



XLVet UK Ltd
Suite 4,
4th Floor CAI Building
Royal Quays
North Shields
NE29 6DE

+44 (0)1228 711788

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Competition and Markets Authority (CMA)
Veterinary Market Investigation (MI) Team

Dear CMA Vets MI Team,

Response to CMA February 2025 Working Papers on Vets Market Investigation

XLVet UK Ltd (XLV) is a company owned by 67 independent veterinary practices based throughout the UK. Each veterinary practice is an autonomous and separate legal entity owned by veterinary professionals working in that practice, and each practice provides services to their local communities. XLV provides support to these practices and the people working within them.

We thank the CMA team for their very comprehensive working papers and the opportunity to respond and comment upon them. They demonstrate a thorough understanding of a wide range of issues faced within the market and have brought particular clarity to the challenges that can be faced when veterinary businesses are controlled and governed with an unbalanced priority to deliver economic return.

We particularly welcome and support the recognition of need for increased transparency of information for clients in areas of veterinary practice and business ownership, treatment options and prices; new legislation; and an appropriate regulatory balance. These will all support veterinary professionals in their work to support pet owners in the choices that they make regarding the health and veterinary care of their pets.

We note that the work of the CMA has been prompted by the unintended consequences of changes in the ownership of veterinary practices; the influx and involvement of large amounts of capital into the marketplace that requires a return on investment; and the ongoing changes to the social contract that exists between the public and professionals (which is being seen across many sectors).

The CMA Working Papers share the emerging thinking as the investigation unfolds. We can see that the intended consequences of likely emergent remedies, regulation and recommendation will all be proposed with positive intent. Just as the reason for the investigation is a function of unintended consequences of marketplace changes, our thoughts have focused upon the unintended consequences of any remedies, regulations and recommendations occurring as a result of this investigation.

Within the 21 days that we have been able to consider these working papers, this has been our focus of consideration and we are grateful for the opportunity to share our emergent thinking on these matters.

We hope that the following points will support the CMA in the progression of their investigation.

Potential for Asymmetry in Response

The CMA's papers run to many hundreds of pages of information. The papers are interconnected with complex themes crossing over between the papers. A number of the themes and economic models will be unfamiliar to veterinary professionals who own and run independent practices. Key elements of the information upon which market observations are made is redacted. We note that the 16 business working days that have been provided to respond to this large amount of information is necessary for the CMA to keep to its timelines. We can imagine that large corporate bodies have the resources to deploy significant professional expertise to thoroughly examine these matters. We note that it is highly unlikely that many independent veterinary surgeons will have had the resources to commission similar third-parties or make the time to personally read, fully digest and respond in full to the market complexity and economic principles raised by the CMA in their papers. Notwithstanding that all professionals have had the potential to review and respond to these matters in 16 working days, which voices are the CMA hearing giving feedback in response? What balance, or imbalance, exists in the views being heard? What correlation is there between the feedback received and the potential of impact of ultimate remedies, regulatory or market changes to those businesses?

Emergent consideration: We would encourage the CMA to check the balance of feedback they receive and proactively test the impact of all proposed changes on all types of businesses equally. We would encourage the CMA to consider, as far as possible, the unintended consequences that could fall upon all business types and consider the asymmetry of resources available to respond to these consequences.

The role of trust in a well-functioning veterinary market.

It is only through trust that any veterinary professional is able to achieve any meaningful contribution to animal health and welfare. Unless the owner of the animal trusts the veterinary professional, they will not act upon their advice, give the medication prescribed or return for future consultation. We are concerned that whilst the CMA recognise the trust that pet owners place in veterinary professionals, from the economic perspective presented in various places within the Working Papers, trust is seen as a 'drag' on marketplace efficiency, a 'barrier' or even an 'economic embarrassment' to a well-functioning market. However, we would contend that trust is an essential part of a well-functioning veterinary market. When trust exists, time spent on second opinions, unnecessary switching, or hesitancy regarding treatments reduces, potentially lowering overall costs and ensuring quicker intervention in animal health issues. Trust also has asymmetry. It is said to 'arrive walking and leave on horseback'.

