

## ABI response to Competition & Market Authority review of veterinary sector

### *The UK insurance and long-term savings market and the ABI*

*The Association of British Insurers is the voice of the UK's world-leading insurance and long-term savings industry.*

*A productive and inclusive sector, our industry supports towns and cities across Britain in building back a balanced and innovative economy, employing over 350,000 individuals in high-skilled, lifelong careers, two-thirds of whom are outside of London. Our members manage investments of £1.6 trillion, pay over £17.2 billion in taxes to the Government and support communities and businesses across the UK by enabling trade, risk-taking, investment and innovation.*

*We are also a global success story, the largest sector in Europe and the fourth largest in the world. The ABI represents over 200 member companies, including most household names and specialist providers, giving peace of mind to customers across the UK.*

### Are you completing this questionnaire as an individual or on behalf of a third party organisation?

- As an individual
- On behalf of a third party

1. On behalf of a third party.

### Please tell us the name of the third party and its interest and/or experience of the veterinary services market

2. Association of British Insurers.
3. With no NHS for pets, pet insurance provides peace of mind to pet owners that should anything happen to their pet, they will receive the support they need. Pet insurance covers the cost of veterinary treatment, liability costs if a pet injures a third party, indemnity if a pet dies or is lost, as well as providing other benefits such as 24/7 access to free vet helplines and guidance on improving a pet's welfare. The pet insurance sector works closely with the veterinary services market to ensure pets receive the care they need when they fall ill or suffer injury and that pet owners are supported. It is important that this relationship continues to work smoothly and that the veterinary services market operates as well as it can.

### Do you think that the veterinary services market is currently working well for pet owners and/or veterinary practices?

- Yes
  - No
  - Don't know
4. No. We do not think the veterinary services market is currently working as well as it could be for pet owners. Our key concerns with the veterinary services market can be broken down into following categories:

#### *Pricing of veterinary services*

5. The insurance industry has for many years raised concerns about pricing of veterinary services and increases in veterinary fees. We acknowledge that significant medical and surgical advances and expanding treatment options in recent years come at a higher cost and these impact the fees vets charge customers for their services. We also understand that, as with many sectors, the veterinary services sector is affected by the current high inflation environment, facing increased costs for items such as medication, surgical supplies and utility bills and the current shortage of vets within the UK has increased staffing

costs.

