

█ response

The █ responses below are numbered in accordance with the CMA Issue Statement

Consultation.

19 – █ is concerned with the pricing of veterinary services and the rising cost of veterinary fees. Whilst it is recognised that developments in treatments and surgical advances provide better care for pets, this has pushed up veterinary costs. The rising cost of veterinary fees has had a knock-on effect on the cost of insurance claims which, in turn, pushes up pet insurance premiums to levels significantly above inflation despite the best efforts of insurers to keep premiums at affordable levels. There is a concern that this may prevent a section of pet owners from being able to benefit from the protection of appropriate insurance cover for their pet(s) and come under significant financial pressure in the event of their pet needing veterinary care.

32 - █ agrees with the statement and it is consistent with our experience of how customers behave in relation to their pets. Vulnerability is a key concern for █ and, within this, we see that there are two real types of veterinary services - those that are sought in emergencies and those that are more 'routine'. Either way, improved pricing transparency would enable customers to make an informed decision in both stressed emergency and routine care situations.

From an insurance perspective, the divergence in the current veterinary approach to transparency of their costs and variance in their prices impacts our customers as many of our policies are sold with a 'policy limit'. █ believes that greater transparency would enable customers to make informed decisions about their veterinary care provider.

38 – █ supports the CMA in their view that change is necessary in the current regulation of the veterinary market to address individuals and practices from a clinical and commercial perspective.

40 - Much of our feedback relates to the availability of information about fees as, in our view, this obligation of the current mandatory Code of Professional Conduct is not met consistently. RCVS regulates the vet practices in their professional capacity, but there is no regulation or control over the amalgamated firms now operating on a corporate basis.

53, 79 & 87 – █ considers there is a limited market for the supply of clinical/therapeutic medicines outside of the treating practice due to low customer awareness and lack of incentive for veterinary surgeries to give up significant income from larger margins from dispensed clinical/therapeutic medicines.

To further impact the lack of choice, veterinary pharmacies using written prescriptions can only dispense the specific drug that the vet has prescribed according to current legislation. If a certain brand is chosen by the vet, only this brand can be dispensed. However, if an active ingredient/formulation is prescribed by the vet, then any appropriate brand that matches that drug (with the ingredient/formulation) can be dispensed by the veterinary pharmacy.

The following are examples of how the current legislation does not promote competition:

- Practising vets often have ties or incentives to promote certain brands over others, which leads them to specifically prescribe brands instead of an ingredient/formulation. This restricts what can be dispensed and customers are often left to pay for a brand that costs significantly higher than other suitable alternatives.
- Our online veterinary medicine retailer has reported a growing number of written prescriptions for own brand medicines by veterinary surgeries that are part of the same corporate group.
- In some cases, own brand medicines can only be ordered through the corporate group's practices or pharmacies, meaning that consumers cannot shop around and this effectively closes the market off for consumers.

■■■■ understands that a remedy was issued by the CMA in the early 2000's that required vets to have on display in their surgeries that states:

"Prescriptions are available from this practice. You may obtain relevant veterinary medicinal products from your veterinary surgeon OR ask for a prescription and obtain these medicines from another veterinary surgeon or a pharmacy. Your veterinary surgeon may prescribe relevant veterinary medicinal products only following a clinical assessment of an animal under his or her care. A prescription may not be appropriate if your animal is an inpatient or if immediate treatment is necessary."

■■■■ remain concerned that this remedy has not had the desired effect as we receive comments from customers of our on-line retail business, some of whom have been buying medication for several years before they come to us, stating that they did not know they could ask for a prescription and go elsewhere. ■■■■ would consider that many of these customers could have saved hundreds or even thousands of pounds if they had been made aware. It would seem appropriate that customers are informed of their right to go elsewhere during any consultation that results in medicines being prescribed, that cheaper versions of medication that

would be equally suitable are available and veterinary practices price lists for common medicines are made available for customers to compare prices.

59 & 60 – It is [REDACTED]'s opinion that customers remain unaware that referral clinics are often vertically integrated into vet groups. This information asymmetry means that customers do not understand they have a wider choice of providers for their pets' medical needs and there is at times a conflict between their best interests and the commercial interests of the vet groups.