In the older social contract that exists in communities between members of the public and professionals who own businesses that provide credence goods, accountability to ensure that the fees being charged are not excessive has been achieved by the members of the public being able to see the lived lifestyle of those professionals. The risk of overcharging is mitigated by being held to account by your local community. It is this feedback loop that corporate practice has broken.

Pet owners value the trust that they build with veterinary professionals. They place significant value on continuity of care. They do not wish to be continually switching and the increased administration of sharing information between different service providers can impact on quality and cost of clinical care. We do not believe that it is appropriate to compare the rates of switching between First Opinion Practice (FOP) and broadband provision. Net promoter score as a tool in veterinary medicine has very limited value: you are asking an owner whether they would recommend the FOP to a good friend or family member, but by attending that FOP, they have already recommended it to their 'best friend'.

Emergent consideration: We would choose to support the CMA to produce a clear articulation as to the role of trust in a well-functioning veterinary market. We would choose to see the development of remedies that empower pet owners to be able to have informed confidence in the trust that they place in veterinary professionals. We would encourage methods of competition that do not incentivise unnecessary switching. We support greater consumer education on treatment options and pricing without mandating disruptive market dynamics that erode trust.

The role of Veterinary Medicines

We agree that transparency around medicine pricing could be improved. However, the inherent complexity in veterinary medicines, especially injectable medications must be acknowledged. Injectable medications can often provide a more assured way of administering medicines, however they require professional oversight due to handling, administration complexities, and safety considerations, rather than purely commercial motivations.

Veterinary medicines are not fast-moving consumer goods. They are licensed products many of which are considered necessary to require prescription from an appropriately qualified and regulated person. It would be ill-advised to see them to be products that are to be consumed in a demand led marketplace. The UK has been seen as a centre of expertise in the regulation, licensing and responsible use of veterinary medicines. We are concerned that the respected work of the Veterinary Medicines Directorate (VMD) to licence and approve medicines based upon 'Quality, Safety and Efficacy' will be compromised by any requirement for them to consider affordability. We urge that any proposed reclassification of veterinary medicines, or reconsideration of the 'cascade', fully considers the impact upon animal, human and environmental health.

We do not believe that the prices set by pharmaceutical suppliers have ever been described as Recommended Retail Prices (RRP). We understand them to be Notional Professional Prices (NPP): *Notional* because a manufacturer cannot stipulate the price that a wholesaler sells them for (once title of goods has been passed to the wholesaler) and *Professional Price* in recognition that the wholesaler is selling to veterinary businesses and not animal owners, and it is from this price that rebate paid to the professional business is calculated.

In the vast majority of cases, wholesalers utilise the NPP as their list price. Veterinary businesses have used the wholesaler list price from which to determine selling price because:

- It has been a more stable price than net net price (as rebate levels have historically moved around more frequently than changes in list price)
- The providers of practice management systems coded their systems to accept automatic price file updates from wholesalers and calculate selling prices from these list prices
- Rebates were historically relatively much lower (there has been considerable rebate inflation in recent years)
- Rebate promised has not always been rebate delivered
- Rebates have sometimes been paid very late

There is evidence for price competition in the marketplace as there is a direct correlation between the products that practices receive requests from clients for a prescription and those where they struggle to purchase at anywhere near the internet pharmacy selling price.

We would suggest that any reports that “the addition of a prescription charge removes any difference between the cost of the medicine online and the cost of the medicine from the practice” is evidence that competition in the marketplace is working. We would note that the cost of the medicine from the practice includes the cost of the prescription. Furthermore, as identified by the Working Papers, the cost of supply for a FOP is higher than for an online pharmacy for many reasons that include the delivery of face-to-face advice integrated with immediate dispensing of medicines that an online pharmacy does not provide.

Emergent Consideration: The availability of affordable medicines and the engagement of veterinary professionals in their correct prescribing, use and oversight is critical to animal and public health. There is opportunity for further conversation between a variety of parties to ascertain potential unintended consequences arising from the potential proposals with the Working Papers. We can envisage standardised but flexible communication tools that veterinary practices can use to clearly inform pet owners of their options without compromising practice efficiency or care quality.