6. However, the increase in the cost of veterinary services has had a knock-on impact on the cost of insurance claims, which impacts the price of pet insurance. Cover for the cost of veterinary treatment is a core part of the pet insurance product. The latest ABI figures show that insurers paid out a record £1 billion in claims in 2022 – the equivalent of £2.8 million a day. This is an increase of over 30% on the amount recorded five years ago. The average cost of a claim for a dog is £777, but the cost of covering ongoing conditions can run into thousands of pounds over a number of months or years.<sup>1</sup> While insurers use a range of different factors to accurately price the risk of each customer and determine pet insurance premiums including by type of animal, breed, age, claim history and any previous/ongoing conditions, the cost of pet insurance largely reflects the cost of veterinary treatment/services. Increases in cost of veterinary services places an upward pressure on the cost of insurance, as insurers need to ensure they are able to continue to meet the cost of claims and provide customers and their pets with the care they need.
7. Therefore, we would welcome action aimed at addressing the rising cost of veterinary services. Insurers work hard to ensure their products and services are affordable, deliver good customer outcomes and act in their customers' best interests. Pet insurance provides peace of mind to pet owners, knowing they will be covered for the cost of potentially high veterinary bills should their pet need treatment and helping their pets to live longer, healthier lives. If no action is taken to address rising veterinary costs, it runs the risk of causing severe consumer detriment if pet owners find themselves unable to afford veterinary treatment or access the range of services pet insurance can provide.
8. In addition to a general increase in cost of veterinary services, insurers have observed a number of other issues related to the pricing of veterinary services:
  - 8.1. **Lack of standard rates for common treatments** - Insurers have observed differentials and inconsistency in pricing for the same or similar treatments. There does not seem to be any clinical best practice protocols or standard rates for common treatments. Some veterinary practices publish price lists for the most common treatments, however, many do not, or are often reluctant to share this information. We believe there could be more transparency in pricing of veterinary treatments within the practice and on practice websites.
  - 8.2. **Increase in referrals and duplication of costs** – Insurers have observed an increase in vet referrals which may result in a duplication of costs. For example, a pet owner may take their pet to local veterinary practice who will carry out various diagnosis tests, procedures, x-rays and scans. They will then refer the customer to a specialist vet, who may repeat the same tests, x-rays and scans, adding to overall cost the owner has to pay.
  - 8.3. **Differences in treatment between insured and uninsured pets** - Insurers have received feedback from their customers that vets often ask if a pet is insured and how much the insurance covers prior to any treatment being administered. Vets naturally want to give an animal 'gold standard treatment' and may feel unconstrained by cost if the client has an insurance policy. There does not seem to be any transparency to compare insured and non-insured bills. Greater transparency on how much veterinary services charge customers would be useful to see if there is any difference in costs.
  - 8.4. **Changes in invoicing practices** - Insurers have observed changes in invoicing practices and more services being added as extra charges, where previously they would not have been. For example, lab results interpretation or post-operation consultations which were previously included in diagnosis or surgery costs are now charged separately, but without a reduction in diagnosis or surgery costs. Some vets also have different categories of fees depending on state of a pet's welfare (e.g. a different fee may be charged depending on if pet is stable, unstable or critical). Some insurers have observed a small number of vets undertake a practice known as 'pot-switching'. Maximum benefit pet insurance policies provide a fixed amount of money (a pot) for each condition to help pay for pet's treatment. 'Pot switching' is where a condition is treated up to its maximum pot value, and then a similar condition pot is opened almost immediately to continue treatment.

#### *Consolidation in veterinary services market*

9. Changes to veterinary services business models and recent consolidation in the veterinary services market is a key concern

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<sup>1</sup> <https://www.abi.org.uk/news/news-articles/2023/6/insurers-paid-out-over-1-billion-to-protect-pets-in-2022/>

for insurers. It is a factor that is impacting how well the veterinary services market is working as it has meant reduced choice for consumers and higher prices for treatment.

10. Since legislation concerning ownership of veterinary practices was relaxed at the turn of the century, business models have changed substantially. Many veterinary groups and chains have emerged supported by private equity investment and venture capital. While many veterinary practices have kept their independent appearance, new capital and investment has the effect of introducing stronger profit drivers into the sector. This includes needing to deliver return on investment when purchasing new diagnostic equipment. This has also meant consolidation in veterinary services market which has resulted in the majority of veterinary practices now being run by a small number of corporate groups.
11. The impact this has had on consumers and consumer choice is significant. While this has given consumers access to a greater range of treatment options, due to increased availability of advanced technology within these larger organisations, it has also restricted consumer choice. Some veterinary practices do not specify if they are part of a larger group or not. On occasions, they continue to trade, and are branded, as the original practice even though they are now part of a larger group. Consumers may therefore be unaware that they might be getting different fees or expertise within the same group. Consumers could be provided with more information that details if a practice is within a larger group, and if so which other practices/ locations are within the group.

#### *Arrangement of prescriptions and medications*

12. There is a lack of awareness among consumers that they do not have to opt for the medication offered by the vet at the point of prescription. They may not know the other options they have, such as using an online pharmacy which often provide medication at lower cost than vet practices. It is not clear how often vet services make owners aware of the option to use online pharmacies. This leaves consumers with limited choice apart from obtaining medication from the practice at higher costs.
13. Some consumers are aware that they can get medication from online pharmacies at a lower cost. They obtain a written prescription from their vet, but most vets charge a fee for this prescription. The amount varies between practices as opposed to a set prescription fee across the UK.
14. We have concerns that the pricing differential between online pharmacies and a vet practice is significant. Some veterinary groups have their own online pharmacies, yet they may continue to sell prescription drugs at the much higher 'mark-up' price via the practice, which is detrimental to consumers.
15. Consumer awareness could be improved if costs for the most common prescriptions or medications were publicised, so this is transparent against what online pharmacies are charging for the same item(s).

