IVC Evidensia
Response to CMA Consultation
9 April 2024

1. Introduction

1.1 IVC Evidensia ("**IVC**") is committed to providing high-quality care to pets, empowering pet owners to make the right decisions, and giving veterinary practices and their staff the support necessary to provide the best service to customers and their pets whilst benefitting from clinical freedom.

1.2 If the CMA decides to refer the market for further investigation, IVC looks forward to working with the Panel to conduct a detailed evidence-based assessment and is ready to engage constructively (as it has done with the CMA Case Team) on industry proposals to address any concerns.

1.3 The veterinary profession is modernising rapidly allowing it to respond better to the increase in pet ownership since the Covid-19 pandemic, and increased demand from owners for more advanced and specialised pet care.

1.4 Against that background, as set out at **Section 2** below, there are significant benefits (to both vets and their customers/pets) in belonging to a corporate network such as IVC. Clinics belonging to such networks face effective competition from a wide range of competitors, including independent vets (some of which may belong to associations such as XL Vets (https://www.xlvets.co.uk/who-we-are) and/or buying groups), which are demonstrably able to establish and thrive.

1.5 IVC agrees with the CMA that it is essential for consumers, pets, and the profession that the veterinary market is trusted and works well. In its consultation document, the CMA identifies a number of possible "*concerns*". IVC understands that the CMA's concerns are "*provisional*" (as is necessarily the case at this stage), but it is important to recognise they these concerns are not underpinned by any solid reliable evidence. The CMA in its consultation document has also not reflected the significant body of evidence submitted by IVC (and we assume its competitors) as part of the existing six-month market review. In the event of a Market Investigation Reference ("**MIR**"), IVC would welcome a rigorous analysis of the concerns presented, taking into account the full body of evidence. See **Section 3 below**.

1.6 In particular, IVC does not recognise the CMA's concerns relating to choice of treatments or providers. See **Sections 4 and 5** below. IVC is committed to providing UK customers with a wide range of high-quality care and treatment options (including at different price points), and, where appropriate, greater access to the latest animal care and more animal care time. IVC veterinary professionals are all highly qualified, dedicated and have full clinical freedom to act in the best interests of pets and their owners. IVC is committed to "*contextualised care*" (i.e., providing the right treatment for that particular circumstance for that client). IVC looks forward to working with the CMA to ensure customers can continue to trust their vets to operate in their best interests.

1.7 IVC is therefore disappointed that the CMA is now consulting on an MIR. IVC is concerned that such a prolonged investigation would have serious unintended

consequences in an already challenged sector. In particular, an MIR risks further undermining consumer confidence in the veterinary profession (with adverse effects on animal welfare), exacerbating existing challenges around vet morale/mental health. IVC's clinic-based colleagues have reported an increase in abuse from customers at each stage of the CMA's process (i.e., on first announcement of the review in September and again following the recent publication of the CMA's update). This is clearly impacting mental health and wellbeing in the profession, with potentially serious consequences. See **Section 6**.

1.8 This is especially important in that veterinary services is a clinical profession which provides a vital public service. Public confidence matters not only for the health and wellbeing of pets, but also for transmissible diseases which can be caught by humans (BSE, avian flu, etc.), and for the economy.

1.9 The CMA therefore needs to be mindful of the impact of any MIR – and if it is to make a reference, it needs to aim to achieve an early resolution (well ahead of any statutory deadline).

1.10 It should be relevant here that IVC and four of the other large corporate networks (together accounting for around 50% of vet practices) have already put forward a framework for remedies. There is clearly significant commonality in the industry as to the way forward in addressing possible concerns in relation to transparency and incentives. See **Section 7**. There is also broad support for reform of the regulatory framework. The CMA should look to build on that consensus in the event of an MIR, allowing it to reach an earlier conclusion.

1.11 Finally, whether or not it decides to make an MIR, the CMA should use this opportunity to recommend government action to address the key challenges facing the industry, i.e., the national shortage of vets (due to stress, over-work, Brexit, lack of vet college places, etc.). See **Section 8.**

2. The benefits of corporate ownership (How IVC supports its clinics)

2.1 Whilst independents can and do compete very effectively, there are also significant benefits (to both vets and their customers) in belonging to a corporate network such as IVC. The presence and growth of corporate network reflects this.