Affordability, accessibility and competition for the provision of Out of Hours (OOH)

From the perspective of both animal and client, a well-functioning veterinary marketplace provides easily accessible 24/7 physical care at an affordable price, delivered by a known and trusted team of professionals.

Regardless of any professional regulatory requirement, community based veterinary professionals have considered the provision of a 24/7 OOH service to their clients a core and integral part of their service offering. However, the full costs of delivering this service, charged at the point of use, could lead to prices that would be prejudicial to animal health and welfare. Rightly, or wrongly, many FOPs have cross-subsided OOH services from marginal income made elsewhere in the business (see below regarding total costs of veterinary care for a pet).

Emergent Consideration: We note the considerable differences between the percentage of FOPs owned by LVGs and independent FOPs that outsource their provision of OOH cover to third parties. We are not surprised that Limited Service providers (LSPs) have little interest in delivering OOH care. We would wish to support the CMA to clarify why those things might be, and what impact any proposed remedies

or regulatory change might have upon the cost of provision of OOH services and the absolute availability of OOH services. We are very concerned that one of the biggest unintended consequences arising from the emergent thinking in the Working Papers is a very large increase in the cost of OOH care to pet owners accompanied with a significant reduction in the provision of OOH services (with all of the ongoing consequences of a lack of competition of provision).

Total Veterinary cost per dog or cat per year

The CMA recognises the differences that exist between FOPs in the nature of the work that they undertake. If our understanding of the data presented in the Working Papers is correct, the spend per animal per year is not an apples-with-apples consideration. For some FOPs the revenue measured and presented will come from the provision of a fuller range of services that includes surgical work (that other FOPs might refer) and OOH work (that other FOPs might outsource).

Emergent Consideration: For a well-functioning market, a pet owner would be able to see the average total cost of veterinary provision from an FOP and the extent of the services that were provided within that cost. We would wish to support the CMA to present market data that shows an apples-with-apples comparison for pet owners that includes the costs of all surgery, all referrals and all OOH costs per dog or cat per year for a client of any given FOP.

Regulatory Framework

We concur with the CMA's findings that current regulatory frameworks inadequately address non-veterinary business ownership. We fully support that this must be addressed. We would caution the potential perception arising from the Working Paper that non-veterinary 'actors' within the veterinary marketplace are not all as equally motivated as veterinary professionals in terms of animal health and welfare. Their contribution to a well-run and properly functioning veterinary business is critical.

We support the recognition of the highly valuable work undertaken by veterinary nurses and, notwithstanding our support for new veterinary legislation, note that a first step would be to ensure that the profession overall is more confident to describe what they can already do under Schedule 3.

A robust and proactive redress mechanism for all clients is essential. We endorse an expanded role for initiatives like the Veterinary Client Mediation Service (VCMS).

We are concerned that other regulatory models are held up to represent ‘best practice’ when there are numerous examples from these models that demonstrate quite the reverse.

Emergent Consideration: We would support the consideration of a full understanding of both the advantages and disadvantages of other regulatory models. This would include the legal challenges faced by the General Medical Council (GMC) in their handling of Physician and Anaesthetic Associates. It might also include an assessment of the impact of Ofsted on retention in the teaching profession. We would support a process of co-design in any new regulations.

Conclusion

Our response aims to constructively engage with the CMA’s investigation, providing our emergent thinking on unintended consequences that could impact upon the professional commitment to animal welfare and client trust, and the commercial realities of running a veterinary practice. We support a balanced approach that seeks to identify both the positive intended consequences of any changes required and also highlight and mitigate the unintended negative consequences. We believe that an approach that:

- appreciates clinical complexity,
- values trust-based relationships,
- ensures appropriate regulatory oversight,
- maintains practical transparency,
- and allows communities to hold to account those that serve them,

will ultimately deliver the healthiest future possible for pet owners, animal health and welfare, veterinary businesses, and those who work within them.

We welcome further dialogue on these topics and appreciate the CMA’s openness of commitment to these same aims.

Yours sincerely

A solid black rectangular box used to redact the signature of Andrew Curwen.

Andrew Curwen
Chief Executive XLVet UK Ltd