#### *Using out-of-hours and emergency veterinary services*

16. We understand that there may be less provision of out-of-hours or emergency veterinary services, so costs related to these services may be higher. However, insurers have encountered practices that state they do their own out of hours service, but do not always have appropriate staff on the premises. We believe that that if a pet is not well enough to go home, then a vet or registered vet nurse needs to be on the premises. In summary, we believe there could be tighter controls over out of hours providers.
17. We believe that treatment options available, including out of hours services and costs, could be discussed with pet owners in advance, and they could be advised of other Out of Hours vets who might be able to help.

#### **Do you have any suggestions as to how the market could be improved?**

18. Proposals from the CMA that will help to improve consistency and transparency in the veterinary sector would be welcome. We have the following suggestions as to how the market could be improved:

#### *Increased standardisation of pricing for veterinary services.*

19. There is a lack of standardisation in the veterinary services market with similar treatments varying in price between practices. The CMA could consider whether lessons could be learnt from other healthcare sectors or models, For example, the NHS

dental model where there are various treatment bands (i.e. Band 1, Band 2, etc) which help to provide some insight and transparency to customers on pricing. The CMA could consider how more standardisation for common veterinary treatments/procedures and medications can be achieved as this will help make it more transparent to customers and assist them with making an informed choice about the options available when their pet is ill or injured.

*More transparent communication by vets with customers*

20. There is often a lack of awareness of costs, treatment, medication options, virtual appointments or provision out-of-hours/emergency services among customers. Ultimately, customers are focused on getting their pet better and are reliant on the vet, as the expert, in what can be a stressful situation. There is a lack of awareness that customers do not have to opt for the medication offered by the vet there and then. They may decide to opt for this for convenience or for urgency, but they may not know the options and especially considering repeat prescriptions, where timeliness is less of an issue.
21. The CMA could consider how vets can better inform their customers of the potential costs of veterinary treatments, their options for medication and provision out-of-hours services, so that they can make informed choices. In addition to increased transparency on costs and treatment options, it is important that customers are provided with information if a practice is within a larger group (and if so which other practices/ locations are within the group).

*Increased consistency between veterinary practices*

22. We believe that the Royal College of Veterinary Surgeons (RCVS) could potentially take a more prominent role in improving consistency of treatment between practices by setting out minimum practice standards for vets. A starting point might be to make the RCVS [Practice Standards Scheme](#) compulsory rather than voluntary and make it easier for customers to know if a practice is part of the Scheme or not. For example, by publishing this information on their Find a Vet service. Another option could be for the CMA to consider making all veterinary practices have customer charters or customer service metrics to show how they are working in customers interests.
23. The CMA could also consider how the complaints process could be reformed. Currently, there is no independent complaints body that pet owners can turn to if they have a complaint about cost of services or services provided by veterinary practice. The CMA could consider whether another body, other than the RCVS, would be more appropriate to handle complaints about veterinary practices.

*Increased investment in veterinary services sector*

24. The current economic situation is putting a huge amount of pressure on frontline veterinary teams. Factors such as increased workloads as a result of staff shortages and the rise in pet ownership in recent years has affected the level of service practices can provide. To help ensure that the veterinary industry is able to continue to support the welfare of pets we believe that more needs to be done to increase the number of vets within the UK. Increased investment in the veterinary services sector, in particular to address staff shortages, would help alleviate pressure practices are facing.

**Is there anything else you would like to tell us about the veterinary services market?**

**Should we wish to do so, would you be happy for the CMA to contact you for more details?**

25. Yes. The insurance industry is keen to engage with the CMA to ensure the veterinary services market works as well as possible for consumers. We would be happy to facilitate any meetings between the CMA and insurers to discuss the veterinary services market in more detail.