2.2 The CMA recognises that "*[t]he expansion of large corporate suppliers creates the potential for significant efficiencies in terms of shared management costs and greater purchasing power, as well as improved investment in diagnostics, sophisticated treatment options, and professional skills development, all of which could provide benefits to consumers*."

2.3 IVC supports its vets to allow them to offer a differentiated offering that provides significant benefits to both vets and customers that choose to use it. Practices choosing to join the IVC network benefit from each of the following – enabling them to provide a better service to customers and their pets:

(i) **Support from central functions**, such as training (including continual professional development - IVC is a market leader on veterinary education); advice on best practice from clinical boards; accounts; HR; compliance; and finance/pricing (to ensure clinics are run sustainably for the benefit of customers);

(ii) **Research and data sharing** advancing the profession by driving new and better treatments to the benefit of animal welfare (including a large number of quality improvement projects within the network) alongside improvements in sustainability;

(iii) **Employee benefits**. IVC is better able to support vets with better and more consistent pay, and benefits including, for example, maternity/paternity leave; sickness pay/leave; flexible working and family-friendly policy improvements (as well as better HR support, and mental health and wellbeing support);

(iv) **Graduate programmes/academies** providing a better pathway to entry to the profession as well as CPD (continuing professional development) through career pathways;

(v) **Help with resourcing**, including locums, and staff recruitment/retention;

(vi) **Area support**, where this is needed, by being able to share people and resources across practices;

(vii) **Investment** in: (a) the latest animal care techniques and technology; (b) practice management systems to improve the customer experience; and (c) property-related capital investment through refit/expansion/relocation. IVC is able to invest in the right equipment in the right places so that customers have options, as part of contextualised care;

(viii) **Charitable initiatives**, such as the StreetVet national charity partnership, as well as more localised charitable community grants. IVC has also spent £3.2m on its Care Fund to support patients and their owners; and

(ix) **Sustainability initiatives,** such as Positive Pawprint.

2.4 Examples of recent IVC investments include:

(i) **Improved salaries and benefits:** more than £50m increase in annual spend since July 2022, including substantial increases in pay;

(ii) **Capex investment at** >**£36m (FY2023)** into new healthcare services, solutions, and technologies, with the associated support, guidance and training. These investments are about improving the quality and choice of treatment available to pets and their owners;

(iii) **Training and continuous development** (c. £12m invested per annum); and

(iv) **Opening of Blaise hospital in Birmingham:** a new state-of-the-art referral hospital treating 10,000 pets p.a. and requiring an initial investment of £10m.

2.5 Such investment in people, equipment, facilities, research, etc. supports wider choices for consumers and better clinical outcomes for their pets.

3. The CMA does not cite any reliable evidence to underpin its "*provisional concerns*"

3.1 The CMA consultation identifies the following five categories of possible "concern". The first three relate to the market as a whole (i.e., they apply to both independent practices and to practices which form part of corporate network), whereas the last two are more focused on corporate network:

(i) "*Consumers may not be given enough information to enable them to choose the best veterinary practice or the right treatment for their needs*" ("**Transparency**");

(ii) "*Pet owners might be overpaying for medicines or prescriptions*" ("**Cost of Medicines**");

(iii) "*The regulatory framework is outdated and may no longer be fit for purpose*" ("**Regulatory Framework**");

(iv) "*Concentrated local markets, in part driven by sector consolidation, may be leading to weak competition in some areas*" ("**Local Concentration**"); and

(v) "*Large integrated groups may have incentives to act in ways which reduce choice and weaken competition*" ("**Incentives of Corporate Groups**").

3.2 The CMA recognises that each category of concern is only "*provisional*". The CMA does not cite any reliable evidence to underpin its "*provisional concerns*".

3.3 In particular, in finding its "*provisional concerns*", the CMA largely relies on the following evidence:

(i) **The Call for Information ("CFI")** - which consisted of online questionnaires for pet owners, people who work in the sector, and other interested parties. The

CMA relies on the results of the CFI when finding "*provisional concerns*" in relation to Transparency and Incentives of Corporate Groups, but is clearly aware of the limitations of this type of evidence. The CMA notes in its consultation document that *"although we received a very large number of responses to our questions, the CFI was not a statistical survey and, as such, the evidence we obtained from it cannot be taken to be representative of the experiences of pet owners and the vet sector as a whole*" (emphasis added).

