(54) When applying these principles, the CMA should ensure it defines its benchmarks with reference to the current market conditions, how these have evolved and are expected to continue to evolve. Furthermore, the benchmarks should reflect the external factors straining the vet sector (e.g., the vet shortage and impact of Brexit).[51]

E. INITIAL OBSERVATIONS ON PROPOSED REMEDIES

(55) As already noted, a package of remedies was presented to the CMA by Medivet and several other companies,[52] wishing to avert an investigation and the potential damage it could do to a sector already strained by external factors. The proposal reflected Medivet's ongoing approach to the investigation more broadly: ensuring the focus is on actions which help customers and deliver greater consumer confidence in the sector and for this to be achieved efficiently, comprehensively, and without incurring significant resource and expense (both for the CMA and the sector). It would already have been implemented, had it been accepted.

(56) The companies – including Medivet - offered to work collaboratively with the CMA on a whole-sector solution to address the CMA's concerns and expressed their willingness, amongst other things, to:

a. make corporate or practice group ownership / association clear and readily ascertainable on all channels and in all facilities (including for related services at the point of referral);

b. self-audit and report compliance with the Code on an annual basis and, to the extent not already provided, agreement to allow the RCVS to inspect a clinic where it has good grounds to suspect a serious breach of the Code (currently, outside of the Scheme the RCVS has to be invited by the vet); and

c. further enhance pricing transparency, for example, by:

i. providing uniform price lists for "entry point" services;[53]

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51 Data released by the RCVS reveal that the annual number of registrants coming to work in the UK fell by 68 per cent from 1132 in 2019 to just 364 in 2021. See: https://www.bva.co.uk/news-and-blog/news-article/uk-s-veterinary-workforce-crisis-deepens-as-eu-registrant-numbers-drop-by-over-two-thirds-since-brexit/ and the RCVS Workforce Summit 2021 "Recruitment retention and return in the veterinary profession".

52 See: CMA vets market review presentation (1 February 2024), slide 8. The Group Proposal was formalised and submitted on a without prejudice basis to the CMA on 21 February 2024 – see: "CMA Review of Vet Services: A comprehensive and timely solution".

53 Medivet considers publishing uniform price lists for certain "entry point" services is likely to be more effective than the publication of "most frequently offered" services, as has been proposed by the BVA (see https://www.bva.co.uk/news-and-blog/news-article/new-bva-guidance-helps-profession-address-cma-concerns-on-transparency-and-client-choice/).

ii. providing customers with written estimates (on consent forms) for treatment and medicines;

iii. informing the client as soon as reasonably practicable (and record in the clinical history) where reasonable grounds exist that the actual cost of treatment will be >25% above the written estimate with reasons (noting that, while instances of unforeseen costs can arise, clinicians will – as they do today – make a reasonable attempt to inform the owner as soon as they can without jeopardising the pet's health as required by the RCVS Code); and

iv. providing a clear delineation of prescription and dispensing fees in invoices alongside medication fees with an expectation of what they cover, in addition to making clients aware of the alternative channels for purchasing prescription medicines.

(57) The proposal, ultimately rejected by the CMA in its decision to make a market investigation reference, would have provided the CMA with solutions to avoid a costly, lengthy, and resource intensive investigation for the CMA, the taxpayer, and the sector.

(58) Since the CMA's thinking and articulation of potential remedies within the Issues Statement remains at an early stage, Medivet intends to engage further with any potential remedies once the CMA has further progressed and advanced its thinking (and evidential basis in support of its proposals). Nonetheless Medivet encourages the CMA to consider the proposal as a basis for any potential remedy discussions and for the CMA to consider carefully the most effective solutions available to maximise outcomes for consumers and their pets.

F. CONCLUSION

(59) Medivet welcomes the opportunity to engage further with the CMA on its preliminary views and intends to continue its positive and constructive dialogue with the CMA. While Medivet hopes to demonstrate to the CMA that many of its concerns are unwarranted – particularly with regard to Medivet specifically, it will work with the CMA to find appropriate and proportionate remedies where evidentially justified.

(60) In the near term, Medivet looks forward to the CMA providing further data and information to allow it to meaningfully comment on the CMA's alleged theories of harm. Medivet also looks forward to open and constructive discussions with the CMA on the setting of appropriate outcomes / benchmarks to ensure the investigation progresses efficiently and the CMA's assessment is made against the appropriate conditions of competition.

(61) As Medivet has set out previously, its overarching aim is to focus on actions which will help customers and deliver improved customer confidence in the sector.

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5 August 2024