68 & 69 – [REDACTED] would encourage the CMA to consider whether the coverage provided by a customer's pet insurance leads some vets feeling less constrained on proposed treatment and prescription of medication when compared to a customer who is uninsured. The concern is that the costs associated with the 'gold standard' level of care for insured customers will push up the cost of pet insurance for all customers to the extent that some may feel they have no other option than to self-insure.

74 – It is [REDACTED]'s experience that veterinary practices are starting to refuse direct claim settlement arrangements with insurers if the cost does not meet a certain threshold. [REDACTED] is concerned that this practice may potentially stop customers from choosing a suitable and required treatment path due to lack of immediate funds and despite having appropriate insurance in place.

One of [REDACTED]'s customers had a recent example of a veterinary practice enforcing a minimum

cost threshold for direct claim settlement:

- Initial treatment costs of £437, which needed to be paid by the customer and then reclaimed from the insurer (despite the veterinary surgery being able to directly settle with the insurer).
- The customer returned for follow up treatment at a further cost of £154, which was again paid by the customer and reclaimed from the insurer.

On both occasions, the costs needed to be paid up front by the customer and claimed back from the Insurer due to a £500 threshold in place for direct insurance claims with the veterinary practice. There are likely to be circumstances where customers will not have the immediate funds available to pay the treatment costs and will be forced take out short-term loans or use high interest credit cards, despite having appropriate insurance in place.

86 – [REDACTED] has conducted research which suggests that (inclusive of prescription fees and any P&P charges) online medication can be sourced with a saving of up to 60%. To this end, the claims experience shows that there is some

variance in prescription fees, often as high as £30 (excluding medication) and therefore [REDACTED] supports the need for improved visibility to inform customer that there are other ways to dispense prescriptions and the costs of providing a prescription.

88 & 104 – [REDACTED] agrees with the concerns described by the CMA and considers that there is limited incentive for veterinary practices to promote choice at a time when customers are considered vulnerable. [REDACTED] also would point out that prescriptions generally tend to cover a relatively short-term period and often result in a repeat consultation for what might be an ongoing condition which is unlikely to change - all at an additional cost to customers. Our claims data suggests a growing trend in the use of injectables (which is likely due to medical advances in recent years), but which also leads to increased visit fees which and points vets 'gold standard' level of care where it may not be always strictly necessary.

We have had reports from customers who claim to have been deterred in purchasing medicines outside of their veterinary practices. These can be broadly broken down into:

Financial deterrents:

- Veterinary practices claim that each medicine must have a separate prescription to make it appear not financially viable to buy outside of the practice.
- Quoting very high prescription charges, again to make it appear not viable to buy outside of the practice.
- Issuing a prescription for a short period (e.g., 1 month) when a prescription could be written for 6 months or more for an established and stable condition.

Non-financial deterrents:

- Writing a prescription for an own brand medicine (when the veterinary practice is in the same commercial group as the online retailer) that cannot be bought elsewhere, despite there being other generic options with the same active ingredient.
- Veterinary practices stating that they could provide a prescription, but that it would have to come from the central group office and it could take a week or more.

It would seem reasonable for customers to expect prescribing to be consistent across the country and that all medicines for a single animal are on one prescription, that the cost of the prescription reflects the time (e.g., 2-3 mins) to write, and that vets will provide a prescription as part of the consultation or immediately thereafter if requested. We would also anticipate customers to expect prescriptions to be written

for as long as is appropriate for the nature of the condition and the medication taking into account whether follow up checks are appropriate etc. A lack of electronic prescriptions sent to directly to customers or held via a central national database also impedes the customers' ability to shop around.

89 – [REDACTED] welcomes the review of the drivers of wholesale price differences for medicines and how margins are set throughout large chains, independent practices, and online pharmacies. This review should ensure that where appropriate, manufacturer discounts are equitably applied throughout the market to avoid significant additional discounts that are offered to large chains.

[REDACTED] looks forward to engaging with the CMA on this topic and is able to provide additional information or clarification as needed. Thank you for your consideration of our response.

Yours faithfully

[REDACTED]