(ii) **Provisional Assessment of Local Concentration** - this is a high-level analysis that is based on postcode areas. The CMA recognises that postcode areas may not be appropriate for this purpose and that it would instead need to take "*into account customer location and willingness to travel, before reaching any firm view on competitive conditions in individual local markets*". In addition, the CMA has not made any assessment as to whether local concentration has resulted in limited competition (and a correspondingly poorer outcome for consumers). The CMA nonetheless relies on its postcode analysis when finding "*provisional concerns*" in relation to Local Concentration.

(iii) **Qualitative Consumer Research** - which consists of in-depth interviews with 64 pet owners. The CMA uses the findings of its qualitative research to substantiate the scale and prevalence of its "*provisional concerns*" in relation to Transparency (noting some inconsistencies with the results of the CFI), the Incentives of Corporate Groups and the Cost of Medicines. This is not an appropriate use of qualitative evidence. Well-designed qualitative consumer research has a role to play in providing insights and generating hypotheses to understand customer behaviour. However, consumer research with 64 pet owners cannot be used as if it were quantitative evidence representative of 16 million pet owners in the UK. In addition, aspects of the methodology of this particular research do not follow best practice and will likely lead to biased and unreliable results.

3.4 It is also worth noting that the CMA appears to have been selective in terms of what it has chosen to highlight from its consumer research. On Transparency, for example, that research suggests that customer and pet needs are varied and that customers often feel adequately informed to support their choices.

3.5 The CMA in its consultation document has also not reflected the significant body of evidence submitted by IVC (and we assume its competitors) in the course of its six-month review.

3.6 In the event of an MIR, it would clearly be important for the CMA to take into account the full body of evidence on the issues.

4. IVC is committed to "*contextualised care*" and does not steer customers towards more expensive treatments/diagnoses

4.1 The CMA does not suggest that vets are providing treatment that is not appropriate/clinically justifiable.

4.2 Part of its "provisional concern" as to Incentives of Corporate Groups, however, is the suggestion that they may have an incentive to steer consumers towards more

sophisticated/expensive treatments. The CMA suggests that such incentives arise because such networks (a) have invested in expensive equipment; and (b) own related services (such as diagnostic labs and referral centres).

4.3 The CMA also suggests that vets belonging to large corporate networks are likely to have financial incentives to recommend related services.

4.4 Again, the CMA does not provide any reliable evidence that this happens in practice. It instead relies on: (a) responses to the CFI (see above); (b) a single isolated comment made in response to a 2019 Royal College of Veterinary Surgeons ("**RCVS**") survey; (c) undisclosed evidence that some vets may be offered incentives based on the performance of the wider network; and (d) concerns expressed by insurers.

4.5 These concerns do not reflect our experience of the highly qualified professional staff that IVC employs. IVC clinical teams are supported to deliver exceptional veterinary care having the independence to tailor diagnostics and treatments to the needs of each individual patient and owner. In relation to IVC at least, there is no basis for the CMA's concerns:

(i) **Strict RCVS obligations require all vets to act with clinical freedom and impartiality**. RCVS guidance makes clear that this prohibits vets from allowing "*any interest in a particular product or service to affect the way they prescribe or make recommendations. This is the case whether the interest is held by the veterinary surgeon themselves, their employer, or any other organisation they are associated with*".

(ii) **Consistent with the RCVS guidelines, IVC does not provide incentives to vets to recommend veterinary products or services**. The CMA suggests it has seen some evidence that vets "*could be incentivised to use in-group services to increase group financial performance*". IVC does not offer any incentives to veterinary surgeons and nurses based on the performance of the wider network.

(iii) **The data is not consistent with there being a systemic pattern steering consumers towards more expensive treatments/diagnosis**. IVC data (as shared with the CMA) shows: (a) on a like-for-like basis the total number of diagnostic procedure patient transactions has fallen significantly over the last two years; and (b) only a very small percentage of patients receive a referral to a specialist vet and/or referral centre, with a declining trend of referrals to IVC centres.

4.6 IVC is instead committed to "*contextualised care*". Contextualised care means taking an approach which is appropriate considering the overall circumstances of the pet and its owner (e.g., budget constraints and the owner's ability to properly care for an animal). The CMA notes "*that the concept of 'contextualised care' is currently a prominent topic in the veterinary sector and that this appears to represent a welcome initiative in assisting consumers to get the outcomes that are best for them and their pet*".

4.7 This is reflected in IVC's customer feedback (as shared with the CMA). IVC regularly monitors its quality of service. All customers are sent a survey to gather Net Promoter Score ("**NPS**") feedback after consultation and IVC receives c. 45,000 responses per

month (c. 20% response rate). Overall customer satisfaction is very high – with NPS ratings that are objectively high compared to other consumer-facing sectors. In particular, customers rate IVC highly in terms of the clinician explaining the treatment options available to them and keeping them informed of costs.

4.8 IVC is concerned about any suggestion that vets do not act in the best interests of customers and their pets, and looks forward to working with the CMA to ensure consumers can continue to trust the advice and treatments they receive from veterinary practitioners.

5. IVC vets do not have incentives to refer intra-network

5.1 The CMA suggest that large corporate networks have "*strategies to encourage clients to use services owned by the same group*".

5.2 Again, the CMA relies on responses to its CFI in finding its "*provisional concern*".

5.3 The CMA expresses its concern in relation to "*[specialist] referrals, diagnostics, out-of-hours and cremation services*". There are distinctions between the different activities that the CMA is considering here that have not been factored into the assessment so far. In particular, some of these activities (diagnostics and cremation) are typically **B2B** services that are provided to the vet practice and directly to the pet owner, whereas other activities (specialist referrals) are **B2C** services provided to the pet owner. Out-of-hours services are often provided **B2B** to a practice to allow it to contract out its RCVS obligation to make out-of-hours services available (albeit the service is then billed directly to the pet owner).

5.4 The CMA's concern around encouraging clients to use services owned by the same group should not relate at all to **B2B** services.

5.5 In any event, in IVC's experience there is no basis for such a "*provisional concern*" given:

(i) **As above, strict RCVS obligations require all vets to act with clinical freedom and impartiality**.

(ii) **Consistent with the RCVS guidelines, IVC does not provide incentives on vets to refer customers to IVC specialists**.

5.6 Veterinary surgeons employed by IVC will make referrals only after discussing and agreeing with customers on the most suitable referral centre. The referral decision is driven by clinical considerations and not by any ownership considerations. Customers are informed that they have a choice as to which referral centre they select.

5.7 In the event of an MIR, IVC would look to work with the CMA to ensure similar best practice is repeated throughout the industry.

6. The CMA needs to be mindful of the impact of any MIR on the profession – and work to achieve an early resolution (ahead of any statutory deadline)

6.1 The CMA market review is already having serious unintended consequences for a sector that faces significant challenges. IVC is concerned that a prolonged investigation would further exacerbate existing challenges around:

(i) Vet morale/mental health (this is a profession that has high rates of suicide and serious mental health disorders) – with adverse effects on retention/recruitment at a time of acute staff shortages (see further below); and

(ii) Consumer confidence in the veterinary profession, and indeed confidence of veterinary professionals to deliver optimal treatment – with adverse effects on pet welfare.

6.2 In the event the CMA is nonetheless minded to conduct an MIR, IVC would therefore urge the CMA to report well ahead of the statutory deadline. As set out below, there is already a framework for remedies which would facilitate this.

6.3 IVC would also encourage the CMA to focus any investigation on a narrow set of core issues. IVC agrees with the CMA that pet insurance does not need to be included in the scope. IVC is doubtful that it is necessary to extend the scope of the investigation to cover birds and exotic pets but sees this as less likely to impact on the overall scope of an MIR.

6.4 The CMA also needs to be careful not to express unsubstantiated concerns where doing so has the potential of putting further undue pressure on vets and creating further negative unintended consequences. For example, suggestions that vets are not providing independent and impartial advice are likely to result in some vets feeling wrongly constrained in the medical recommendations they make, to the detriment of their patients (i.e., pets).

7. IVC and four of the other large corporate networks (together accounting for around 50% of vet practices) have already put forward proposals which would address the CMA's concerns

7.1 As cited in the CMA consultation document (and in order to avoid a prolonged investigation with the unintended consequences cited above) the five corporate networks voluntarily offered remedies including:

> "*providing a price list for common treatments to facilitate comparison between clinics; (where not already offered) providing written price estimates in advance of treatments; (where not already offered) providing explanations for the treatment plan proposed, and, where there are multiple equally appropriate treatment options, explaining these; making clear which groups own FOPs and referral services (at the point of referral); removing certain incentives (where these incentives exist) to refer consumers to referral centres or for diagnostic procedures within the same company group; and providing written information on any fees charged relating to prescriptions and the option to get a prescription and purchase medicines elsewhere. These groups have also proposed a number of*

measures relating to compliance with the remedies that they consider will encourage adoption by other practice groups and independent vets."

7.2 This set of remedies would address the CMA's concerns on Transparency and Incentives of Corporate Groups. They do not address Local Concentration, but IVC does not believe there is any evidence to suggest this is an issue in practice. There is therefore already a proposed solution to most of the concerns the CMA might look to identify through an in-depth investigation. As outlined above, this is further reason for the CMA to work to an early resolution.

8. The CMA should take the opportunity to look to address key challenges facing industry, i.e., shortage of trained staff

8.1 The key challenge facing the industry is a national shortage of vets (due to lack of vet college places, Brexit, work/life balance challenges, etc.) leading to stress, over-work and even to individuals leaving the profession (further fuelling the challenge).

8.2 Rather than looking to have an in-depth investigation, the CMA should use this opportunity to recommend government action to address this – in particular:

(i) To provide **additional university and college places** for veterinary studies and greater funding for veterinary students, to make getting qualified more accessible. A November 2022 RCVS Workforce Action Plan notes that: *"the number of vet schools, vet school places and higher education institutions delivering nurse training continue to increase, and these courses are well populated. However, despite the popularity of vet and vet nurse training, we are still seeing a shortfall compared to demand for veterinary services […] Between 2019 and 2022, the number of vets joining the Register per annum fell from 2,782 to 2,020"*[1] - a decline of more than 25%, despite growing demands on the profession. This is in part because UK veterinary schools are admitting an increasing number of international students (who are more likely to return overseas to practice), to make up for domestic funding shortfalls with unregulated international fees (as their average cost per student significantly exceeds income per home student);

(ii) To adjust current arrangements to facilitate the **hiring of vets from overseas**. The RCVS Workforce Action Plan emphasises that the supply shortfall in veterinary services is also "*in part due to the impact of the UK leaving the EU and the decline in the number of overseas registrants, particularly from EU countries […] Between 2019 and 2022, […] the proportion of new registrants who qualified in the EU fell from 53% in 2018 to 23% in 2022*";[2] and

(iii) To **reduce regulatory limits** on para-professionals, especially veterinary nurses, to enable them to carry out more clinical tasks (i.e., administering vaccines) and free up vets to undertake more specialist tasks. The RCVS Workforce Action

[1] RCVS Workforce Action Plan, November, 2022, pp. 8 and 31. Please see also oral evidence on vet shortages delivered to the Environment, Food and Rural Affairs Committee of the House of Commons on 12 March 2024 (link), including by Dr Christine Middlemiss, Chief Veterinary Officer, Government Veterinary Services, among others.

[2] RCVS Workforce Action Plan, pp. 8 and 31.

Plan points out that "*veterinary nurses need to be given opportunities to use their full range of skills and be provided with options for consistent training and career progression*," given that "*not feeling valued (60%), […] and dissatisfaction with career opportunities (40%) were some of the key reasons that people wanted to leave the VN profession*."[3]

8.3 Alternatively, if the CMA is minded to proceed with an in-depth investigation, it is key that it focuses on these issues.

[3] RCVS Action Plan, pg. 27. Data source: RCVS Survey of the Veterinary Profession, 2019. See further the RCVS preliminary report on recruitment, retention and return in the veterinary profession, May 2022, pg. 31.